



Prospectus



DATE OF ISSUE: 31 DECEMBER 2009

Lead Transaction Advisors
MBEA Brokerage Services (Uganda) Limited



Co-Lead Transaction Advisors
Databank Financial Services Limited
(Regulated by the Securities & Exchange Commission, Ghana)



Co-Transaction Advisors
Dyer & Blair Investment Bank Limited
(Regulated by Capital Markets Authority, Kenya)



Lead Sponsoring Broker
MBEA Brokerage Services (Uganda) Limited

Co-Sponsoring Broker
Dyer & Blair Uganda Limited

CAUTION A copy of this Prospectus has been delivered to the Capital Markets Authority ('CMA') for approval and to the Registrar of Companies for registration. The securities offered have not been approved or disapproved by the CMA. Prospective investors should carefully consider the matters set forth under the caption "**Risk Factors**" in Part 1, page 23-24 and the unaudited financial statements as at 30 September 2009 in Appendix IV of the Prospectus.

Permission has been granted by the Capital Markets Authority to offer to the public the ordinary shares that are the subject of this Offer. As a matter of policy, the Capital Markets Authority does not assume responsibility for the correctness of any of the statements made or opinions or reports expressed or contained in this Prospectus. Approval of this Prospectus by the Capital Markets Authority is not to be taken as an indication of the merits of the Company or of the shares. This Prospectus is issued by the Privatisation and Utility Sector Reform Project (PUSRP) of the Ministry of Finance, Planning and Economic Development under the Public Enterprise Reform and Divestiture Act (Cap.98) and by the Directors of National Insurance Corporation Limited ('NIC' or the 'Company') under the Companies Act, and includes information given in compliance with the requirements of the Companies Act (Cap.110) Section 382 (1) as amended, the Capital Markets Authority Act (Cap.84), the Rules and Regulations of the Capital Markets Authority and the Rules and Regulations of the Uganda Securities Exchange Limited.

In accordance with the Capital Markets Regulations SI. 84-2 Part II, Regulation 7 and Listing Rules paragraph 1 (3), the Directors of NIC, whose names appear on page 49 of this prospectus, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with facts and does not omit anything likely to affect the import of such information.

The ordinary shares to be sold pursuant to the Offer will carry the right to participate in all future dividends to be declared and paid on the ordinary share capital of the Company. The shares rank *pari passu* in all respects with the other shares of NIC and each share carries one vote at the General Meeting of shareholders.

This application to list will open for Five (5) weeks at 12:00 hours on 31 December 2009 and close at 17:00 hours on 05 February 2010.

National Insurance Corporation Limited			
Incorporated in Uganda under The Companies Act (Cap. 110) and licensed by The Uganda Insurance Commission			
Offer for Sale			
OF UP TO 161,552,000 ORDINARY SHARES			
OF UGX 5 EACH AT UGX 45 PER SHARE			
PAYABLE IN FULL ON APPLICATION			
Share Capital Following the Sale			
Authorized		Issued	
Nominal value	Number	Nominal value	Number
UGX 3,000,000,000	600,000,000	UGX 2,019,400,000	403,880,000

The application to list has been submitted to the Uganda Securities Exchange Limited ("USE") and permission has been given to list the ordinary share capital of National Insurance Corporation Limited, under the abbreviation "NIC", comprising in aggregate up to 161,552,000 ordinary shares of UGX 5 each as part of the whole issued share capital of UGX 2,019,400,000. 161,552,000 ordinary shares are currently held by the Government of Uganda (GoU), while the Industrial and General Insurance Plc holds 242,328,000 ordinary shares. Admission to the Official List of the USE is expected to become effective 25 March 2010. Monies paid in respect of any application accepted will be returned if the Listing does not become effective. The USE assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed or contained in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of the Company or of the shares. Any person wishing to apply to purchase the shares now being offered, on the Opening Date, should obtain a copy of this Prospectus from any participating Authorized Selling Agents (i.e. Licensed Broker/Dealers, Receiving Bankers and Foreign Brokers listed in Appendix VII of this Prospectus. They should first read this Prospectus, paying particular attention to the Terms and Conditions of Application for shares in Part 7 of this Prospectus, and then complete the enclosed Application Form, making sure it is returned before the Closing Date detailed on the Application Form together with the appropriate remittance.

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Note: Investors are hereby requested to note the inclusion in Appendix IV of NIC’s unaudited financial statements for the period ended 30 September 2009; which are disclosed in addition to the audited financial statements for the years 2004 to 2008 contained in the Accountants’ Report in Appendix II.

Advisors to The Company

LEAD TRANSACTION ADVISOR

MBEA Brokerage Services (Uganda) Limited

44 Lumumba Avenue, Nakasero
P.O. Box 24613, Kampala, UGANDA
Tel: +256 414 231960
+256 312 260011
Fax: +256 414 342045
Email: info@mbea.net
Web: www.mbea.net

CO-LEAD TRANSACTION ADVISOR

Databank Financial Services Limited**

61 Barnes Road, Adabraka
Accra, GHANA
Tel: +233 21 691 404
Fax: +233 21 669 100
Email: opoku-gyamfi.boateng@databankgroup.com
Web: www.databankgroup.com
** Regulated by the Securities and Exchange Commission, Ghana

CO- TRANSACTION ADVISOR

Dyer & Blair Investment Bank Limited**

Loita House, 10th Floor Loita Street,
P.O. Box 45396-00100
Nairobi, KENYA
Tel: +254 20 324 0000
Fax: +254 20 324 0114
Email: shares@dyerandblair.com
Web: www.dyerandblair.com
** Regulated by the Capital Markets Authority, Kenya

LEAD SPONSORING BROKER

MBEA Brokerage Services (Uganda) Limited

44 Lumumba Avenue, Nakasero
P.O. Box 24613 Kampala, UGANDA
Tel: +256 414 231 960
+256 312 260 011
Fax: +256 414 342 045
Email: info@mbea.net
Web: www.mbea.net

CO-SPONSORING BROKER

Dyer & Blair (Uganda) Limited

Rwenzori House, Ground Floor
1 Lumumba Avenue, Nakasero
P.O. Box 36620 Kampala, UGANDA
Tel: +256 414 233 050
Fax: +256 414 233 050
Email: shares@dyerandblair.com
Web: www.dyerandblair.com

LEAD FOREIGN BROKER

Auerbach Grayson and Company Incorporated

330 Madison Avenue
25 West 45th Street
New York City, NY 10017 USA
Tel: +1 212 557 4444
Fax: +1 212 557 9066
Email: Jonathan@agco.com
Web: www.agco.com

** Regulated by Securities and Exchange Commission USA

LEAD RECEIVING BANKER

Stanbic Bank Uganda Limited

Crested Towers, Short Tower
17 Hannington Road
P.O. Box 7131 Kampala, UGANDA
Tel.: +256 312 224 600
Fax: +256 414 254 293
Email: ugandainfo@stanbic.com
Web: www.stanbic.com

JOINT LEGAL COUNSEL / TRANSACTION LAWYERS

Mugenyi and Company Advocates

King Fahd Plaza
P. O Box 5600
Kampala, UGANDA
Tel: +256 414 341 498
Fax: + 256 414 234 642
Email: hamugenyi@yahoo.com
Web: www.mugenyinco.com

UNDERWRITER

Industrial and General Insurance Plc

Plot 741, Adeola Hopewell Street
Victoria Island Lagos, NIGERIA
Tel: +234 -1-2622919 / 6215001
Fax: +234 -1 -2621146/2610406
Email: info@igi-insurers.com

REPORTING ACCOUNTANTS'

PricewaterhouseCoopers (PwC)

Communications House, 9th & 10th
Floors, 1 Colville Road
P.O. Box 882, Kampala, UGANDA
Tel: +256 414 236 018
+256 312 354 400
Fax: +256 414 230 153
Email: pwc.general@ug.pwc.com
Web: www.pwc.com

Masembe, Makubuya, Adriko, Karugaba and Ssekatawa (MMAKS) Advocates

3rd Floor, Diamond Trust Building
P.O. Box 7166 Kampala, UGANDA
Tel: +256 414 251388/ 259 920
Fax: +256 414 259 992
+256 312 260 017
Email: info@mmaks.co.ug
Web: www.mmaks.co.ug

PUBLIC RELATIONS CONSULTANT

Vantage Communications Limited

Plot 17, Cooper Road
P.O. Box 26401 Kampala, UGANDA
Tel.: +256 414 510 391/ 237 203
+256 312 262 965
Fax: +256 414 510 391
Email: sales@vantagecom.net
Web: www.vantagecom.net

ACTUARIES

QED Actuaries & Consultants (Pty) Ltd

Aon House 28 Fricker Road, Illovo
Road 2196 Johannesburg, SOUTH
AFRICA
Tel: +27 11 380 9000
Fax: +27 11 944 8154
Web: www.qedact.co.za

REGISTRARS

Deloitte (Uganda) Limited

Rwenzori House, 3rd Floor
1 Lumumba Avenue
P.O. Box 10314
Kampala, UGANDA
Tel: +256 414 257 399
Fax: +256 414 343 887
Email: geopiyo@deloitte.co.ug
Web: www.deloitte.co.ug

“Act”	The Companies Act (Cap. 110)
“Actuary”	Person who is a member, Associate or Fellow of a professional institute, faculty, society or association of actuaries, recognised as such by the relevant regulatory body and who is authorized by that institute, faculty, society or association to certify actuarial valuations of Life insurance business
“AGM”	Annual General Meeting
“Application Form”	The application form for the NIC shares on Offer
“Auditors”	Deloitte & Touche Certified Public Accountants
“Authorized Selling Agents”	Licensed Broker/Dealers, Receiving Bankers and Foreign Stockbrokers
“Bankers Cheque /Draft”	A cheque/draft issued by a licensed Commercial Bank
“Board of Directors”	The members of the board of NIC
“BoU”	The Central Bank, referred to as ‘Bank of Uganda’
“Claim”	A demand by the insured for an indemnity or benefit under the policy
“Closing date”	05 February 2010, being the last day for receipt of applications for shares.
“CMA”	Capital Markets Authority
“Company” or “NIC”	National Insurance Corporation Limited
“Commission”	Fees paid to a broker or insurance agent being compensation for procuring insurance business for National Insurance Corporation Limited
“Cover”	The insurance provided by the insurer for the insured or reinsurer for the reinsured
“Directors”	The persons named on page 49 as Directors of the Company
“DRIC”	Divestiture and Reform Implementation Committee as established by the Public Enterprise Reform and Divestiture Act (Cap.98)
“Foreign Lead Broker”	Auerbach Grayson & Company
“GBP”	Great British Pound. The official currency of the Great Britain
“GoU”	The Government of the Republic of Uganda
“IGI Plc”	Industrial and General Insurance Plc
“Insurance”	A mechanism whereby the risk of financial loss is transferred from an individual, company, organisation or other entity to an insurance company
“Lead Advisors”	MBEA Brokerage Services (Uganda) Ltd, Databank Financial Services Ltd. Ghana and Dyer & Blair Investment Bank, Kenya
“Listing”	Admission of the shares to the official list of the Uganda Securities Exchange
“Legal Counsel”	Masembe, Makubuya, Adriko, Karugaba, and Ssekatawa (MMAKS) Advocates and Mugenyi & Company Advocates
“Offer”	The Offer for Sale to the general public of up to 161,552,000 ordinary shares of a nominal value of UGX 5 each, the subject of this Prospectus.
“Offer Price”	UGX 45 per share
“Opening Date”	31 December 2009, being the first day of acceptance of application for shares
“Prospectus”	This Prospectus dated 31 December 2009
“Premium”	A portion of the gross premium relating to the period of insurance specified in the policy
“Policy”	This is a written document evidencing the contract between the insurer and insured.
“PU”	The Privatisation Unit of the Ministry of Finance, Planning and Economic Development
“PUSRP”	The Privatisation and Utility Sector Reform Project of the Ministry of Finance, Planning and Economic Development
“Receiving Bankers”	All commercial banks authorized to distribute the Prospectus and application forms, and to receive completed application forms and corresponding monies
“Registrars”	Deloitte Uganda (Company Secretarial Services)
“Reporting Accountants”	PricewaterhouseCoopers

Terms & Definitions

“SHA”	The shareholders agreement between GoU and IGI Plc
“Shares”	Ordinary shares having a nominal value of UGX 5 each in the share capital of NIC, the subject of this Offer
“The Corporation”	National Insurance Corporation established as a Statutory Corporation under the National Insurance Corporation Act (now repealed)
“The Capital Markets Authority Act”	The Capital Markets Authority Act (Cap 84)
“The Companies Act”	The Companies Act (Cap 110)
“The Insurance Act”	The Insurance Act (Cap 213)
“The Land Act”	The Land Act (Cap 227)
“The PERD Act”	The Public Enterprises Reform and Divestiture Act (Cap 98)
“Lead Sponsoring Broker”	MBEA Brokerage Services (Uganda) Limited.
“Co-Sponsoring Broker”	Dyer & Blair (Uganda) Limited.
“Co-Lead Transaction Advisors”	Databank Financial Services Limited, Ghana.
“Lead Transaction Advisors”	MBEA Brokerage Services (Uganda) Limited
“Co-Transaction Advisors”	Dyer & Blair Investment Bank, Kenya.
“USD”	United States Dollar, the official currency of the United States of America
“USE”	Uganda Securities Exchange Limited
“UGX” or “Ushs” or “Shs”	Uganda Shilling, the official currency of the Republic of Uganda

MISSION STATEMENT

NIC will be the provider of high quality insurance and risk management services in Uganda and the region, applying industry best practices while remaining profitable and socially responsible.

VISION

The vision of National Insurance Corporation Limited is to be the region's premier insurance company where highly motivated, innovative and competent professionals deliver risk solutions designed to maximise value and benefits to all stakeholders.

Letter From The Chairman

Dear Investor,

On behalf of the Board of Directors of NIC, it is my pleasure to present this Prospectus to you. The Offer for Sale of 40% of the shares of NIC is aimed at providing the investors with an opportunity to own shares in a leading insurance company in Uganda.

The listing of NIC is another milestone in the privatisation programme embarked upon by the Government of Uganda in year 2004 when Government through the Privatisation and Utility Sector Reform Project (PUSRP) of the Ministry of Planning Finance and Economic Development transferred 60% of the shares of NIC to Industrial and General Insurance PLC., the largest capitalised insurance company in Nigeria. It is hoped that this offer will promote broad share ownership among the people of Uganda, and help to deepen the capital market so as to attract greater international portfolio investment.

The Corporation which was established in 1964 has been recently re-branded into a major corporate and repositioned as the insurance company of choice in the insurance sub-sector. NIC has the reputation for exceptional competence in the delivery of customer-centric services and has won awards for product innovation. NIC has witnessed tremendous growth since its privatisation in 2005 due to the introduction of customer-centric products and service excellence. Within three (3) years of privatisation, NIC's gross premium income grew by over 100% from UGX 6.5 billion in 2005 to UGX 13.7 billion in 2008. Within the same period, profit after tax grew from UGX 981 million in 2005 to UGX 2.6 billion in 2008. The Company has consistently paid dividends since 2005. NIC is one of the most profitably run company and largest insurance company by net assets. NIC has a strong network of branches across the country with over 10 branches and area offices and over 24 outlets nationwide.

The Board of Directors takes responsibility for the information contained in this Prospectus, prepared in accordance with Capital Markets Authority (Prospectus) Regulations (S I 84-2) and the Uganda Securities Exchange (USE) Listing Rules. We have sought to provide prospective investors with not just the basic facts and figures about the company but also with a clear idea of who we are and what we hope to achieve in the medium and over the long term.

This Prospectus sets out the details of the Offer for Sale and the listing of the ordinary shares of NIC on the Main Investment Market Segment of the Uganda Securities Exchange. We encourage you to read the full prospectus to obtain a better understanding of the rewards and risks of investing in NIC. I recommend that potential investors seek professional advice where necessary.

On behalf of the Board of NIC, I look forward to welcoming you as a shareholder of NIC.

Yours sincerely,



OLUREMI OLOWUDE
Board Chairman

We hereby declare that all information stated in this Prospectus and the statements contained in the Prospectus are correct, neither the Board of Directors' minutes, audit reports or any other internal documents contain information, which could distort the interpretation of the report.

We, the directors of NIC whose names appear on page 49 of this Prospectus accept responsibility for the information contained in this document. To the best of our knowledge and belief (and we have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with facts and does not omit anything likely to affect the import of such information.

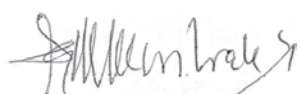
All the information required to be included in this Prospectus under the Capital Markets (Prospectus Requirements) Regulations S I 84-2, or by an amendment or directive issued by the Authority has been included, and there are no known facts bearing on the application for approval, which in our knowledge and belief should be disclosed to the Authority and have not been disclosed.

The financial statements for the period ended December 2004 and 2008 contain qualifications. The Qualifications in 2004 are in regard to reinsurance balances, actuarial valuation of the life business and post employment benefits, while those of 2008 are with regard to withholding tax. The Board would like to assure prospective investors that the 2004 qualifications have been cured over the subsequent years and do not have any bearing on the shareholders interests.

In regards to the 2008 qualifications, we wish to inform prospective investors that the Board and Management are taking reasonable steps to ensure that all related tax receipts are collected and substantial progress has been made in this regard. Once all related withholding tax receipts are collected, the withholding tax amount will be available as a tax credit thus reducing the company's tax liability.

We, the directors, further wish to state that the 2008 qualifications are not significant to shareholders interest and it is in this regard that we recommend the listing of the company's shares on the Uganda Securities Exchange.

Yours faithfully,



DR. SAMSON AKINWALE
Director



MR. MICHAEL KAGGWA
Director

Offer Timetable

OFFER TIMETABLE	Opening of the Offer	12:00 Noon 31 December 2009
	Latest time for delivery of applications to any of the Authorized Selling Agents listed in Appendix VII of this Prospectus	05:00pm 05 February 2010
	Announcement of Basis of Allotment Criteria	09 March 2010
	Dispatch of Share Certificates and refund cheques to the Authorized Selling Agents listed in Appendix VII of this Prospectus	18 March 2010
	Commencement of trading of NIC shares on the USE	25 March 2010
OFFER STATISTICS	Offer Price	UGX 45
	Total number of Ordinary Shares offered for sale	Up to 161,552,000 Shares
	Total Percentage of the issued share capital offered for sale	Up to 40%
	Market Capitalisation at the Offer Price	UGX 7,269,840,000

DIRECTORS OF NATIONAL INSURANCE CORPORATION LIMITED

Mr. Oluremi Olowude (Nigerian)
Chairman

National Insurance Corporation Limited
Head Office, 3, Pilkington Road
P.O. Box 7134
Kampala, UGANDA

Dr. Samson Akinwale (Nigerian)
Managing Director

National Insurance Corporation Limited
Head Office, 3, Pilkington Road
P.O. Box 7134
Kampala, UGANDA

Mr. Rotimi Fashola (Nigerian)
Non-Executive Director

Industrial & General Insurance Plc (IGI)
741 Adeola Hopewell Street,
Victoria Island
P.O. Box 52592, Falomo
Lagos, NIGERIA

Mr. Michael Olupot Tukei (Ugandan)
Non-Executive Director

Ministry of Finance, Planning and Economic
Development
P.O. Box 8147
Kampala, UGANDA

Mr. Charles Tukacungurwa (Ugandan)
Non-Executive Director

50/51, UCTU Houses,
Upper Makindye,
Kampala, UGANDA

Dr. Martin Alier (Ugandan)
Non-Executive Director

3 Summit View, Kololo
P.O. Box 249
Kampala, UGANDA

Mr. Patrick Bitature (Ugandan)
Non-Executive Director

P.O. Box 9421
38 Kyadondo Road,
Kampala, UGANDA

Mr. Michael Kaggwa (Ugandan)
Non-Executive Director

National Insurance Building Annex A 04-05
P.O. Box 6624
Kampala, UGANDA

Mr. David Ssebabi (Ugandan)
Non-Executive Director

Privatisation and Utility Sector Reform Project (PUSRP)
Ministry of Finance, Planning & Economic Development
Communications House, 2nd/11th Floors
1 Colville Street
P.O. Box 10944
Kampala, UGANDA

Directors And Corporate Information

CORPORATE INFORMATION

REGISTERED OFFICE

National Insurance Corporation

Plot 3, Pilkington Road
P.O. Box 7134
Kampala, UGANDA

COMPANY SECRETARY

Mr. Elias Edu

National Insurance Corporation
Plot 3, Pilkington Road
P.O. Box 7134
Kampala, UGANDA

AUDITORS

Deloitte Uganda

Rwenzori House, 3rd Floor
1 Lumumba Avenue
P.O. Box 10314
Kampala, UGANDA

LAWYERS

Kampala Associated Advocates

5th Floor, Workers' House
Sothern Wing
P.O. Box 9566
Kampala, UGANDA

PRINCIPAL BANKERS

Bank of Baroda Uganda Limited

Kampala Road
P.O. Box 7197
Kampala, UGANDA

Stanbic Bank Uganda Limited

45 Kampala Road
P.O. Box 973
Kampala, UGANDA

Standard Chartered Bank Uganda Limited

5 Speke Road
P.O. Box 7111
Kampala, UGANDA

Orient Bank Limited

Kampala Road
P.O. Box 3072
Kampala, UGANDA

Crane Bank Limited

Kampala Road
P.O. Box 22572
Kampala, UGANDA

DFCU Bank Limited

Kimathi Avenue,
P.O. Box 70,
Kampala, UGANDA

United Bank for Africa Limited

P O Box 7396,
Kampala, Uganda

RE-INSURERS

AFRICA REINSURANCE CORPORATION

Africa Re Centre
Hospital Road, Upper Hill
P.O. Box 62328-00200
Nairobi, KENYA

CONTINENTAL REINSURANCE PLC

St. Nicholas House, 8th Floor
6, Catholic Mission Street
P.O. Box 2401 Lagos, NIGERIA

EAST AFRICAN REINSURANCE COMPANY

20th Floor, Ambank House
University Way
P.O. Box 20196 00200 City Square
Nairobi, KENYA

GLOBE REINSURANCE COMPANY

Akuro House, 1st Floor
24 Campbell Street, Marina101231
P.O. Box 7365 Lagos, NIGERIA

HANNOVER REINSURANCE COMPANY (RSA)

Hillside House, 17 Empire Road,
Parktown 2193
P.O. Box 10842 Johannesburg 2000
SOUTH AFRICA

KENYA REINSURANCE CORPORATION

Reinsurance Plaza
P.O. Box 30271 Nairobi, KENYA

OESAI NON-LIFE POOL

Reinsurance Plaza
P.O. Box 30271
Nairobi, KENYA

PTA REINSURANCE COMPANY (ZEP RE)

Anniversary Towers, University Way
P. O. Box 42769 Nairobi, KENYA

1964	the Corporation established by an Act of Parliament under the National Insurance Corporation Act (now repealed)
1992	Privatisation Programme of National Insurance Corporation announced
1996	Preparatory activities for the divestiture of National Insurance Corporation commence
October 1998	DRIC approves divestiture of NIC from government through floatation of its shares to the public
November 2000	NIC incorporated as successor company to National Insurance Corporation in accordance with the PERD Act
August 2004	DRIC approved sale of 60% shares of NIC to a Strategic Investor through a two – stage competitive bid and the divestiture of the remaining 40% shares by way of listing on the Stock Exchange
March 2005	Post-bid negotiation starts between IGI, NIC and GoU with regard to Share Sale and Purchase Agreement, Technical Assistance and Commitment Agreement, and the Shareholders' Agreement
June 2005	Establishment and registration of Corporate Holdings Ltd (CHL) to take over 60% shareholding in NIC, with IGI owning 85% and local investors 15%
June 2005	Conclusion of the Divestiture of 60% shares of NIC
June 2006	NIC makes the single largest claim settlement in the history of Uganda insurance industry for the loss of the Presidential helicopter and lives
December 2007	NIC introduces 12 new Life and Non-life products
31 December 2009	Initial Public Offer (IPO) of NIC Ltd shares

PART ONE
KEY INFORMATION

Legal Status

NIC is a public limited company incorporated under the Companies Act. Further details on the legal history of the Company are given below:

Legal Basis of the Offer

The PERD Act governs Uganda's divestiture programme. NIC was listed under Schedule 3 of the Act that requires the GoU to divest its entire interest in the Company. A decision was made by the DRIC that the GoU's equity interest of 40% ordinary shares in NIC be sold to the general public and Company employees, and that the Company be listed on the USE.

The privatisation programme of NIC was announced in 1992, however preparatory activities did not commence until 1996. On 19 October 1998, the DRIC approved the divestiture of NIC from the Government through floatation of its shares to the public. In accordance with the PERD Act, NIC was incorporated as a successor company to The Corporation on 20 November 2000, with the Minister of State for Finance Privatisation and Minister of Finance, Planning and Economic Development as the initial shareholders. Through the recommendation of Standard Corporate and Merchant Bank of South Africa, DRIC approved the sale of 60% shares of NIC to a strategic investor through a competitive bid and the divestiture of the remaining 40% shares would be by way of listing on the USE via an IPO. On 02 June 2005, the GoU signed a Strategic Partners Agreement (SPA) with IGI Plc an insurance company incorporated in Nigeria, for the sale of 60% of NIC.

IGI Plc acquired the 60% shareholding in NIC through Corporate Holdings Limited (CHL) and the GoU retained the remaining 40% shares with plans to divest them through an initial public offer (IPO).

Resolutions were passed by the Board of Directors of NIC at a meeting held on 01 September 2008, to apply to the CMA for approval of the prospectus that is to be the subject of the Offer for Sale of shares in NIC by way of an IPO and to the USE for admission to the Official List of the Exchange, to be listed on the Main Investment Market Segment (MIMS). At an Extraordinary General Meeting (EGM) held on 01 September 2008, the shareholders of NIC approved amendments to the Articles of Association of the Company that are required to make it eligible for an IPO and listing on the USE.

On 15 September 2008, an EGM was held and the members resolved that the company's 201,940 authorised ordinary shares of the company of UGX

10,000 be split by a ratio of 1:2000 thereby increasing the issued shares to 403,88,000 ordinary shares at a nominal value of UGX 5 each.

On 15 June 2009, an AGM was held and the Shareholders approved the sale and listing of the shares on the USE.

The above provides the legal basis for the offer for Sale to the public of the GoU's equity interest of up to 161,552,000 ordinary shares in NIC.

Reasons for Divestiture by Government of Uganda (GoU)

The GoU's main objective of divestiture is to reduce the direct role of Government in the Ugandan economy and to promote a correspondingly greater role for the private sector in order to increase efficiency in production and delivery of services and hence create more sustainable institutions.

It is the GoU's objective to broaden the ownership of state-owned companies with potential throughout the country, and to promote the development of the local capital markets. The specific objectives of the GoU's divestiture programme include:

- Broadening direct share ownership in Uganda's most successful companies by enabling the general public, institutional investors, employees, and other interested parties to participate in their equity;
- Developing and promoting Uganda's capital markets by providing an entry & exit route for investors;
- Enhancing investor and general public awareness of share ownership;

Company Profile

NIC is a leading provider of insurance and risk management services in Uganda. It is licensed by the Uganda Insurance Commission (UIC) to carry out all classes of insurance.

The Corporation which was established in 1964 has been recently re-branded into a major corporate with a refocused initiative to reposition itself as the insurance company of choice in the insurance sub-sector. NIC has an asset base of over UGX 75 billion, the largest in the Ugandan insurance industry. The company has a reputation for exceptional competence in the delivery of customer-centric service and product innovation. IGI, the new core investor in NIC, is one of the largest private sector insurers and one of the fastest growing insurance companies in Nigeria, with 2007 gross premium income in excess of USD 60 million.

Key Information

TABLE 1: SHARE CAPITAL

	UGX
Authorized Share Capital	
600,000,000 ordinary shares of UGX 5 each	3,000,000,000
Issued and Fully Paid Up Share Capital	
403,880,000 ordinary shares of UGX 5 each	2,019,400,000

Share Capital

As at 14 June, 2009 the total authorized share capital of NIC was UGX 2,019,400,000 divided into 403,880,000 ordinary shares with a par value of UGX 5 per share. Issued and fully paid up shares were 403,880,000. Pursuant to a shareholder's meeting held on 15 June, 2009, the authorised share capital of NIC was increased to UGX 3,000,000,000 divided into 600,000,000 ordinary shares of UGX 5 each.

Shareholding Structure

NIC is currently owned 60% by IGI through Corporate Holdings Limited (CHL), and 40% by the GoU. After the Offer for sale, the shareholding is expected to be 60% held by IGI and 40% held by the general public and institutional investors, both local and foreign.

Eligibility and Trustee Status

The Offer for Sale is open to all East Africans and foreigners without exception. Foreign Investors, as defined in the Investment Code Act (Cap. 92), may apply for the NIC shares that are the subject of this Offer. GoU foreign investment policy does not limit or restrict any foreign investor from applying for shares on Offer. In addition, there are no foreign exchange restrictions in Uganda and the Capital Account is fully liberalised.

Employee Offer

16,155,200 shares, representing 4% of the total issued share capital of NIC, have been reserved for the permanent employees of NIC by the Government of Uganda at the offer price. Under the Employee Offer, all existing employees of the Company will be offered

TABLE 2: SHAREHOLDING STRUCTURE

Shareholders	Number of Shares	2008 %
IGI (through Corporate Holdings Ltd.)	242,328,000	60
Government of Uganda (GoU)	161,552,000	40
Total	403,880,000	100.00

Key Shareholder Details

In 1964, the Corporation was established as a government parastatal but this changed in 2000 when it was converted into a wholly owned government company under the Companies Act. In June 2005, GoU divested 60% of its shares in NIC to IGI.

Presently, NIC has two shareholders, the Government of Uganda represented by the Ministry of Finance Planning and Economic Development having 161,552,000 ordinary shares while IGI Nigeria through CHL has 242,328,000 ordinary shares. It is the Government of Uganda's shares that are now being presented to the public through this IPO.

Litigation

There is no material litigation, prosecution or other civil or criminal legal action in which NIC or its Directors are involved other than in which NIC is involved other than in the ordinary course of business.

shares based on seniority and length of service with the Company. In the event that all the shares offered to the employees are not taken up, the balance will be offered to the public at the Offer Price.

Minimum Sale Under Offer

In line with the divestiture objective of broadening share ownership within the Ugandan public, a minimum sale of shares is not a requirement. However, in order to procure a listing in the Main Investment Market Segment (MIMS) of the USE, a minimum sale to 1,000 shareholders is required.

Minimum Number of Shares Per Application

The minimum number of Shares that may be applied for is 2,000. Applications for more than 2,000 shares must be in multiples of 1,000 Shares. Subject to the foregoing, investors may apply for any number of Shares. Multiple applications will be rejected.

Allotment Policy

The responsibility for allotting the shares that are the subject of this Offer lies with the GoU and the Lead Transaction Advisors. In the event that there is an over subscription, the GoU and the Lead Transaction Advisors will allot shares according to the "Basis of the Allotment Criteria", duly approved by the GoU. Allotment policy will be guided by the GoU's desire to achieve broad ownership of NIC shares amongst Ugandans throughout the country and in the diaspora.

The Lead Transaction Advisors will announce the "Basis of Allotment Criteria" approved by the GoU, and notified to the CMA, USE and the public by advertisement in the press within 21 days of the Closing date.

Application of Proceeds

The proceeds will accrue to the PUSRP – Divestiture Account of the GoU, from which all expenses of the Offer will be paid.

Extension of the Offer

Any extension of the Offer period would be subject to CMA and USE approval.

Application Procedures

The summarised procedures below should be read in conjunction with the detailed instructions for applying for shares as contained in Part Seven of this Prospectus, "Procedures for, and Terms and Conditions of, Application".

Copies of this Prospectus, together with the Application Forms, may be collected during normal working hours (except Sundays and public holidays) until 5:00 pm between 31 December 2009 and 05 February 2010, from the Authorized Selling Agents listed in Appendix VII of this Prospectus. The completed Application Form, together with the necessary cash or bankers draft/cheque drawn on a licensed operating bank, and made payable to **"NIC- INITIAL PUBLIC OFFER ACCOUNT"** in Uganda Shillings, should be submitted to any of the Authorised Selling Agents by 5:00pm on 05 February 2010.

Foreign investors can effect payments in foreign currency by telegraphic transfer in favour of **"NIC – INITIAL PUBLIC OFFER FOREIGN CURRENCY ACCOUNT"**, so long as the funds are received and the Application Form is faxed to any of the Authorized Selling Agents by 5:00 pm on 05 February 2010. Foreign investors may also effect payments in foreign currency by Bankers' draft in favour of **"NIC – INITIAL PUBLIC OFFER FOREIGN CURRENCY ACCOUNT"** by lodging the drafts and the executed Application Forms with any of the Authorized Selling Agents by 5:00pm on 05 February 2010. The foreign currency cheques will be converted into Uganda shilling ("UGX") at the mid-rates published by Bank of Uganda (BoU) on the Allotment Date of the Offer, and any refunds paid back to foreign applicants will be by telegraphic transfer in foreign currency, at the cost of the respective applicant. For further details on payments in foreign currency, please refer to the Application Form.

Late applications will not be considered and personal cheques will not be accepted.

Although the Prospectus may be collected at any of the addresses indicated in Appendix VII of this Prospectus, acceptance of the application will only be considered if received by any of the Authorized Selling Agents. Accordingly the Lead Transaction Advisors, the GoU and NIC will accept no responsibility for any applications that are, or may be, misdirected.

All bank charges incurred in submitting an Application Form, together with the requisite funds, are for the account of the applicant.

Key Information

TABLE 3: EXTRACTS FROM INCOME STATEMENT

(UGX'000)	2004	2005	2006	2007	2008
Investment Income	715,158	1,925,949	2,569,115	2,454,726	3,730,659
Total Income	4,816,815	6,760,865	8,423,868	10,919,131	14,012,579
Operating & other expenses	(2,772,496)	(3,017,760)	(4,170,704)	(4,805,533)	(5,783,900)
Profit before taxation	270,673	1,369,702	1,116,807	2,603,776	2,913,152
Taxation	(147,013)	(394,015)	(619,133)	(67,926)	(766,067)
Profit after taxation	123,660	975,687	497,674	2,535,850	2,147,085

Source: Reporting Accountants' Report

TABLE 4: EXTRACTS FROM BALANCE SHEET

(UGX'000)	2004	2005	2006	2007	2008
Total Assets	33,505,189	50,229,419	43,794,193	53,269,565	75,018,221
Total Liabilities	26,941,023	42,972,094	36,719,693	44,339,608	63,970,043
Share Capital and Reserves	6,564,166	7,257,325	7,074,500	8,929,957	11,048,178

Source: Reporting Accountants' Report

TABLE 5: EXTRACTS FROM CASH FLOW STATEMENT

(UGX'000)	2004	2005	2006	2007	2008
Net Cash Flows from operating activities	(3,629,656)	7,284,033	(8,478,016)	8,757,675	10,491,674
Cash flows from investing activities	2,306,425	277,084	299,087	(5,024,325)	(10,534,787)
Cash flows from financing activities	-	-	(706,790)	(807,760)	(491,396)
Net increase/decrease in cash and cash equivalents	(1,323,231)	7,561,117	(8,885,719)	2,925,590	534,509

Source: Reporting Accountants' Report

TABLE 6: GROSS PREMIUMS

(UGX'000)	2004	2005	2006	2007	2008
General Business Gross Premiums	5,552,191	5,579,958	6,863,872	12,099,819	12,254,671
Long-term Business Gross Premiums	1,290,587	1,006,884	879,806	982,452	1,446,468
Total Gross Premiums	6,842,778	6,586,842	7,743,678	13,082,270	13,701,139
Growth Rate	48%	(4%)	18%	69%	5%

Source: Reporting Accountants' Report

TABLE 7: KEY FINANCIAL RATIOS

(UGX'000)	2005	2006	2007	2008
Cost to Income ratio (%)	45	50	43	39
ROAA	4.5	2.4	6.5	5.4
ROAE	27	16	39	35
NAV	17.97	17.52	22.11	27.52

Source: Reporting Accountants' Report

TABLE 8: PROFIT FORECAST

Figures In Ugx'000'S	As At 31 December 2010	As At 31 December 2009
Investment Income	1,838,415	1,671,286
Total Income	17,253,354	13,593,857
Operating and other Expenses	(5,421,849)	(4,726,857)
Net commissions payable	(2,166,515)	(1,666,550)
Profit Before Tax	2,510,729	1,779,927
Tax	(753,219)	(533,978)
Profit After Tax	1,757,510	1,245,949

Note: Past performance is not necessarily an indication of future performance

Summary Financial Information

The tables 3-7 on the facing page show extracts of the past five year financial periods ended 31 December 2008 which have been obtained from the Reporting Accountants' Report. These should be read in conjunction with the Accountants' Report in Appendix II of this Prospectus.

Profit Forecast

(Table 8 at the bottom of facing page is an extract of the profit forecast which has been obtained from the Reporting Accountants' report on the Profit forecast in Appendix III. These should be read in conjunction with the report in Appendix II).

The Directors of NIC are responsible for the Profit forecast including the assumptions on which they are based. Based on the Reporting Accountants' examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the profit forecast. Further, in our opinion the profit forecast is prepared on the basis of the assumptions made by the directors contained in the report and is consistent with the accounting policies of the Company.

The forecast is made on the basis of the audited accounts for the year ended 31 December 2008, and the assumptions of Management for and on behalf of the Board of Directors, adopted by the Board.

The following key assumptions have been taken in preparing the projections;

- Expected growth of 26% (2009) and 30% (2010) in gross premiums due to the following reasons:
 - a. the establishment of National Insurance Corporation Souther Sudan Limited ("NIC-Juba") located in Southern Sudan which is a fully owned subsidiary of NIC Uganda and is expected to contribute 7.5% to 11% of the gross premiums written;
 - b. Expected revenue synergies from the opening Global Trust Bank, a related company to IGI that recently bought a micro finance company in Uganda
 - c. The development of new products in the market especially those related to health insurance that is growing very fast;
 - d. Growth in the Ugandan banking sector (7 new banks by licensed in 2008 and expansion of existing banks) which is expected to spur economic growth in the country going forward and in turn may increase the need for insurance by borrowers.
 - e. The increased economic activity in the country fuelled by the oil reserve discovered in Western;
 - f. amendments to the insurance legislation that will include guidance for other products which insurance

companies can participate in such as unit trusts and investment linked products;

- g. The continued growth in the insurance industry considering that premiums increased by 22.9% to approximately UGX 125.7 billion in the year 2007;
- An estimated 26% in 2009 and 30% in 2010 growth in reinsurance premiums in line with the growth in gross premiums written hence maintaining a retention rate of 72%;
 - Unearned Premium Reserves will continue to be computed at 40% of net premiums written as required by the Insurance Act;
 - Claims incurred are assumed to increase in line with increase in gross premiums based on the development of new products and planned establishment of NIC Juba, a subsidiary of the Company;
 - An increase in claim recoveries each year in line with increase in reinsurance due to;
 - Planned maintenance of the retention ratio at 72% as in 2008, and change in the reinsurance strategy where by the company reinsures approximately 90% of the very risky business lines.
 - The incurred but not reported (IBNR) claims reserve will continue to be accrued for at the statutory rate of 15% of claims outstanding as required by the Insurance Act.
 - Growth in net commissions expense at 26% and 30% which is also in line with the growth in premiums. The ratio of net commission paid to gross premiums written is also uniform at 10% (Actual 2008:8%). The increased 2% is due to the expected inflation rate for 2009/2010.
 - Management expense ratios of 29% for 2009 and 26% for 2010. These are expected to grow at about 12% which is the expected inflation rate for 2009/2010.
 - 6% growth in total assets which is attributed to acquisition of fixed assets and increased investment in NIC Juba which is a subsidiary of NIC Uganda
 - Effective income tax rate of 30%. The company has brought forward tax losses which it expects to utilise in future. In addition, management took into consideration withholding tax expense on treasury bills which is treated as final tax; and capital allowances expected from the purchase of property, plant and equipment.
 - The Operating profit/ underwriting results have increased significantly because of the reduction in net claims incurred which is as a direct result of increase in claim recoveries
 - The movement in statutory reserves (i.e. capital and contingency reserves) will continue to be accounted for as per the requirements of Uganda Insurance Act
 - Life business is expected to grow at 27% in 2009 and 30% in 2010 due to introduction of new products and

Key Information

growth of the existing products such as the whole life savings and school fees schemes, Employee Insurance Package and Teachers' Insurance Savings Plan., the company is in the process of developing and launching new products and the fact that the company recorded a 47% growth in life premiums written in 2008

Indebtedness

As at the date of this Prospectus, the Company had no outstanding Debentures, mortgages, Loans, Charges or similar indebtedness except as disclosed herein.

Dividends

Since NIC was taken over by IGI, the Company has consistently paid dividends for the past three (3) years. The dividend policy has been to pay dividend from the Company's distributable earnings for the year, which is subject to the Board of Directors approval and the financial needs of the Company.

innovativeness and modern marketing techniques as very important strategies in order to tap into the emerging middle class economic group which the GoU PRS will create.

Through its continuous product innovativeness, technological enhancement, branch expansion and marketing policy, the NIC plans to grow organically its income base in the short run. In the ensuing years NIC plans to open more branch networks and trading outlets in order to bring the products closer to the market place.

Product design will continue to focus on affordable insurance products aimed at both the formal and informal sector, spread throughout the entire country. NIC's technological improvement will aim at further enhancing marketing and service delivery to customers through the use of IT based and telephony apparatus including highly integrated operational software tools. NIC's branch network will be complimented with our online presence which is part of our e-commerce strategy.

TABLE 9: THE FOLLOWING DIVIDENDS WERE DECLARED

Year	Gross dividend UGX'000	Dividend per share	Dividend Payout Ratio
2005	706,790	3,500	72%
2006	807,760	4,000	89%
2007	1,716,490	4.25	74%

Dividends paid to resident shareholders who are individuals attract a withholding tax at a rate of 10%. Dividends paid to resident shareholders who are companies attract withholding tax at a rate of 15%. Dividends paid to non-resident shareholders attract withholding tax at a rate of 15 %.

In 2008, a dividend of 5:00shs per share was declared representing a 78% dividend payout ratio.

Strategic Direction and Future Prospects

NIC Strategic Direction will focus on the implementation of its plans to combine both organic and inorganic growth strategy to expand its revenue base in Uganda and the East African Region.

In 1997 the Government of Uganda (GoU) formulated Poverty Eradication Action Plan (PEAP) which was adopted in 2000 as Uganda's Poverty Reduction Strategy (PRS). The strategy aims at reducing the population living in absolute poverty to 10% in 2017. This mass poverty eradication action plan is based on four inter-related pillars for ensuring sustainable economic growth and structural transformation; good governance and security, ability of the poor to raise income, and improve their quality of life.

Regional reach and globalisation cannot be ignored in any economy and industry, and it is especially relevant in the insurance sector, taking into consideration the volumes of insurance business that are transacted across borders and the actual premium ceded abroad to foreign organizations. The resolve and commitment of East African countries to pursue the East African Community (EAC) objectives of an expanded integrated trading block in order to achieve efficiency through larger market will provide NIC opportunities to achieve its strategic objective of attaining the regional leadership in the medium term period.

NIC's inorganic strategic growth plan will look at establishing presence and strengthening its capacity to operate in all the countries within the East African region. NIC also intends to identify and enter into merger arrangements with other smaller and profitable insurance companies, which are well aligned with its strategic plans. Investments in these areas are bound to generate substantial income and liquidity.

The Company has therefore highlighted product

RISK FACTORS AND RISKS MANAGEMENT

NIC is subject to various risks through its operations. Prior to making an investment decision investors should consider the risks associated with the industry in which the Company operates as well as those relating specifically to it.

A) Industry Specific Risks

1 Insurance Risk

Life Insurance risk

Life insurance risk arises through the firm's exposure to mortality, morbidity and experience factors such as unforeseen expenses. The mortality rates in developing countries are typically higher. Actual experience could therefore be significantly different from the assumptions used in pricing of the risks

General Insurance risk

This arises from fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations, unexpected claims arising from the single source, inaccurate pricing of risk when underwritten, inadequate reinsurance protection and inadequate reserves.

The Company's mitigating strategies in dealing with the above risks are:

- Reinsurance
- Mechanisms to identify, quantify and manage accumulated exposures within the limits of the Company's risk appetite.
- The Company has also developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each category to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

2 Interest rate risk and maturity periods

Interest rate risk arises primarily from differences in interest rates and maturities between the Company's investments and its liabilities.

The Company's management team monitors the exposure to interest rate risk by putting in place an asset and liability management framework to ensure that assets are matched with appropriate liabilities.

3 Liquidity risk

This is a risk that cash may not be available or if available at a reasonable cost to pay obligations when they fall due. The primary liquidity risk of the Company is the obligation to pay claims to policy holders as they fall due.

The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Board sets limits on the minimum proportion on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand.

4 Equity Price risk

NIC's investment portfolio contains a large percentage of equity investments, which are subject to large fluctuations in market prices.

To manage this risk, investment management meetings are held monthly to monitor the performance of the equity market.

5 Competition Risk

Competition could affect NIC's market share, business, operation results or financial condition.

However, NIC has established itself as a provider of quality services. Besides its wide branch network, NIC has partnered with various agents and brokers to bring the services closer to the market and has a reputation for quick processing of claims. With its newly established marketing department, it will be able to handle the risks associated with competition.

5 Economic and Political Environment

The Company's business is also affected by the general financial, economic and external events beyond the Company's control. Unfavourable economic and external conditions may impact negatively on the Company's operations, in particular demand for insurance services, which would decrease significantly as a result. The Company's position and the demand for insurance services are to a certain extent, dependent upon the overall political, social and economic situation in Uganda. Deterioration in any of those external factors may result in a material loss of revenue, which could affect the Company's overall operations.

B) Company Specific Risks

1 Risk related to Market Perception of NIC

NIC faces risk associated with IGI's shareholding in NIC being a Nigerian Company. However, IGI, the core investor in NIC is the largest capitalised private sector insurer and fastest growing insurance company in Nigeria with gross premium income in excess of USD 60 million. IGI has been in operation since it was established in 1992 and operates as an international player with strong financial capacity

Risk Factor & Risks Management

and proven competence and expertise in Life and Pensions and Special Risks businesses. It has an authorised capital of USD 100 million paid up capital of USD 50 million and shareholders funds of USD 230 million.

Since IGI took over the management of NIC, the Company has been making profits and declaring dividends to shareholders. NIC has started benefiting and can learn a lot with partnering with such a leading insurer.

2 Operational risk

The Company faces operational risk. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from the external events such as third party fraud.

However, NIC is pursuing its capitalisation and expansion plans. The Company is also reviewing its internal processes and systems to ensure improved customer services, engaging and retaining professionals as well as consolidating on its financial strength.

3 Regulatory risk

The Company operates in a highly regulated environment and non-compliance with prescribed regulations can result into sanctions by the UIC. Accordingly, the Company maintains its ability to carry on with its business by ensuring adherence to the regulatory framework in which it operates.

4 Credit risk

The Company is exposed to credit risk, which is the risk that a counter-party will be unable to pay amounts when due.

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counter, group of counterparty and to geographical and industry segments.

5 The Deposit Administration Plan (DAP) by Makerere University

By Group Master Policy (GMP) No. DAP/22/30 dated to be effective 1st July, 1996, National Insurance Corporation (NIC) undertook to manage the retirement saving scheme known as the DEPOSIT ADMINISTRATION ACCOUNT for some of Makerere University Kampala (MUK) employees.

MUK stopped payment of contributions in 2005. Since then MUK has been making claims on the scheme and NIC has been paying all the withdrawal and retirement benefits as at when reported.

MUK has notified NIC of its intention to discontinue the scheme and requested for proposals from NIC in this regard. The instrument binding the transaction is the GMP and the Trust Deed & Rules. In order to determine the level of MUK funds currently under NIC Management, the GMP provides that a valuation of the scheme could be undertaken by an Actuary. The MUK funds are part of the Total Amounts Payable under Deposit Administration Contracts (Note 25 of the Accountants Report in Appendix II), which amount to UGX 34,309,832,000.

This is therefore highlighted as a risk factor.

Prospective investors should acquaint themselves with the Accountants' Report drawing emphasis on Part B, the Review Procedures where issues on Accounting and regulatory Compliance, limitation` of scope arising out of the review of the audit working papers for the years ended 31 December 2004-2006, unresolved errors in the financial statements and effects of adjustments were raised.

PART TWO
National Insurance Corporation Limited

NIC formerly National Insurance Corporation has been in existence since 1964 and was established by the National Insurance Corporation Act (repealed) with a share capital of UGX 5,000,000 (old currency) as a wholly government owned company. NIC has a rich history of servicing the needs of the GoU and private sector clients over several decades.

On 20 November 2000, the Corporation was converted into a limited liability company under the Companies Act and the PERD Act with its name being changed to NIC. The initial shareholders were the line Minister and the Minister of Finance, Planning and Economic Development

In June 2005, GoU divested 60% of its shares in NIC to IGI Plc. GoU retained 40% interest in NIC, with plans to fully divest its interest through a public offering of its shares in the near future.

NIC has issued and fully paid up share capital of UGX 2,019,400,000 divided into 403,880,000 ordinary shares of UGX 5 each. At a shareholder's meeting held on 15 June 2009, the authorised share capital of the Company was increased to UGX 3,000,000,000 divided into 600,000,000 shares of UGX 5 each.

IGI, the new core investor in NIC, is one of the largest private sector insurers and among the fastest growing insurance companies in Nigeria, with a gross premium income in excess of USD 60 million. It was established in 1992, and presently is an international operator with strong financials and proven competence and expertise in Life and Pensions, and Special Risks business. IGI has placed itself as market leader with various mergers and acquisitions. Through its subsidiary, Global Trust Bank of Nigeria, IGI has also recently taken over Commercial Micro Finance Limited, by acquiring 100% ownership of one of Uganda's largest credit institution in terms of assets and branch network. IGI seeks to expand its presence not only in the insurance industry but also the banking industry.

In 2005, the GoU announced its plans to divest its shareholding in NIC through the listing of NIC's shares on the USE. The Government's objective, amongst others, is to widen the shareholder base of NIC and develop the capital markets. A process was then put in place to identify Transaction Advisors to conduct a due diligence, prepare a prospectus, manage the IPO, and list NIC on the USE.

At the AGM held on 01 September 2008, the shareholders of NIC approved amendments to the Articles of Association of the Company required to make it eligible for an IPO and listing on the USE, Further

resolutions were passed by the Board of Directors of NIC at a meeting held on 01 September 2008 to apply to the CMA & USE for approval of the Prospectus that would be the subject of the Offer for Sale of shares in NIC by way of an IPO. This provided the legal basis for the Offer to the public of the GoU's 161,552,000 ordinary shares in NIC.

PRODUCTS AND SERVICES

NIC has a variety of products and services, delivering specialisation, speed in transaction and personal attention. It is constantly diversifying its product and service portfolio and offering protection for risks other insurers do not cover. The products and services offered by NIC are as follows;

LIFE AND PENSION PRODUCTS

1. Individual Life Products

- Education Endowment Plan
- Mortgage Care Plan
- Lease Care Plan
- Dividend Plus Plan (DPP)
- Term Assurance Plan (with profits)
- Dividend Plus Plan II
- Integrated Benefits Plan (IBP)
- Keyman Insurance Plan
- Whole Life Assurance
- Anticipated Endowment Plan
- Annuity Contract Plan

2. Group Life Products

- Microfinance Care Plan
- Group Life Term Assurance Plan
- Group Last Expenses Plan
- Deposit Administration Plan

NON-LIFE INSURANCE PRODUCTS

1. Aviation Insurance

2. Accident Insurance

- Theft / burglary
- Money
- Individual Personal Accident / Group Personal Accident
- Golfers
- Plate Glass
- Travel Personal Accident
- Pedal Cycle

3. Fire Insurance

- Fire Standard
- Householders
- House owners

Background

- Sprinkler Leakage

4. Motor Insurance

- Third Party Risk Only cover
- Comprehensive Cover
- Comesa Yellow Card

5. Engineering Insurance

- Computer / Electronic Equipment
- Contractors All Risks
- Contractors Plant and Machinery
- Machinery Breakdown
- Machinery loss of profits
- Erection All Risks

6. Marine Insurance

- Marine cargo
- Goods in transit
- Marine hull

7. Financial and Guarantee Insurance

- Fidelity Guarantee
- Bonds

8. Liability Insurance

- Public liability
- Professional Indemnity
- Workers Compensation

OTHER PACKAGED PRODUCTS

1. Employees Insurance Plan (EIP)

- Savings Plan
- Motor Fleet Insurance

2. Teachers' Insurance Savings Plan (TISP)

3. Comprehensive Insurance Package for Schools (CIP)

- School Fees Insurance Scheme (SFIS)
- Material damage to school property
- Accident cover for pupils / students

NIC CUSTOMERS

NIC has maintained its reputation as the first choice of organisations, institutions and individuals seeking world-class insurance services

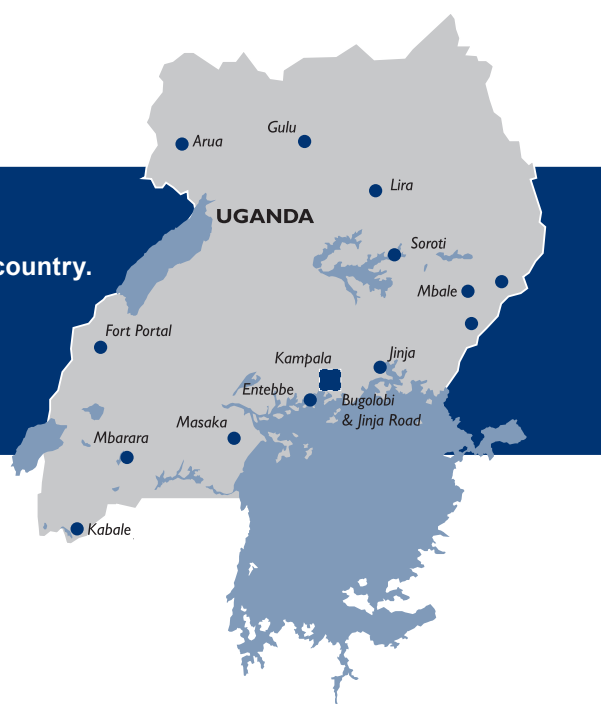
Our Customer include:

- Individuals
- Bank and Financial Institutions;
- Educational Institutions;
- Government and Parastatals;
- Non-Governmental Organisations;
- Manufacturing Companies;
- Construction Companies;
- Telecommunication Companies and;
- various Corporate Organisations.

BRANCH NETWORK

NIC has a strong network of branches across the country. The map shows NIC's branch network.

note: Map not to scale



COMPETITION

Uganda's Insurance Industry is currently made up of 21 licensed insurance firms. Of these, only five (5) companies offer life insurance products, UAP Uganda Limited, Jubilee Insurance, Liberty Life Assurance, NIC and Insurance Company of East Africa (ICEA).

NIC has established a niche market through its strong network of branches. It is well represented in the country possessing ten (10) branches and over twenty (20) service outlets.

According to the UIC Annual Report 2007, NIC was ranked amongst the top 5 insurance companies in Uganda

In the same report, NIC was ranked 1st on the basis of total assets. The table 1 shows the top five insurance company's asset levels, Return on Equity and Market Share of the insurance industry.

are also subject to re-election in accordance with the Company's Articles of Association.

To ensure transparency and effective checks in the operations of NIC, the Company maintains a policy of separation of the positions of Chairman of the Board and Managing Director.

Board Committees

In accordance with international best practice and local regulatory and legal requirements, the Company has put in place the following Committees and control units which ensure that performance is in line with the annual operating plan.

Audit Committee

The Audit Committee oversees the internal and external audit functions in order to safeguard the overall objectivity of the financial reporting and internal control processes. This committee is the one that approves

TABLE 1: COMPETITION

Top Insurance Companies -2007	Total Assets UGX'000,000	Life + Non-life insurance UGX'000,000	Return on Equity(ROE)	2006 Market share(%)	2007 market share (%)
AIG Uganda	27,950	22,268	28.13	20.30	17.29
Jubilee Insurance	31,744	17,534	21.64	14.41	13.62
UAP	25,851	15,637	31.82	12.91	12.14
National insurance Corporation	54,095	13,082	25.87	7.93	10.94
Goldstar Insurance	17,755	9,011	6.81	7.83	7.00

Source: UIC 2007 Annual Report

CORPORATE GOVERNANCE

NIC ensures that its corporate operations and structures are governed by clearly defined principles of corporate governance; to ensure proper governance, transparency, full disclosure and accountability to all stakeholders, through the existence of effective systems of self-regulation. NIC is a corporate member of the Institute of Corporate Governance of Uganda (ICGU).

Board of Directors

The Company is headed by the Board which provides strategic guidance to the company and assumes the primary responsibility of fostering the sustainability of the Company's business.

Board Composition

Save for the Managing Director, all the Directors are non-executive Directors, including the Board Chairman. This creates independence and ensures that balanced, objective decisions are arrived at regarding the company's operational issues. All Directors, save for the Managing Director (whose appointment is contractual),

the plans of the Managing Director through the recommendations of the audit unit.

The members are; Michael Tukei, Rotimi Fashola and Michael Kaggwa.

Investment Committee

This reviews the company's investment policy and ensures that the Corporation is complying with the requirements of the Insurance Act.

The members are; Dr. Martin Aliker, David Ssebabi, Patrick Bitature and Dr. Samson Akinwale.

Human Resource Committee

This committee is responsible for policy formulation and implementation as it relates to recruitment and continual staff appraisal, disciplinary matters such that the Human resource aligns with NIC's overall vision.

The members of this committee are; Rotimi Fashola, Michael Kaggwa, Dr. Samsom Akinwale, Charles Tukacungurwa.

Background

Budget Monitoring Committee

This Committee monitors income, expenses and capital outlays and provides monthly reports to management for action.

Asset Management Committee

This committee ensures that funds are optimally invested in income generating portfolios, while at the same time satisfying the investment requirements of the regulatory authority. Investments in and maintenance of the property portfolio are also a responsibility of the Committee.

Internal Controls

The management has developed different methods of internal controls as outlined in their Internal Controls Manual. The Company is divided into different sections; Underwriting, IT, Audit and Administration. There is continuous appraisal of the different sections and their performance which is done daily, weekly, or monthly depending on the section. Where there is a gap, then it can be determined internally on how to minimize the losses.

Shareholders Rights

NIC's shareholders retain the discretion over major strategic decisions affecting the Company's core business as well as any decisions with major implications on the Company's corporate structure. The shareholders and the financial markets are provided with relevant, timely information, regarding the Company's operations, and with adequate explanations and briefings as they may require on the same. The Company produces regular performance reports and periodic results to ensure that its shareholders are kept abreast of its operations. The Company also issues regular notices to the regulatory bodies fully disclosing its performance statistics, and indicating its conformity with all regulatory requirements, including the Insurance Commission's requirements. The Company's voting systems ensure that each shareholder is given an opportunity to freely exercise his voting rights without excessive expense.

Social Responsibilities

NIC aligns its economic developments with social obligations to give back to society. NIC adopts social responsibility culture that supports sports activities and promoting education. NIC has been consistent in sponsorship and promotion of sports. It has supported the Federation of Uganda Football Association (FUFA) and is the official insurer of the Uganda Cranes. It also sponsors the Federation of Motor sports clubs which is the main organiser of Pearl of Africa Motor Rally. NIC has a legacy with the Federation of Uganda Netball Association and the NIC Netball Team has won the National League Titles and East African Championships consistently for the last 11 years.

The Company has donated books and materials to universities and various education and health institutions. NIC is positioned to leverage IGI's robust corporate social responsibility profile to become the foremost sports-friendly financial institution in Uganda.

INFORMATION TECHNOLOGY

Information technology is a key component of NIC's operations. Continuous enhancement and improvement of the Company IT Infrastructure and Software Application tools remain a major cardinal policy. Computer literacy is an important prerequisite for staff recruitment. Training for the entire workforce is continuous in order to be up-to-date with the dynamics of the IT world.

FINANCIAL PERFORMANCE

Total Income for the Company has grown from UGX 4.817 billion in 2004 to UGX 14.013 billion in 2008. Profits before taxation followed this trend, rising from UGX 271 million in 2004 to UGX 2.913 billion in 2008. Profit after tax grew from UGX 124 million in 2004 to UGX 2.147 billion in 2008.

The Company's total asset base has strengthened over the past five years, increasing from UGX 33.505 billion in 2004 to UGX 74.808 billion in 2008. The firm's total liabilities also increased significantly from UGX 26.941 billion in 2004 to UGX 55.546 billion in 2008.

The Company's Share Capital & Reserves rose initially from UGX 6.564 billion in 2004 to UGX 11.048 billion in 2008. Gross Premiums followed this trend, rising initially from UGX 6.480 billion in 2004 to UGX 13.701 billion in 2008.

Total Assets

These grew by 124% from UGX 33.5 billion in 2004 to UGX 75 billion in 2008.

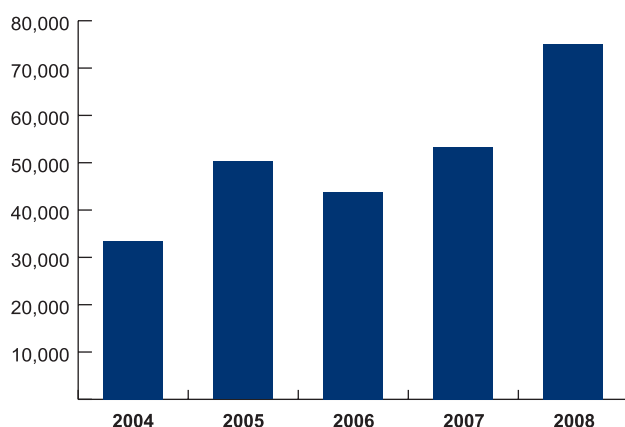
Gross Written Premiums

Gross Premiums grew by 101% from UGX 6.8 billion in 2004 to UGX 13.7 billion in 2008.

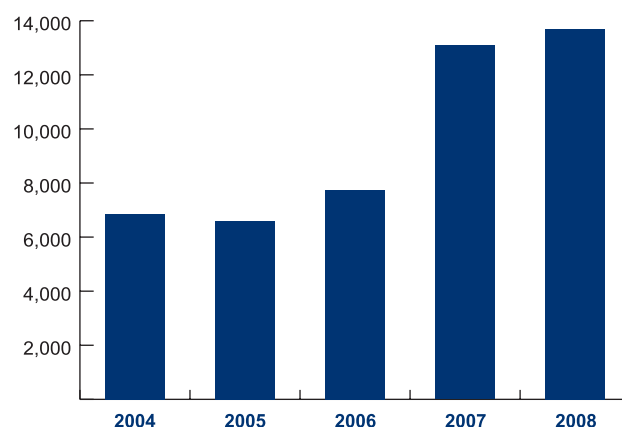
Net Earned Premiums

Net Earned Premiums grew by 151.2% from UGX 4.1 billion in 2004 to UGX 10.3 billion in 2008.

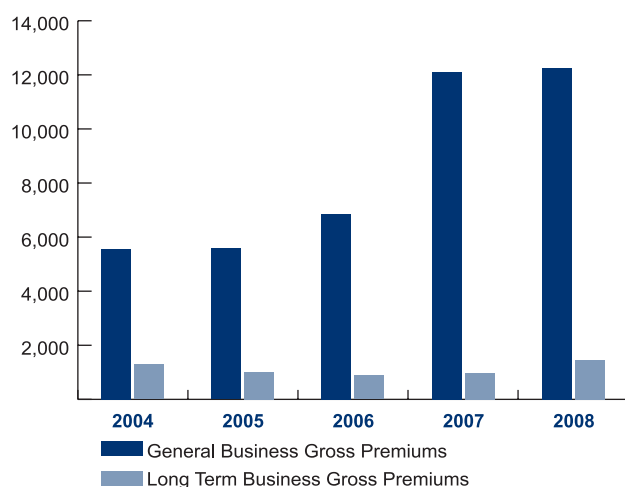
TOTAL ASSETS (2004 - 2008) UGX'millions



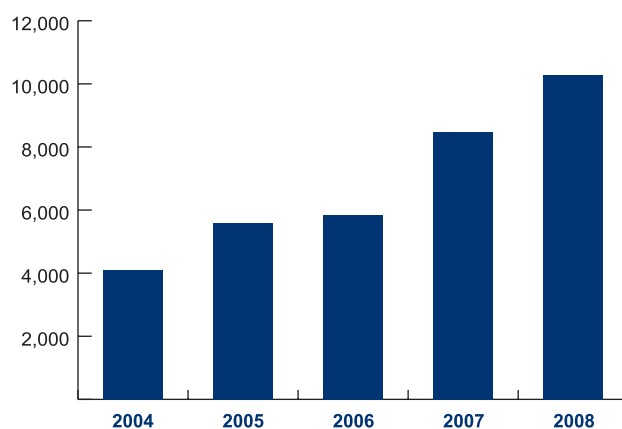
TOTAL GROSS PREMIUM (2004 - 2008) UGX'millions



SHARE OF GROSS PREMIUM (2004 - 2008) UGX'millions



NET EARNED PREMIUM (2004 - 2008) UGX'millions



PART Three
UGANDA: AN ECONOMIC OVERVIEW

Location	Eastern Africa bordered by Kenya, Democratic Republic of Congo (DRC), Rwanda, Sudan and Tanzania.
Area	Total area is 236,040 sq km, with 199,710 sq km on land and the balance of 36,330 sq km in water.
Climate	Tropical
Elevation extremes	Lowest point is Lake Albert at 621m while highest point is Margherita Peak on the Rwenzori Ranges at 5,110 m.
Geography	Uganda is a land locked fertile well watered country with many lakes and rivers.
Population	31,367,972 (Growth rate is at 3.6%)
Age structure	0-14 years, 50%; 15-64 years, 47.8% and 65 years and over, 2.2%.
Life expectancy	52.34 years.
Currency	Uganda Shilling (UGX)

ECONOMIC GROWTH

The Uganda Bureau of Statistics (UBOS) has released data that shows that the Ugandan economy is more buoyant than had been previously reported. The new GDP outturns indicate variations from the old figures mainly because the newly adopted methodology, uses a new base from 1997/98 prices to 2002 prices and is now based on more measurement indicators. This means that the new methodology captures more economic activities including real estate, financial services, air transport and other support services.

For the FY2007/08, GDP was estimated at 8.9%

compared to the previous year's 7.4%. This was an indication of increased consumption, investment, government spending and a favourable balance of trade due to increase in exports. However, this declined during the FY2008/09 to 7.0% in attribution to the global financial crisis and recession which adversely affected the global economy. This was a much higher performance in comparison to other countries in the region, some of which actually registered negative economic growth.

Growth in the agricultural sector output includes cash crops (coffee, cotton, tea, tobacco, sugar cane & exported horticulture), food crops, livestock, forestry and

TABLE 1: SECTORAL REAL GDP GROWTH RATES, 2004/05-2008/09

FISCAL YEAR	2004/05	2005/06	2006/07	2007/08	2008/09
Agriculture, Forestry & Fishing	2.0%	0.5%	0.1%	1.3%	2.6%
Cash Crops	-5.5%	-10.6%	5.4%	9.0%	1.7%
Food Crops	-0.2%	-0.1%	-0.9%	2.4%	2.9%
Live Stock	3.0%	1.6%	3.0%	3.0%	3.0%
Forestry	6.5%	4.1%	2.0%	2.8%	3.3%
Fishing	13.5%	5.6%	-3.0%	-11.8%	-0.1%
Industry	11.6%	14.7%	9.6%	9.1%	3.8%
Mining & quarrying	27.2%	6.1%	19.4%	3.0%	9.2%
Manufacturing	9.5%	7.3%	5.6%	7.6%	7.2%
Formal	11.8%	7.8%	4.9%	9.2%	8.3%
Informal	3.6%	6.0%	7.7%	3.3%	4.0%
Electricity Supply	2.1%	-6.5%	-4.0%	5.4%	4.2%
Water Supply	3.9%	2.4%	3.5%	3.8%	4.1%
Construction	14.9%	23.2%	13.2%	10.8%	2.2%
Services	6.2%	12.2%	8.0%	10.2%	9.4%
Wholesale & retail trade	7.2%	12.3%	10.4%	14.7%	7.6%
Hotels & Restaurants	6.5%	8.7%	11.3%	10.7%	7.9%
Transport & Communications	9.8%	17.1%	17.7%	21.3%	20.0%
Road, Rail & Water Transport	6.7%	12.8%	9.5%	20.8%	12.4%
Air Transport & Support Services	19.4%	6.9%	13.8%	17.8%	1.3%
Posts & Telecommunication	11.8%	26.2%	29.1%	22.6%	32.2%
Financial Services	13.0%	31.7%	-11.9%	24.1%	21.1%
Real Estate Activities	5.5%	5.6%	5.6%	5.6%	5.7%
Other Business Services	9.2%	12.5%	10.6%	14.3%	8.8%
Public Administration & Defence	-5.4%	15.8%	-6.3%	13.3%	4.7%
Education	4.4%	9.4%	10.6%	-6.5%	4.8%
Health	5.6%	12.9%	2.7%	-4.8%	8.1%
Other Personal & Community Services	15.0%	14.1%	13.4%	12.8%	12.3%
Indirect Costs	3.4%	17.6%	27.9%	17.5%	9.5%
FISIM	39.2%	34.2%	-13.8%	15.9%	14.3%
Taxes on products	6.7%	19.5%	22.3%	17.3%	9.9%
GDP BASIC PRICES	6.6%	10.3%	6.9%	8.3%	6.7%
GDP MARKET PRICES	6.3%	10.8%	8.4%	9.0%	7.0%

Source: Background to the Budget-June 2009

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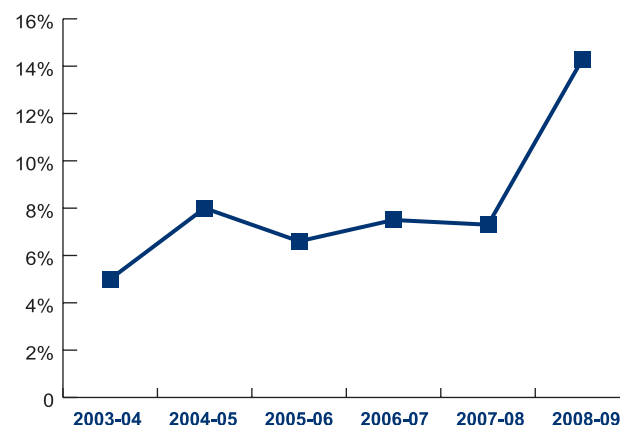
fishing. The overall performance of the sector though positive was affected by floods and continued prevalence of pests and disease in the various production areas across the country. Sector growth was at 2.6% due to improved performance of food crops attributed largely to adequate rainfall in the country and the agricultural recovery to Northern and North Eastern Uganda, together with the high market prices and increased demand for food crops that influenced production. Contribution of this sector to GDP in real terms was estimated at 23.7% compared to 21.2% the previous financial year.

The industrial sector is dominated by the manufacturing, construction and mining industries. Performance in this sector was grossly influenced by increased availability and stability of power following Government's heavy investment in emergency thermal power in the FY2007/08. Growth however slowed down in FY2008/09 due to a slower growth in the construction sub sector attributed to the global financial crisis. Contribution of this sector to GDP in real terms was estimated at 24.2% compared to 25.6% the previous year.

Key drivers in the services sector were; trade, transport and communications, posts and telecommunications as well as financial services (commercial banking, insurance and foreign exchange bureaus). Commercial banking continued to be the biggest contributor to financial services value addition as well as real estate development that also made its mark. Overall, potential growth in this sector remains on a high. Previously, very good performance was recorded for whole sale and retail trade due to the increased sales of manufactured goods, growth in the agricultural sector, increased importation and increased activity in the mining sector. This trade also

benefited from Uganda's increased exportation of goods to the Democratic Republic of Congo (DRC) and Sudan, especially after the signing of the peace agreement with the DRC. The good performance in the services sector was also partly attributed to lifting of the ban on entry in commercial banking activities and the Commonwealth Heads of Government Meeting held in November 2007. Contribution to GDP in real terms was estimated at 51.2% compared to 50% the previous year.

INFLATION RATES IN UGANDA (2003 - 2009)



Source: MBEA Research

Inflation

Inflation has averaged around 5% p.a for the last two decades. However, of recent, it has been affected by destabilizing external shocks and increasing prices of food and other consumer goods. It is now estimated at 12% as at the end of June 2009, a decline from 14.8% as at the start of the year in January 2009. During the previous financial year, the main causes of rising domestic prices included the increase in international

TABLE 2: INFLATION RATES IN UGANDA, 2003-2009

Years	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Inflation	5.0%	8.0%	6.6%	7.5%	7.3%	14.3%

Source: Uganda Bureau of Statistics

TABLE 3: AVERAGE ANNUAL INTEREST RATES IN UGANDA: 2001-2008

	91Day T-Bill	182Day T-Bill	364Day T-Bill	2Year T-Bond	3Year T-Bond	5Year T-Bond	10Year T Bond
2001	10.98%	14.46%	16.16%				
2002	5.83%	8.73%	10.84%				
2003	16.17%	17.23%	16.04%				
2004	8.78%	10.28%	11.68%	15.77%	16.10%	14.42%	13.48%
2005	8.33%	9.89%	10.85%	14.29%	15.76%	14.42%	13.48%
2006	7.90%	8.98%	9.90%	13.13%	12.98%	14.27%	13.48%
2007	8.86%	11.22%	11.14%	12.33%	13.16%	13.52%	13.48%
2008	8.51%	12.53%	12.87%	14.78%	17.37%	14.07%	13.48%
2009 (Jan-Jun)	5.99%	10.01%	12.27%	18.55%	14.22%	14.07%	13.48%

Source: MBEA Research

TABLE 4: EXCHANGE RATES IN UGANDA, 2001-2009 (US\$: UGX)

Years	2001	2002	2003	2004	2005	2006	2007	2008	Jan-Jun 2009
Inter-bank mid-rate	1,755	1,797	1,964	1,811	1,781	1,823	1,723	1,679	2,083

Source: Bank of Uganda

oil prices which caused domestic transport costs to go up and increased cost of manufacturing, the high regional demand for Uganda's farm produce in Southern Sudan, DRC, Rwanda, Burundi and Kenya, the increase in the general prices in Kenya due to the December 2007 political crisis, which is a major source of our imports and the rise in international prices of metals and other commodities such as steel and cement. This continued to trickle down into the FY2008/09 with most of the inflation being imported from our major trading partners in the region although with the expectation of declining global prices, it is assumed that inflationary pressures on the economy will subsequently decline.

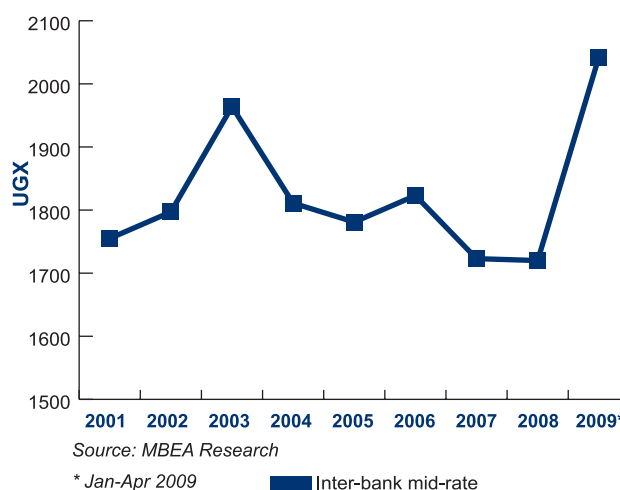
Domestic Money Markets and Interest Rates

The Bank of Uganda continues to issue Government Treasury Bonds of various tenors and Treasury Bills in a bid to support monetary policy implementation. Annualized yields for the treasury bonds have been stable over the years, with the central bank's increased efforts to sterilize excess liquidity. The 10-year bond rate however remains unchanged because there has been no issuance of a similar bond since the first one was issued in 2004.

Table 3 shows a summary of the average annual interest rates for the various Government of Uganda Treasury Bills and Bonds for the period 2001-2009.

Commercial banks' weighted average interest rates are still high and at one time peaked at 23.3% in August 2008. However as at the end of March 2009, average rate was at 20.9%. This is attributed to increased corporate demand for locally available loanable funds due to difficulties in accessing credit in the developed countries. Over the last four (4) years, the interest rate has averaged between 19-22%, a rate that is relatively high compared to Kenya's 13% and Tanzania's 17%.

USD: UGX RATES IN UGANDA (2001:2009)



Exchange Rates

The Uganda shilling exchange rate depreciated by about 36% from a monthly average of UGX 1,601 in June 2008 to a monthly average of about UGX 2,176 by April 2009. The shilling therefore weakened by 29% on an annual basis between April 2008 and April 2009. This was mainly attributed to the general strengthening of the US dollar against major currencies in the international market since January 2009. The exchange rate policy continues to be determined by demand and supply forces.

Capital Markets

During the FY2007/08, the stock market registered a 72% and 10% growth in turnover and volume respectively. Over the same period, market capitalization increased by 36%. The Uganda Securities Exchange (USE) with a record turnover of about UGX 83 billion was spurred by the floatation of Stanbic Bank shares. As the market continued to be bullish, investors reaped substantial profits during the year. However, during the FY2008/09, performance on the stock market was like the rest of the economy affected by the global downturn.

TABLE 5: TRENDS IN MARKET ACTIVITY AT THE UGANDA SECURITIES EXCHANGE (2005/06-2008/09)

Years	2005/06	2006/07	2007/08	2008/09	Growth
Volume of Shares Traded (Mn)	11.00	273.90	302.60	158.80	(48)%
Turnover (UGX Mn)	7,752	48,425	83,398	46,264	(45)%
Market Capitalization (UGX Bn)	4,369.80	4,569.40	6,206.60	5,631.17	(9)%
All Share Index	875.50	846.76	1,026.61	729.80	(29)%

Source: Background to the Budget-June 2009

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There was a decline in volumes traded from UGX 83 billion during the previous financial year to UGX 46 billion in FY 2008/09. Consequently market capitalization declined 9% to UGX 5.6 trillion. Prices have however bottomed out of recent albeit at lower levels.

The effect of the global downturn has brought to the fore the need for the diversification of the institutional investor base and the need for an integrated East African capital markets, issues that the government is willing to support.

TABLE 6: UGANDA SECURITIES EXCHANGE (USE)

Information regarding the USE is set out below.	
Established	April 1997
Location	Workers' House, 2nd Floor, Northern Wing Plot 1 Pilkington Road, Kampala
Address	P.O Box 23552, Kampala, Uganda Tel: (+256) 41 434 3297 / 434 2818 Fax: (+256) 41 4 342541
E-mail	Info@use.or.ug
Website	www.use.or.ug
Trading hours	Monday, Tuesday and Thursday between 10am – 12 noon
Trading system	Open outcry auction based system conducted on a trading floor overlooked by a public viewing gallery. <i>Once the Securities Central Depository System (SCD) system becomes operational, trading on the floor will be done electronically.</i>
Delivery and Settlement	Delivery T + 3 Settlement T + 5
Stock market index	USE All share Index (ALSI)
Members of the USE	Nine, namely: 1. African Alliance (Uganda) Limited; 2. Baroda Capital Markets (Uganda) Limited; 3. Crane Financial Services Limited; 4. Crested Stocks Limited; 5. Dyer and Blair (Uganda) limited; 6. Equity Stock Brokers (Uganda) Limited; 7. MBEA Brokerage Services (Uganda) Limited; 8. ReNaissance Capital Limited; 9. Made in Africa;
Number of stocks listed	Eleven (including 5 cross-listings) namely: Primary Listings: 1. Uganda Clays Limited – UCL (2000); 2. British American Tobacco Uganda limited – BATU (2000); 3. Bank of Baroda (U) Limited – BOBU (2002); 4. DFCU Bank Limited – DFCU (2004); 5. New Vision Printing and Publishing Company Limited – NVL (2004); 6. Stanbic Bank Uganda Limited – SBU (2007). Secondary / Cross Listings: 1. East African Breweries Limited – EABL (2001); 2. Kenya Airways Limited – KA (2002); 3. Jubilee Holdings Limited – JHL (2004); 4. KCB Bank Limited - KCB (2008). 5. Equity Bank Limited (2009)
Number of Bonds / Notes Listed (past & present)	Eight: 1. East African Development Bank (EADB) UGX 10 Billion Bond (1998); 2. Eastern and Southern African Trade and Development Bank (PTA Bank) UGX 15 Billion Bond; 3. Uganda Telecom Limited (UTL) UGX 54 Billion Medium Term Note; 4. East African Development Bank (EADB) UGX 20 Billion Note (2005); 5. Standard Chartered Bank Uganda Limited (SCB) UGX 23 Billion Subordinated Bond (2005); 6. Housing Finance Bank Limited (HFB) UGX 30 Billion Note Issuance Programme (2007). 7. Stanbic Bank Uganda Limited (SBU) UGX 30 Billion 8. PTA Bond UGX 40 Billion
Block trades	Constitutes value of shares in excess of UGX 200 million.
Taxes	You are advised to seek professional advice on this.

TABLE 7: CHARGES AND TAXES (%) - THE FOLLOWING CHARGES APPLY TO EACH TRADE ON THE USE

Consideration	Brokerage Commission	Transaction Fee Use	Transaction Fee Cma	Compensation Fund Fee	Total Cost To Investor
On the first 10,000 currency point	1.70	0.14	0.14	0.02	2.00
On the next 40,000 currency points	1.50	0.14	0.14	0.02	1.80
On any sum above 50,000 currency points	0.80	0.14	0.14	0.02	1.10

Source: USE Rules, 2003

* a currency point is equal to UGX 20,000

Currently, the USE has six (6) locally listed companies. The Fixed Income Securities Segment market consists of Seven (7) Listed Bonds as indicated in the table 6 on the facing page

Trading stocks on the USE

Placing of Orders

Client Buy Orders – A client who wishes to purchase shares on the USE is required to complete the following forms with a licensed broker/dealer: a client Information form, order form and USE purchase transfer form. Cleared funds are required to have been paid to the broker/dealer prior to trading. The purchase is made on Trade day (T) and delivery of the completed forms above to the USE is on 3 business days after trading.

Client Sell Orders – A client who wishes to sell shares on the USE is required to complete the following forms with a licensed broker/dealer: a client information form, order form, and USE sale transfer form. The client is also required to submit their share certificate to the broker/dealer for verification with the registrar. The sale is made on Trade day (T) and then completed forms and share certificates are delivered to the USE on 3 business days after trading. The USE then forwards the delivered documents to the Registrar, either for the issuance of a balance share certificate or cancellation of the existing share certificate. The client receives settlement/ payment for the sale on 5 business days after trading.

Restrictions on Foreign Ownership of Securities of Listed Companies

There are no restrictions on the number or percentage of shares that may be held by foreign investors in companies listed on the USE save for Ugandan listed financial institutions.

Orders are taken on a first-come-first-serve basis and are considered formally with a licensed broker/dealer once a client fills out order forms, client information forms and purchase or sale transfer forms submitting either their share certificate for a sale, or the required funds for a purchase.

Charges and Taxes – Table 7 shows applicable charges to each trade on the USE.

No stamp duty is payable on transfers of shares listed on the USE, however investors are strongly advised to obtain professional advice on their tax position in relation to dealing in shares listed on the USE.

Securities Central Depository Act (SCDA)

The Securities Central Depositories Act, 2009 was assented to on 28 January, 2009. It facilitates the establishment, operation and regulation of securities central depositories; to provide for the immobilisation and eventual dematerialisation of, and dealings in, securities deposited with central depositories in Uganda, and for related matters.

A Central Depository System is one in which stocks belonging to a particular entity are deposited in the custody of a central depository such that transactions or transfers concerning such stocks are executed in book entry form. The shares that have been entered in book entry form will be kept electronically. The Central Depository Agents (CDA's otherwise broker/dealers and Custodians) will act as interface between investors and the Depository.

The Capital Markets Authority will oversee and regulate the SCD operations.

The SCD acts like a bank of shares, and hence holds shares of investors (shareholders) in a central and integrated manner. By depositing share certificates into a central depository, the delivery of shares in settlement of a seller and a buyer can easily be achieved with change of records in a central depository instead of physical exchange of certificates.

The SCD will accept deposit of securities certificates through the broker/dealers. Every investor owns a securities account through which shares are registered. Settlement will be done on behalf of the investor by the Agents. All shares to be traded at the USE will have to be deposited into the Depository.

Intending shareholders of listed companies should

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note; that they and their registrars may decide to keep the share certificates in physical form and kept by the investor, dematerialised form in which case the listed company does not issue physical certificates to the shareholders and change of ownership is by record entries in the central depository, or the certificates may be held in immobilised form in which case the company issues paper certificates but these certificates are held by the depository and not the shareholders. But in this case, change of ownership is by record entry. Any potential and existing shareholder is eligible to open a SCD account.

The shareholder under the SCD regime will get access to the SCD account with the help of their preferred broker/dealer, who will guide them on the process of opening the account at the appropriate time.

Benefits of operating the SCD include; ease and speed of transfer of shares hence efficiency, reduced risk of loss and theft of certificates and reduced administrative costs due to reduced paper work. This system will greatly enhance regional integration and an efficient and transparent market, matching international standards. However, these future plans face the following challenges; the need for collective participation of all stakeholders, the low appreciation of paper-less trading and low technology levels in the East African region.

USE seeks to implement a SCD System for Uganda by the end of 2009. All prospective investors are advised to contact their local broker/dealer or Custodian for more information and advice on the operations of SCD.

The Capital Markets Authority (CMA)

The CMA was established in 1996 following the enactment of the CMA Act. It is an autonomous body responsible for promoting, developing and regulating the Uganda capital markets, just as regulation of banks is carried out by Bank of Uganda and insurance businesses are regulated by an Insurance Commission.

The CMA is a regulatory body and has therefore set rules and regulations covering, among other things, prospectus requirements, the establishment of a stock exchange and the operation thereof and the publication of an investor's guide to shares and public floatations.

The CMA has adopted a licensing policy designed to ensure that the capital market in Uganda has the capability to mobilise savings from domestic, regional and international markets. In this regard, the CMA's licensing policy concentrates on the following three criteria:

- Investor protection, which includes the operation of an investor compensation fund,
- Financial viability, and
- Potential to develop the securities market.

The CMA can be contacted as follows:

Capital Markets Authority (CMA)

8th Floor, Jubilee Insurance Centre

14 Parliament Avenue

P.O Box 24565

Kampala – Uganda

Tel: (+256) 414 342 788, 342791, 0312 264 950/1

Fax: (+256) 414 342 803

E-mail: cmauganda.co.ug

Website: www.cmauganda.co.ug

PART Four
INDUSTRY OVERVIEW

The insurance industry in Uganda is overseen by the Uganda Insurance Commission whose main objective is to ensure effective administration, regulation and control of the business of insurance in Uganda. It was established under Section 14 of the Insurance Act.

The industry is a very important component of the financial sector and a source of long term finance. Insurance encourages loss mitigation, enables risks to be managed more efficiently, facilitates trade and commerce and promotes financial stability.

The Commission promotes the growth of the insurance market in the medium term by;

- Establishing standards for the conduct of insurance and reinsurance business
- Licensing all persons involved or associated with insurance and the reinsurance business
- Safeguarding the rights of policy holders and insurance beneficiaries and ensuring enforcement of insurance contracts
- Establishing a bureau to handle complaints
- Strengthening monitoring to ensure strict adherence to the provisions of the Insurance Act.
- Promoting a sound and efficient insurance market in the country

2005, 2006, 2007 and 2008 had the same number of insurance players as well as the position of shareholding structure of insurance companies. Currently, there are a total of 21 insurance firms, about 23 insurance brokers, 515 insurance agents and 11 loss assessors/ adjusters/ surveyors. The number of insurance players was larger few years back, but due to failure to meet the stringent commission requirements for operation, a number of them no longer operational. This has in the long run contributed to the current sound and stable insurance industry in the country. 2006 also experienced the licensing of the first solely life insurance company M/s Liberty Life Assurance Uganda Limited.

The licensed insurance firms in the industry as at 18 June 2009 include;

- AIG Uganda Ltd
- APA Insurance (U) Ltd.
- East African Underwriters Ltd
- Excel Insurance Company Ltd
- First Insurance Company Ltd
- Goldstar Insurance Company Ltd
- Insurance Company of East Africa (U) Ltd
- Leads Insurance Ltd
- Liberty Life Assurance Uganda Ltd
- Lion Assurance Company Ltd
- National Insurance Corporation Ltd.
- NICO Insurance (U) Ltd
- Paramount Insurance Company Ltd

- PAX Insurance Company (U) Ltd.
- Phoenix of Uganda Assurance Company
- Rio Insurance Company Ltd
- Statewide Insurance Company
- The East African General Insurance Company Ltd
- The Jubilee Insurance Company of Uganda Ltd
- TransAfrica Assurance Company Ltd
- UAP Insurance Uganda Limited

Source: Uganda Insurance Commission

Over the years, the industry has seen a number of mergers and acquisitions. This trend shows the confidence foreign players have in the Ugandan market. Notable companies' party to this have been Lion Assurance which took over Pan World Insurance, NICO Insurance which acquired Imperial Assurance Company, and Kenya's UAP Provincial Assurance that bought into United Assurance Company and Nigeria's IGI Plc that bought shares into NIC.

Classification of Insurance Business

Under Section 5 of the Insurance Act, the insurance business is comprised of;

- Life Insurance which includes individual, group and deposit administration plans.
- Non-life insurance includes: - fire, marine, motor vehicle and miscellaneous accident.
- Reinsurance business normally broken down into Life Individual, Life Group and Deposit Administration Plans (Pensions).

Insurance has got two branches namely; General insurance (non-life or short term) where most policies like fire, third party and marine fall, and then life insurance which is basically long term in nature. Life insurance provides for a payment upon the death of the insured. Currently, UAP Insurance Uganda Limited, Jubilee Insurance Company, Liberty Life Assurance Company Ltd., National Insurance Corporation and Insurance Company of East Africa are the only companies offering the life insurance products.

In an industry that employs over 1,200 professionals, there has been need to overhaul, modernize and introduce new or re-brand products. These include; the ladies insurance protection scheme, the business travel insurance, the motorcycle (boda-boda) accident insurance policy, the dividend plus plan, estate comprehensive policy, group mortgage protection plan, micro finance care policy, motor care insurance policy, personal pension and annuity-plus plan etc.

In the year 2006, an estimated 403,025 individuals were covered by the various Non-life insurance policies while it is estimated that 2007 had a total of 402,180 individuals.

Industry Overview

MINIMUM CAPITAL REQUIREMENTS FOR INSURANCE COMPANIES	
The table shows the minimum capital requirements for insurance and reinsurance companies	
LICENSING FEES (UGX)	
Local Insurance Company	200,000,000
Reinsurance Company	500,000,000
PAID UP CAPITAL (UGX)	
Foreign Insurance Company	Not less than 1,000,000,000
Reinsurance companies	Not less than 2,500,000,000
SECURITY DEPOSIT	
Insurance companies are supposed to maintain a security deposit of 10% of the prescribed paidup capital of the company with the Central Bank	
SOLVENCY MARGINS	
An insurer carrying on life insurance, the liabilities of the insurer shall not exceed the amount of the life insurance fund of the insurer	
Incase of non life insurance business or reinsurance, the admitted assets of the insurer shall exceed its admitted liabilities by a minimum of 15% of the premium income, net of reinsurance cessations.	NIC's total admitted assets in respect of insurance business other than life business of the financial year ending 31 December 2008 exceeded the liabilities by UGX 6,499,649,252 which is atleast 15% of the premium income net of reinsurance cessations.
Source: Insurance Act	

The corresponding number for life assurance business was 1,181,660 and 710,757 respectively.

This means that 5.85% of Uganda's total population was covered by various insurance policies in 2006 while 3.95% of the population was covered in 2007.

Performance Overview

According to the Background to the Budget-June 2009, the insurance industry has continued on a strong growth trend, registering substantial increase in insurance premiums. As the economy grows, so does the insurance industry as most businesses and developments that come up require insurance services.

Growth in the sector has been modest as the industry showed a slight increase in savings mobilization in 2008. Insurance gross premiums grew 26% with life assurance premiums doubling by 94.2% in 2008, while non life insurance grew at 23%. The sector however has a very dismal 1% contribution towards total GDP.

The political crisis in Kenya arising from disputed elections early in 2008 had an adverse effect on the insurance sector in Uganda and the East African Community in general. The widespread violence triggered an increase in claims arising especially from losses during the transportation of goods from Kenya and Uganda.

As at December 2007, the total insurance market premiums for the industry stood at UGX 125.7 billion, representing a growth of 22.96% over the previous calendar year. Of this, UGX 116.8 billion (93%) was non-life premium and the balance was life related business premiums. The life premium was boosted by the coming into operation of Liberty Life in 2007. The continued steady growth particularly in non-life insurance is attributed to;

- The continued strong private sector-led growth of the economy
- Increased public awareness of the products and benefits of the insurance services

TABLE 1: INSURANCE MARKET PREMIUMS: 2001-2007 (UGX '000)

Year	Market Premium	% Change
2001	47,219,783	-
2002	53,597,958	13.51
2003	64,798,414	20.90
2004	80,754,846	24.63
2005	90,179,074	11.67
2006	102,295,597	13.44
2007	128,981,543	26.09

Source: Uganda Insurance Commission

- Increased level of confidence in the insurance market.

Looking at the insurance market premiums, there was a 12.24% growth in 2006 from UGX 90 Billion in 2005 to UGX 102 Billion in 2006, and this increased yet again in 2007 to UGX 125 Billion, a 22.96% growth. Table 1 shows the market insurance premiums.

Out of the total market premiums, the Non-Life figure was at UGX 96 Billion in 2006 and UGX 117 Billion in 2007, while the Life figure was at UGX 5.8 Billion and UGX 11.3 Billion respectively over the same period. In 2007, the average gross premium written by insurers was UGX 6.3 Billion. In 2005, five (5) companies were above the industry average, 2006 had six (6) companies while 2007 had 7 companies above the industry average. These seven (7) companies controlled 71.82% of the insurance industry that year. The life premium was boosted by the coming into operation of the Liberty Life in 2007. Market penetration has virtually remained the same over the last five years at about 0.56%. Table 2 shows the Life and Non-Life market premiums.

The trend in growth in the market premium is attributed to several factors among which are:

- The continued level of economic growth;
- Continued infiltration of the market by foreign players, thus improving competition and general marketing strategies;
- Entry of new insurers and brokers leading to the writing of more premium;
- Increased level of awareness among the population regarding the benefits and need for insurance services;
- Increased level of training of insurance marketing and underwriting personnel;
- Increased level of confidence in insurance due to the commission's continuously improving in the level of supervision;
- Product innovation through the introduction of new products and rebranding and repackaging of already existing ones;
- Sensitization of the public about the value & role of insurance;

TABLE 2: MARKET PREMIUMS (NON-LIFE & LIFE): 2001-2007 (UGX '000)

Year	Non-Life Premium	Non-Life % Change	Life Premium	Life % Change
2001	43,047,256	-	4,172,527	-
2002	49,913,176	15.95	3,684,782	(11.69)
2003	59,863,982	19.94	4,934,130	33.91
2004	75,784,187	26.59	4,970,659	0.74
2005	85,001,173	12.16	5,177,901	4.17
2006	96,494,673	13.52	5,800,924	12.03
2007	117,417,967	21.99	11,266,363	94.22

Source: Uganda Insurance Commission

TABLE 3: TOP 10 INSURANCE COMPANIES' PERFORMANCE (UGX '000)

Company	Non-Life + Life Premium 2006	Non-Life + Life Premium 2007	2006 Market Share	2007 Market Share	% Change In Overall Performance
AIG Uganda	20,764,974	22,267,709	20.30	17.29	7.24
Jubilee Insurance	14,741,007	17,266,617	14.41	13.62	18.94
UAP Insurance Uganda	13,204,787	15,637,223	12.91	12.14	18.42
NIC	8,115,238	14,081,256	7.93	10.94	73.52
Goldstar Insurance	8,007,872	9,010,880	7.83	7.00	12.53
Insurance Company of East Africa	3,802,953	6,526,876	3.72	5.07	71.63
Microcare Insurance	2,943,135	6,513,054	2.88	5.06	121.30
E.A Underwriters	5,907,484	6,273,831	5.77	4.87	6.20
Phoenix of (U) Assurance	2,799,612	4,687,989	2.74	3.64	67.45
Lion Assurance Co. Ltd	3,913,902	4,611,823	3.83	3.58	17.83

Source: Uganda Insurance Commission

Industry Overview

TABLE 4: REINSURANCE PREMIUM CEDED (2002-2007) BY CLASS OF BUSINESS (UGX MILLION)

Year	Non-Life					Life			
	Fire	Marine/ Aviation	Motor	Misc Accident	Total	Life individual	Group life	DAP	Total
2002	6,442	3,012	3,023	7,699	20,176	21	211	412	644
2003	8,378	3,531	2,130	10,698	24,737	30	1,032	-	1,062
2004	11,715	4,926	3,929	13,252	33,822	50	1,263	-	1,313
2005	10,666	4,856	4,449	16,937	36,908	43	687	-	730
2006	12,112	5,063	3,809	18,703	39,688	42	1,083	-	1,125
2007	11,263	6,304	3,338	25,230	46,135	27	1,590	-	1,914

Source: Uganda Insurance Commission

Reinsurance

In 2006, efforts to operationalise Uganda Reinsurance Company Ltd (Uganda Re) continued. Such efforts included the request and lobbying for specific percentage cessions to Uganda Re to be incorporated in the proposed amendments to Section 64 of the Insurance Act, and also mobilization of support from African regional and reinsurance companies and brokers to help Uganda Re design a suitable retrocession programme besides helping it procure inward reinsurance business. Uganda Re was expected to be an essential tool in the enhancement of national underwriting capacity, increase of national premium retention capacity, earning of the much needed hard currency through the underwriting of inward reinsurance business and the development of the insurance as a whole.

Uganda Re however continued to be un-operational through 2006 and 2007 as it continued to look for funds to meet capital requirements. Insurers therefore continued to buy all reinsurance protection from abroad. Table 4 below shows the position of the premiums ceded to foreign insurers in the past five years.

There was a slight increase in the total Non-life and Life reinsurance premiums ceded from UGX 40.8 Billion in 2006, to UGX 48 Billion in 2007, a 17.7% increase. The individual Non-Life and Life reinsurance premiums ceded registered 7.53% and 54.11% changes respectively.

Insurance Market Penetration

As table 5 shows, the insurance sector's contribution to GDP continues to be low due to hindrances that have persistently affected development, and stifled growth of the industry.

Challenges in the industry

There is a shortage of professional manpower in the industry.

- There is need for more product development and innovation to suit the changing market and effectively increase market penetration and catchment areas.
- Ugandan insurers are still reluctant to underwrite life business policy for reasons like the HIV/AIDS scourge.
- There is a general low level of insurance awareness amongst both the insuring and would-be insured public. There is therefore need for continued sensitization in order to bring awareness and broaden the market.
- There are high levels of poverty in the country and low incomes of the majority of the prospective consumers, giving rise to inability to afford insurance due to non-possession of valuable insurable property.

TABLE 5: MARKET PENETRATION AS AT DECEMBER 2007

Year	Life + Non-life Premiums (UGX Mn)	GDP at factor cost at current prices (UGX Millions)	Premium as a % of GDP
2002	53,598	10,847,788	0.49
2003	64,798	12,756,541	0.51
2004	80,755	14,081,557	0.57
2005	90,179	16,268,320	0.55
2006	102,295	18,608,430	0.55
2007	128,981	23,009,170	0.56

Source: Uganda Insurance Commission

PART Five
DIRECTORS, SENIOR MANAGEMENT
AND EMPLOYEES

DIRECTORS AND MANAGEMENT OF NIC AND ITS SUBSIDIARIES			
Name	Age	Position / Shareholder Representative	Academic And Professional Qualifications
Mr Remi Olowude (*)	57	Chairman	MSc. Applied Econ, BSc Econ, ACII
Dr Samson Akinwale (*)	51	Managing Director	Phd in Finance, MBA (Financial Management) Masters Degree in Research & Mgt), FCII (London)
Dr Martin Alikier	81	Non-Executive Director (GoU)	DDS, B Ph. Pol. Sc, MBA
Mr Rotimi Fashola (*)	50	Non-Executive Director (IGI)	ACII, WAI, ACI ARB (London)
Mr Patrick Bitature	49	Non-Executive Director (GoU)	ICSA
Mr Michael Tukei	49	Non-Executive Director (GoU)	BSC.ECON (MUK), PGD (Mon. Econ) (Glasgow), MA (Dev Econ)
Mr Charles Tukacungurwa	61	Non-Executive Director (GoU)	BSC Hons (MUK), MSC (Aberdeen)
Mr Michael Kaggwa	76	Non-Executive Director (GoU)	ACII, FIU, BA (Hon) (Mak Univ Col)
Mr David Ssebabi	44	Non-Executive Director (GoU)	B.COM (Banking), MSC. Fin
MANAGEMENT			
Dr. Samson Akinwale (*)	51	Managing Director	Phd in Finance, MBA (Financial Management) Masters Degree in Research & Mgt), FCII (London)
Mr Akitunde Oluwole (*)	60	Head, Finance & Accounts	FCIA, Dip Accountancy
Mr. Elias Edu (*)	34	Corporation Secretary	LLB (Hons), BL, LLM, ACLarb
Mrs Angela F.Mawanda	63	Chief Manager, Technical	BA ECON, ACII
Mrs Jocelyn Ucanda	47	Chief Manager, Marketing	BA EDUC, MA EDUC, MA PUBLIC ADMIN
Mr Grace W. Wanyama	54	Chief Manager, Legal & Administration	LLB, DIP. LEGAL PRACTICE
Mr Sam M. Lukooya	53	Senior Manager, General Business	ACII, FCII
Mrs Florence Obore	54	Senior Manger, General Business	BA SWSA, CII
Mrs Ann I. Canowira	52	Senior Manager, Private Sector	BA SS, PGD MANAGEMENT
Mrs Jesca Kweyamba	45	Senior Manager Treasury	BA SS, ACCA II
Ms. Stella Nabbanja	32	Legal Manager	LLB, DIP, LEGAL PRACTICE, ICSA
Mr Edwin W. Muruka	31	Manager IT	M Sc (Software Engineering) B Sc (Maths, Computer Science)
Mr Rogers Kasozi	47	Manager Claims & Survey	BSc. AGRIC, CII
Mrs Theopista B. Matovu	46	Manager Special Risks	BA SS, CII
Mr Mark Twinamukye	39	Manager Motor	BBA, PGD EDUC, CII
Mrs Josephine Z. Omunyidde	29	Ag. Manager Corporate Communications	BA (Mass Com.), DIP TV PROD, DIP VIDEO EDIT, DIP BROADCASTING
Ms Kabeera Jennifer	33	Manager Human Resources	BA SS, PGD HUMAN RESOURCE

(*) Nigerian
 Note: Dr. Martin Alikier and Mr. Michael Kaggwa are above the age limit of 70 years as required by S. 186 of the Companies Act Cap. 110. The Company will comply with all the provisions of Section 186 of the Companies Act at the next Annual General Meeting where a special resolution will have to be passed on whether to keep them as directors.

MANAGEMENT STRUCTURE

The overall management of the business of the Company is vested in the Board of Directors which is currently composed of 10 members, seven of whom are Ugandans and three Nigerians. CHL is entitled to nominate six (6) Directors including the Managing Director and two Executive Directors responsible for Operations and Finance, whilst the GoU is entitled to nominate four (4) non-executive Directors. The Directors however have the power to appoint any one of them to serve as Chairman

of the Board. A director who is absent from Uganda at any one time of the meeting may nominate someone else (alternate director) to attend the meeting on his behalf. The Board holds one annual general meeting (AGM), and such other meetings as may be necessary for the business of the Company.

Directors and Management

BOARD OF DIRECTORS

Remi Olowude (Nigerian) – Chairman

Mr. Olowude has been Board Chairman of the NIC since 2005. He is an Economist, Chartered Insurer and International Investor. He is the Vice Chairman of Industrial and General Insurance plc (IGI). Mr. Olowude holds a Masters Degree in Economics and has completed the coursework for the award of a Doctorate Degree from the University of Santa Clara California. He is an international investor and Consumate Insurance Professional with interests in various business sectors spanning financial services, telecommunications, oil and gas, mortgage banking and aviation.

Dr. Samson Akinwale (Nigerian) – Managing Director

Dr. Samson Akinwale holds a Phd. Degree in Finance, a Masters Degree in Research in Business and Management from Manchester Metropolitan University – UK and an MBA in Financial Management from The Federal University of Technology Akure – Nigeria.

He is a Fellow of the Chartered Institute of London (F.C.I.I). Associate of the Insurance Institute of Management (AMNIM).

Dr. Akinwale is currently the Managing Director NIC in Uganda and a member of the Board of Directors, Global Trust Bank in Uganda. A Chartered Insurer and Finance expert, Dr. Akinwale has served under various capacities ranging from Consultancy, Teaching and Advisory roles for a number of businesses and insurance related corporations and institutions. He served as a Council Member of the Chartered Insurance Institute of Nigeria, Member of the Technical Committee of Nigerian Insurers Association, Ondo State Chairman Chartered Insurance Institute of Nigeria, Lecturer Chartered Insurance Institute of London (Akure Center), Member Ondo State Committee on the implementation of Medical Health Insurance Scheme and Member Faculty Research Degree Development Committee –Manchester Metropolitan University. He has served on the Board of several companies including the Governing Council of a tertiary institution in Nigeria.

Dr Martin Aliker (Ugandan) – Director

Dr. Aliker is a Presidential Advisor and Chancellor, Gulu University. He holds a Doctorate of Dental Surgery from Northwestern University USA and obtained a Licentiate in Dental Surgery from the Royal College of Surgeons, (RCS), England.

Rotimi Fashola (Nigerian) – Director

Mr. Fashola is an alumnus of the prestigious Obafemi Awolowo University, Nigeria, Associate of the Chartered Insurance Institute of London and associate of Chartered Institute of Arbitration, London. Mr Fashola holds with distinction the diploma of West African College

of Insurance and Risk management and is a presently Deputy Managing Director, Operations, IGI Plc of Nigeria, the parent company of NIC. An insurance scholar and teacher, he is on the Academic Board of the West African Insurance Institute of the Gambia (WAI).

Patrick Bitature (Ugandan) - Director

Mr. Bitature is an Associate member of the Chartered Institute of Secretaries (ACIS, UK). Currently he is the Board Chairman of the Uganda Investment Authority (UIA) and has made enormous contributions to the development of the private sector and promoting the Uganda brand to the world. He is also the Chairman of the Gifted by Nature Project, Chairman Simba Group, and the Board Member New Vision Printing and Publishing Limited.

David Ssebabi (Ugandan) – Director

Mr. Ssebabi is the Director for the Privatization Unit and Project Coordination Unit, a position he took up in 2007. He is the technical head of the Privatisation and Utility Sector Reform Project in Uganda and reports to the Minister of State for Finance, Planning and Economic Development (MoFPED). He is a financial analyst with experience in Banking, Parastatal Monitoring and Utility Reform and Restructuring. He holds a B.Comm (Hons) degree from Makerere University, Kampala and MSc. Finance from Strathclyde University, Glasgow.

Michael Tukei (Ugandan)- Director

Mr. Tukei is an Assistant Commissioner in the Ministry of Finance, Planning and Economic Development. He is an economist. He obtained a Masters Degree in Development Economics from the Williams College in Massachusetts in the USA in June 1997. He also obtained a Post Graduate degree in Monetary Economics from the University of Glasgow in Scotland, United Kingdom. He worked as a Financial Analyst at the New York Branch of Sanwa Bank Limited where he had responsibility for Compliance, Risk management, Industrial Research and Merchant Banking. Mr. Tukei was the desk officer of the World Bank funded Financial Sector Reform Programme (1993-1999) where he was responsible for the establishment of the Ugandan Anti-Money Laundering Committee and also served as a Director of the Capital Markets Authority (CMA) from 1996 to 2002.

Charles Tukacungurwa (Ugandan) – Director

Mr. Tukacungurwa holds a Bachelors degree in Botany and Zoology and Masters degree from Aberdeen University, Scotland in Plant breeding and genetics. He has over 30 years of experience in various fields of agricultural research, agricultural policy analysis and natural resources. He worked in various capacities in the then Agricultural Secretariat which later became the Agricultural Policy Secretariat under the Ministry of Finance, Planning and Economic Development. The Secretariat implemented major World Bank funded

projects. Mr. Tukacungurwa currently works as a private Consultant after retiring from the Public Sector.

Michael Kaggwa (Ugandan) – Director

Mr. Kaggwa is an Associate of the Chartered Insurance Institute of London (ACII) and a Fellow of the Insurance Institute of Uganda (FIU). He is a chartered practitioner of over 35 years experience in both the Public and private Insurance management in Uganda. He founded the Uganda Insurance Brokers Association (UIIBA) which body he chaired twice between 1971 and 1991. He was also twice the President of the Insurance Institute of Uganda (IIU). He worked in Hogg Robinson Uganda Limited (now AON Uganda Limited) where he rose to become the first indigenous Managing Director.

Note: Mr. Bola Ososanya, the former Managing Director of NIC retired in January 2009 and was replaced with Dr. Samson Akinwale.

SENIOR MANAGEMENT

Dr. Olusegun Akinwale Segun (Nigerian) – Managing Director (Refer to Directors' profile)

Oluwole Akitunde (Nigerian) – Head Finance & Accounts

Mr Akitunde Oluwole is the Head of Finance & Accounts. Prior to joining NIC, Oluwole worked with Kitman Associates in Nigeria as a Managing Consultant. He is experienced in Finance & Accounts, Recruitment & Training and Management Advisory Services. Mr. Oluwole is a Fellow of the Institute of Chartered Accountants of Nigeria and also holds a Diploma in Accountancy. Member of the Steering Committee of Accounting Standard for Insurance Business in Nigeria.

Elias Edu, Esq. (Nigerian) – Corporation Secretary

Elias has been with the IGI group since 2004 and has held key roles as Head of Legal Services Monarch Communications Limited, Company Secretary/Legal Adviser of International Health Management Services Limited, IGI Life Assurance (Ghana) Limited and Company Secretary/Director of Industrial and General Insurance (Ghana) Limited. He played important roles in the incorporation/acquisition of some strategic offshore subsidiaries in Ghana and Sierra Leone. Before joining the IGI Group, he held position as General Counsel and Acting Head of Chambers in the firm of G. O. K Ajayi & Co. with special skills in litigation and arbitration. He holds a Bachelor of Laws Degree from the prestigious Nnamdi Azikiwe University, Barristers at Law from the Nigerian Law School and Masters in Law from the same Nnamdi Azikiwe University. He is a member of the Nigerian Bar Association as well as an Associate Member, Chartered Institute of Arbitrators (UK).

Angela F. Mawanda (Ugandan) – Chief Manager, Technical

Angela has worked with NIC for over 30 years in the Life Department, Accident Department as Assistant Manager, Manager, Chief Manager (Insurance) and presently Chief Manager Technical. She holds a Bachelor of Science in Economics and History from the Nairobi University College, University of East Africa. She has attended training in Life Insurance and Advanced General Insurance Course at the Swiss Training Center, Zurich, Switzerland, General Insurance from the College of Insurance, Bombay, India, and has attained Part ACII qualification. She is an Associate of the Insurance Institute of Uganda (AIU), and has held the position of Deputy Secretary of the Uganda Insurers Association.

Jocelyn Ucanda (Ugandan) – Chief Manager, Marketing

Jocelyn holds a Bachelor of Arts in Education, Masters in Education and Masters in Public Administration and Management. She has a wealth of experience in marketing acquired from various courses and engagements in the Ugandan insurance industry. She joined NIC in 2003 as Chief Marketing Manager. Prior to that, Jocelyn worked in various capacities as General Manager with East African General Insurance Company, a Consultant with the United Nations International Children Education Fund, and United Nations High Commission for Refugees, and as a Lecturer at Kyambogo University. She has been a Board Member of the Uganda Insurers Association.

Grace W. Wanyama (Ugandan) – Chief Manager, Legal & Administration

Grace has worked with NIC since 1992 in various capacities as Legal Secretary, Chief Manager Corporate Services, Company Secretary and currently Chief Manager, Legal and Administration. Prior to joining NIC, he worked as a State Attorney with Ministry of Justice, was a tutor at the Law Development Centre, Secretary Presidential Advisory Committee on prerogative of Mercy, Assistant Legal Secretary Transocean (Uganda) Limited. Grace obtained a Bachelor of Laws (Hons) from Makerere University, a Diploma in Legal Practice from the Law Development Centre and Certificate in Development (Law) from International Development Law Institute, Rome.

Sam Magulu Lukooya (Ugandan) – Senior Manager, Life & Pensions

Sam has over 30 years experience working in the Insurance Industry at NIC. His core experience is the technical underwriting of Life and Pensions business. He holds an Associate Diploma of Chartered Insurance Institute (London) ACII, is a Chartered Insurer and Fellow of Chartered Insurance Institute (FCII) (London). He is a Member of Chartered Insurance Institute, Faculty of Pensions, and Uganda Insurance Institute.

Directors and Management

Florence Obore (Ugandan) – Senior Manager, General Business

Florence has worked with NIC since 1980 in various capacities. She has worked as Underwriter Life Department, Insurance Officer Accident/Fire, Assistant Manager Accident Fire section, Manager Accident/Fire, Marine /Reinsurance Manager, Manager Accident/Fire, General Business and presently, Senior Manager General Business. She holds a Bachelor of Arts, Social Work and Social Administration from Makerere University. She has attended training in various courses like Non Life Insurance from Zurich, Switzerland, Engineering Underwriting and Risk Management, General Business Insurance and Accounting, Underwriting and Current trends, Advanced Insurance Management Systems, Reinsurance training from Swiss Reinsurance at Kampala and Total Quality Management Seminar from MTAC. She is a Member of the Chartered Insurance Institute of London (CII), Member of the Insurance Institute of Uganda (IIU) and has held the position of Deputy President of Insurance Institute of Uganda (2002-2003).

Ann Idro Canowira (Ugandan) – Senior Manager, Private Sector

Ann has worked with NIC since 1983 in various capacities as Management Executive, Insurance Officer and Underwriter (Non-Life). Ann holds a Bachelor of Arts in Social Sciences from Makerere University, a Post-Graduate Diploma in Management from the Uganda Insurance Institute. She holds various certificates in Insurance (Non Life), Risk management, Reinsurance and Strategic Management for Senior Insurance Executives (Sweden). She has held the positions of President of the Insurance Institute of Uganda.

Jesca Bwiragura Kweyamba (Ugandan) – Senior Manager, Treasury

Jesca joined NIC in 1999 and has worked in different capacities as an Insurance officer, and Internal Auditor. Prior to that, she was a Senior Banking officer in Co-operative Bank where she had a varied career in treasury bill management, managing the pay roll, asset management and processing data. Jesca holds a Bachelor of Science in Economics from Makerere University, Certificate in ACCA stage I and stage II, (ICPU) Certificate in Financial Reporting, Taxation and Inventory Control (ICPU), Certificate in Auditing and Taxation, Certificate in Insurance Regulation and Financial Reporting (ICPAU), Certificate of Completion-Audit and Governance, Audit and Control Technology Symposium and she is a Member of the Institute of Internal Auditors.

Ms. Stella Nabbanja – Manager Legal & Administration

Stella joined NIC in 2008 and has over six years of legal and administration experience in large corporations. Prior

to joining NIC, she worked as the Senior Legal Officer for Kinyara Sugar Works Limited and as a Legal Assistant with Kawanga & Kasule Advocates. She holds a Bachelor of Laws Degree from Makerere University, Diploma in Legal Practice from Law Development Centre, is a Member of the Institute of Chartered Secretaries & Administration, UK and is a graduate of a Masters of Business Administration from Edinburg Business School.

Rogers Kasozi (Ugandan) – Manager Claims and Survey

Rogers joined NIC in September 1999 and has worked in different capacities as Underwriter Motor, Fire accident, Manager Fire Accident and lately Manager Claims and Survey. Prior to that, Rogers worked with Global Insurance Company as Manager Underwriting, Marketing and Account Executive with Sun International Brokers Ltd. He holds a Bachelor of Science Degree in Agriculture has attended various course in Planning and Management, Reinsurance Underwriting and Accounting with Kenya Re. Nairobi, Insurance management under Common wealth in Malta and is currently pursuing studies with CII of London. Rogers is an Associate Member of IIU and a former executive member of IIU.

Mark Twinamukye (Ugandan) – Manager Motor

Mark joined NIC as a senior underwriter Motor, Marine/ Reinsurance section in 2003. Prior to that, he worked with Goldstar Insurance Company Limited as a Claims and Underwriting Assistant. He has also worked as headteacher, Uphill College Mbuya.

He holds various certificates in both underwriting and claims handling from Uganda College of Insurance Nairobi and Industrial Training fund of Nigeria. He has work experience from the UK market where he worked at Bartlett Group Ltd. on both the London and Leeds office

Mark holds a Bachelor of Arts Degree, a Post Graduate Diploma in Education and is currently pursuing an advance Chartered Insurance qualification with the Chartered Insurance Institute UK.

Theopista Batoma Matovu (Ugandan) – Manager Special Risks

Theopista has worked with NIC since 1987 to date. She started out as an Insurance Officer (Marine/Aviation) underwriting claims, then worked with the Life and Motor Sections, before joining the Special Risks department which she heads today. She holds a Bachelor of Arts degree in social Sciences from Makerere University and has attended various training seminars and workshops on Engineering Insurance, General insurance foundation from Bombay India, Reinsurance with NIC, has a Certificate in International Reinsurance from Nairobi by Kenya Re, Certificate in Advanced Reinsurance Practice sponsored by the PTA Re, has training in Human Resource Management conducted by the Federation of

Uganda Employers and Certificate in Customer Services conducted by Industrial Training Fund of Nigeria. She has also been an Executive Committee Member (Uganda's representative) O.E.S.A.I Non-Life Pool, is an Associate Member Insurance Institute of Uganda (AIU) and Member Chartered Institute of Insurance London (CII).

Edwin W. Muruka – Manager IT

Mr. Edwin joined NIC in 2009 and has over 8 years of experience in systems and information technology. Prior to joining NIC, he worked as Senior Product Consultant for AIMSOFT limited in Nairobi. He also worked for Amarco Kenya Limited, in Nairobi as product and Associate consultant. He holds a Bachelor of Science degree (majoring in Mathematics & Computer Science) from Jomo Kenyatta University in Kenya.

Josephine O. Z. Aguma (Ugandan) – Asst. Manager Corporate Communications

Josephine has seven years of experience in Public Relations and broadcast production. She joined NIC in September 2006 as Acting Manager Corporate Communications. Prior to joining NIC, Josephine worked with WBS Television Station as Assistant Productions Manager, then Acting Head of Productions before rising to the position of Head of Feature.

Josephine holds a Bachelor of Arts Degree in Mass Communications and various Diplomas in Education from Kyambogo University (ITEK), general television production, video editing, and public broadcasting from the United States Telecommunications training Institute (USTTI), Howard University, Washington D.C.

Jennifer Kabeera (Ugandan) – Human Resource Manager

Jennifer joined NIC in March 2008. She has experience in Human Resources having worked as a Deputy Manager Human Resource with Tropical Bank Limited, Consultant with Thomas International and Foundation for Aids Orphaned Children as an Administrative Officer. Jennifer holds a Bachelor of Arts in Social Sciences from Makerere University and a Post-Graduate Diploma in Human Resource Management from the Uganda Management Institute.

Organisational structure

The organogram on the following pages sets out the organizational structure of NIC Limited.

Staff

As at the date of this Prospectus, NIC had three (3) seconded staff, eighty eight (88) permanent staff, twenty three (23) contract employees and one (1) temporary staff.

REMUNERATION AND INCENTIVE SCHEME

Retirement benefit obligations

The Company operates a defined contribution pension scheme for its employees. This is a scheme under which the Company pays fixed contributions into a fund managed by a board of trustees and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. Once the contributions have been paid, the Company has no further payment obligations. The regular contributions by the Company and employees constitute net periodic costs for the year in which they are due and as such are included in staff costs.

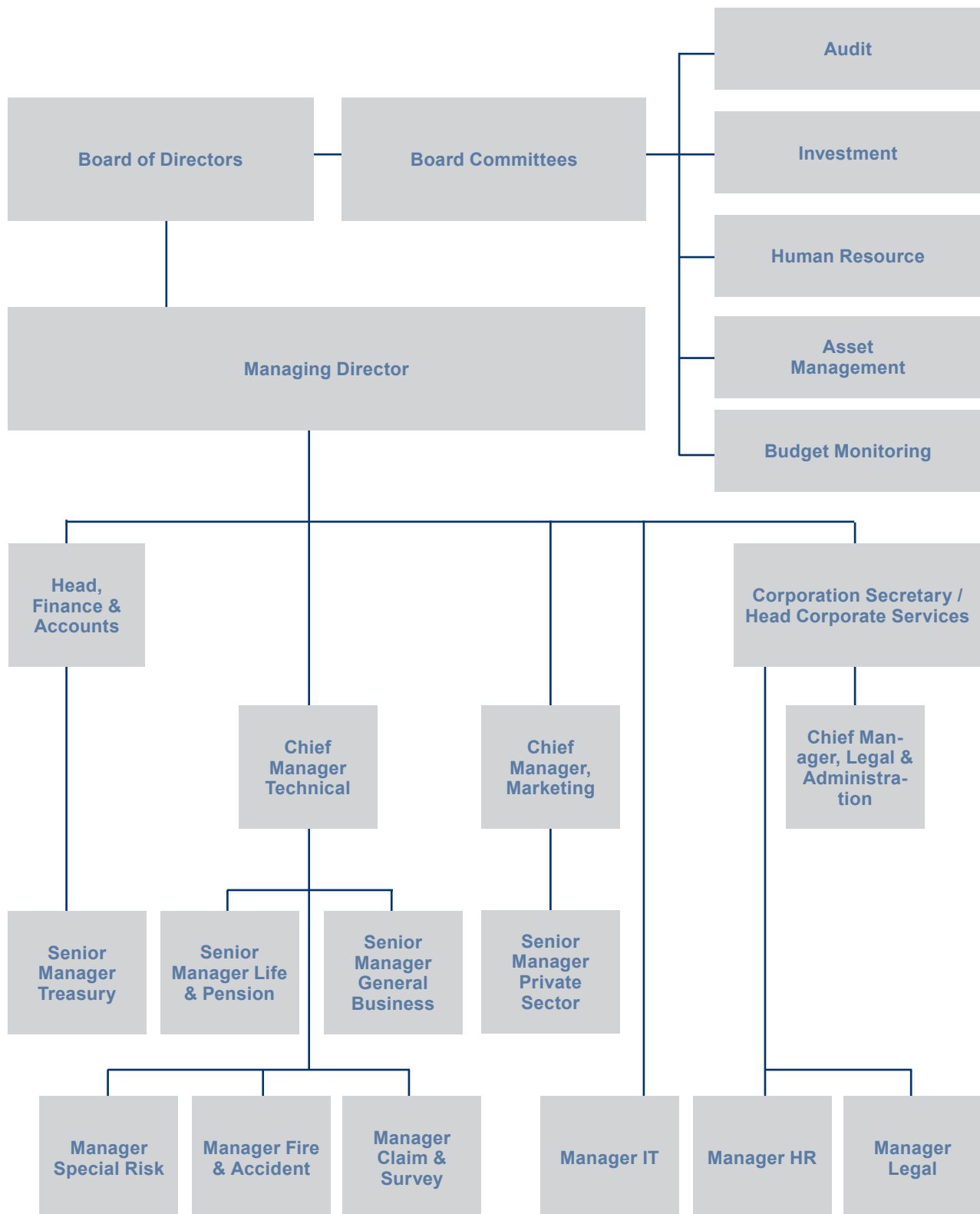
The Company remunerates its employees competitively to attract, retain and motivate its people to achieve its aims and objectives and also encourage sustainable long-term performance. Salaries match market rates and are adjusted periodically to keep abreast of market movements.

There are three schemes based on performance of individual staff:

- (i) **Reward for Initiative and exceptional contribution** – The Board of directors may give a meritorious award to any employee who suggests new ideas or action to improve on the existing system or procedure or makes an outstanding performance in sports or other activities which contribute to the honour and good name of the company.
- (ii) **Long term incentive scheme** – The Company recognises long service annually by giving long service awards upon completion of given periods of service starting at ten years.
- (iii) **Annual bonus scheme** – The Company runs an annual bonus scheme based on the company's profit and cash flows. Such bonus will be paid after the Company's results have been audited and published. This aims at rewarding and retaining the best performers, as well as improving performance standards which enhances business growth.

Further to the above, Management has developed a series of clearly defined and business focused Human Resource strategies and policies to assist them in resourcing and rewarding the best performance, and to provide an environment in which staff can develop their skills to achieve a higher potential.

ORGANOGRAM OF NIC



PART Six
Statutory and General Information

1. THE COMPANY

Incorporation

NIC was established by the National Insurance Corporation Act (repealed) in 1964 with a share capital of UGX 5,000.0000 (old currency) as a wholly government owned company. The original subscribers of National Insurance Corporation were the Minister of Finance, Planning and Economic Development and the Minister of State for Finance, Planning and Economic Development (Privatisation) with each one holding one share.

In November 2000, the Corporation was converted into a limited liability company under the Companies Act, and was issued a certificate of incorporation.

Share Capital

The company's authorized share capital is UGX 3,000,000,000 divided into 600,000,000 shares with a par value of UGX 5 each. The issued and fully paid capital is UGX 2,019,400,000 divided into 403,880,000 ordinary shares with a par value of UGX 5 each.

SHARE CAPITAL	UGX
AUTHORIZED SHARE CAPITAL	3,000,000,000
ISSUED AND FULLY PAID UP SHARE CAPITAL	2,019,400,000

Employee Preferential Offer

16,155,200 of the Offer shares, representing 4% of the total issued share capital of NIC, The GoU of Uganda has set aside for the permanent employees of NIC by the Government of Uganda at the offer price. Under the Employee ownership scheme, all existing employees of the Company will be offered shares based on seniority and length of service with the Company. In the event that all the shares offered to the employees are not taken up, the balance will be offered to the public at the Offer Price.

2. GENERAL

- There are no founders, management or deferred shares in the capital of the Company.
- The share capital of the Company is not divided into different classes of shares and all ordinary shares carry equal rights.
- No unissued share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- Save as disclosed herein, in the two years immediately preceding the date of this Prospectus, no capital of the Company has been issued for cash.
- Save as disclosed herein, no share or loan capital of the Company has been issued, or agreed to be issued, within the two years preceding the date of this

Prospectus, or is now proposed to be issued, fully or partly paid, for a consideration other than cash.

- Save as disclosed herein in relation to the sale, no commissions, discounts, brokerages or other special terms have been granted by the Company within the two years preceding the date of this Prospectus, in connection with the issue or sale of any share or loan capital of the Company.
- The Company has no intention of issuing any ordinary shares within six months following the date of this Prospectus.

3. UNDERWRITERS

100% of the offer has been underwritten by IGI. In the event that there is an undersubscription, the shares not purchased at the Offer will be purchased by the Underwriters.

4. MEMORANDUM AND ARTICLES OF ASSOCIATION

Memorandum

The Memorandum of Association of the Company provides that the principal objects for which the Company was established are:

To take over under the PERD Act, of the proprietary interest of the Government of Uganda in and also all rights, assets, properties, obligations and liabilities of National Insurance Corporation which is established under the National Insurance Corporation Act Cap 322 (now repealed).

- To undertake and engage in all kinds of insurance business, including the investment of moneys, in the same way and to the same extent as any other insurer and in particular:-
 1. Insurance against loss of property by burglary or theft by housebreaking or larceny, and against loss, injury, or damage loss, injury or damage to the property or effects (carried on board ship) of marines and marine passengers.
 2. Insurances against or upon the contingency of injury, damage or loss to persons by accident or contingency connected with the duration of life.
 3. Assurances on lives, payable on death or on the attainment of a certain age, or on any other contingency connected with the duration of life.
 4. Insurances to protect employers and principals against liability on account of injury, loss, or damage, either sustained or caused by workmen, servants, employees, or agents in their employment or acting on their behalf.
 5. Insurance against claims upon the assured for

Statutory And General Information

injuries to the persons and persons and property of third parties caused for injuries to the persons and property or by others for whom he is responsible.

6. Insurances against loss of moneys, principal interest, lent, invested or secured on mortgages, debentures, deposits and loans of every kind to banking, property investment or financial companies at home or abroad.
 7. Insurances against loss or damage from breakage of plate-glass or any other description of glass, whether in windows, fittings, mirrors, or in whatever way used.
 8. Insurances against all manner of accidents, liability and guarantee, and every other description of insurance business made with the Company.
 9. To re-insure or counter-insure any of the risks undertaken by the Company.
 10. To insure all those matters and things which lawfully may or can be from time to time insured, or to be the subject of insurance against perils of the sea, and air, and also generally to carry on all other branches and departments of the business of marine and air insurance.
 11. Generally to carry on and transact all kinds of guarantee business and transactions.
 12. To insure houses, tenements, merchandise, and all other property and effects, real and personal, against loss or damage by fire, business of fire insurance in all its branches.
 13. To create or set aside out of the capital or revenue of the company, a special fund, or special funds, and to give to any class of its policy holders, annuities, or creditors, any preferential right over any fund or funds so created, and for such or any other purposes of the company to place any portion of the company's property in the names or under the control of trustees, and to give any class of insurers a right to participate in the profits of the company or any branch of its business.
 14. To offer all types of insurance covers under these main classes motor, marine, Fire, Accident, Life Assurance, Pension Schemes/ Administration Plan.
- To undertake and carry on, with the approval of the Board of directors, any other business (including the promotion of companies not necessarily engaged insurance business) such as:
 1. To buy, lease, hire or otherwise acquire, and to sell, let or deal with, either on commission or otherwise any goods, ware, merchandise, lands, buildings, plant, machinery stock-shares or other real and personal property.
 2. To carry on the business of banking and or money lenders in all its branches, and to transact and do all matters and things incidental thereto, or which may at time thereafter or at any place where the company shall carry on business, be usual in connection with the business of banking or dealing in money or securities for money.
3. To invest in or to advance and lend money on real, personal and mixed securities, on cash, credit, or other accounts, on policies, bonds, debentures, bills of exchange, promissory notes, letters of credit, or other obligations, or on rates of tolls, duly authorized to be made or levied by any Act of Parliament, on the deposit of title deeds, goods, wares, and merchandise bills of sale and lading, delivery orders, warehousemen and wharfingers certificates, notes, dock warrants or other mercantile indicia or tokens, billions, stocks and shares.
 4. To borrow or raise money for the business of the Company in such manner as the Company or the Directors shall think fit, and to secure the repayment of any money borrowed raised or owing, by mortgage, charge or lien upon the whole or any part of the Company's property or assets (whether present or future) including its uncalled capital, and guarantee the performance by the Company or any obligation or liability it may undertake.
 5. To grant pensions, allowances, gratuities and bonuses to the employees or ex-employees of the Company or the dependents of such persons.
 6. To make advances to the employees, agents and others with or without securities and upon such terms as the Company may approve.
 7. To remunerate any person, firm or company rendering service to this company either by cash payment or by allotment to him or them of shares or securities and upon such terms a the Company may approve.
 8. To amalgamate with any other Company whose objects are or include objects similar to those of this company, whether by sale or purchase of fully or partly paid shares or stock of any such other company or in any other manner.
 9. To pay out of the funds of the company, all legal fees and expenses to the Company's advocates, for the acquisition of the property (immovable or moveable) and for all future legal work notwithstanding such Advocate or Advocates is or are interested in this company as member or members, director or directors or promoter or promoters.
 10. To guarantee and/or become sureties for any person or persons, firm or firms, corporation whether incorporated or not incorporated and to give bond or bonds, and become bail for or in respect of any person or for whatsoever purpose

or otherwise as the Company may think fit.

- 11) To give guarantee for any person or persons for moneys raised and/or borrowed by him of them from any person or firm or corporation or for any purpose whatever and to charge or mortgage the property of the company (immovable or movable) for the due performance, discharge and fulfilment of such obligations and guarantees.
- To do all or any of the things herein before authorized either alone or in conjunction with or as factors, trustees, or through factors, trustees or agents and to do all such other things as may be deemed incidental or conducive to the attainment of the above objects or any of them. It is hereby expressly declared that each Sub-Clause of the other Sub-Clause and shall be deemed to be merely subsidiary to the objects mentioned in any other Sub Clause.

ARTICLES

Share Capital and Variation of Rights

1. During the term of the Shareholders Agreement and subject to the terms and conditions expressly stated therein, the Board of Directors shall not authorise and the Company shall not issue any shares with rights and preferences that are superior to any of the rights and preferences of the Ordinary shares.
2. Further to the provisions of the Shareholders Agreement, sixty (60) per cent of the Company's ordinary shares shall be held by CHL and forty (40) per cent ordinary shares shall be held by the Minister of Finance, Planning and Economic Development on behalf of the Government of Uganda (GOU).
3. Each ordinary share shall entitle the registered holder thereof to one vote per ordinary share and the right to share in the dividends and other distributions from the Company according to such holder's proportionate interest in the share capital of the Company;
4. The rights conferred upon the holders of the shares of any class shall not, unless expressly so provided, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.
5. The Company may exercise the powers of paying commissions conferred by section 55 of the Act, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the said section and the rate of the commission shall not exceed the rate of ten per centum of the price at which the shares in respect whereof the same is paid are issued or an amount equal to ten per centum of such price, as the case may be. Such commission may be satisfied by the payment of cash or the allotment of

fully or partly paid shares in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

6. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these regulations or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.
7. Every person whose name is entered as a member in the register of members shall be entitled without payment to receive within two months after allotment or lodgement of transfer (or within such other period as the conditions of issue shall provide) one certificate for all his shares or several certificates each for every one or more his shares upon payment of ten thousand shillings for every certificate after the first or such other sum as the directors shall from time to time determine. Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid up thereon. Provided that in respect of shares held jointly by several persons the Company shall not be bound to issue more than one certificate and delivery of a certificate for shares to one several joint holders shall be sufficient delivery to all such holders.
8. If a share certificate is defaced, lost or destroyed, it may be renewed on payment of a fee of ten thousand shillings or such other sum and on such terms, of any, as to evidence and indemnity and the payment of out-of-pocket expenses of the company of investigating evidence as the directors think fit.
9. The Company shall not give, whether directly or indirectly, and whether by means of loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to by any person or for any shares in the Company or in its holding company nor shall the Company make a loan for any purpose whatsoever on the security of its shares or those of its holding company, but nothing in this regulation shall prohibit transactions mentioned in the proviso to section 56(1) of the Act.

LIEN

10. The Company shall have a first and paramount lien upon the shares registered in the name of each member and articles 11 to 14 of table "A" shall apply, but so that the lien shall not apply to fully paid up shares

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CALLS ON SHARES

11. Subject to any special condition in the allotment of shares all calls on shares shall be made by and at the discretion of the directors and shall be payable at such time and place and by instalments or otherwise as the directors may appoint and articles 15 to 21 of the table "A" shall apply.

TRANSFER OF SHARES

12. The instrument of transfer of any shares shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.
13. Subject to such of the restrictions of these articles as may be applicable, any member may transfer all or any his shares by instrument in writing in any usual or common form or any other form which the directors may approve.
14. The directors may decline to register the transfer of a share to a person of whom they do not approve, and they may also decline to register the transfer of a share on which the Company has a lien.
15. The directors may also decline to recognise any instrument of transfer unless
 - a) a fee of ten thousand shillings or such sum as the directors may from time to time require is paid to the Company in respect thereof;
 - b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer; and
 - c) the instrument of transfer is in respect of only one class of share.
16. If the directors refuse to register a transfer they shall within sixty days after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal. The registration of transfers may be suspended at such times and for such periods as the directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty days in any year.
17. The company shall be entitled to charge a fee not exceeding ten thousand shillings on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas, or other instrument.

TRANSMISSION OF SHARES

18. In case of the death of a member the survivor or survivors where the deceased was a joint holder,

and the personal representatives of the deceased where he was sole holder, shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

19. Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as may from time to time properly be required by the directors and subject as hereinafter provided, elect either to be registered as the transferee thereof, but the directors shall in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the shares by that member before his death or bankruptcy, as the case may be.
20. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by executing to that person a transfer of the shares. All the limitations, restrictions and provisions of these regulations relating to the right transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as signed by that member.
21. A person becoming entitled to share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the shares, except that he shall not, before being registered as a member in respect of the shares, be entitled in respect of it exercise any right conferred by membership in relation to meetings of the Company:

PROVIDED always that the directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the shares, and if the notice is not complied within ninety days the directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the shares until the requirements of the notice have been complied with.

FORFEITURE OF SHARE

22. Articles 33 to 39 of table "A" shall apply except that the forfeiture of shares shall include all dividends declared in respect thereof and unpaid before forfeiture.

CONVERSION OF SHARES INTO STOCK

23. The Company may by ordinary resolution convert any paid-up shares into stock, and reconvert any stock

into paid-up shares of any denomination.

24. The holders of stock may transfer the same, or any part thereof, in the same manner, and subject to the same regulations as, and subject to which the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances admit; and the directors may from time to time fix the minimum shall not exceed the nominal amount of the shares from which the stock arose.
25. The holders of stock shall, according to the amount of stock held by them have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, having conferred that privilege or advantage.
26. Such of the regulations of the Company as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

ALTERATION OF CAPITAL

27. Articles 42 to 44 of the table "A" shall apply.

GENERAL MEETINGS

28. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. PROVIDED that so long as the Company holds its first annual general meeting within eighteen months of its incorporation, it need not hold it in the year of its incorporation or in the following year. The annual general meetings shall be held at such time and place, as the directors shall appoint.
29. All general meetings other than annual general meetings shall be called extraordinary general meetings.
30. The directors may, whenever they fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or, in default, may be convened by such requisitions as provided by section 132 of the Act.

NOTICE OF GENERAL MEETINGS

31. Every general meeting shall be called by twenty-one days notice in writing at the least. The notice

shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day the hour of meeting and, in case of special business, the general nature of that business, and shall be given, in manner hereinafter mentioned or in such other manner, if any, as may prescribed by the Company in general meeting, to such persons as are, under the regulations of the Company, entitled to receive such notices from the Company: PROVIDED that a meeting of the Company shall, notwithstanding that it called if it so agreed:

- a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and
 - b) in the case of any other meeting, by majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per centum in nominal value of the shares giving that right.
32. The accidental omission to give notice of a meeting to, or non-receipt of a meeting to, or non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

33. All business transacted at an annual general meeting or an extra ordinary general meeting shall be deemed special, with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the reports of the directors and auditors, the election of directors in the place of those retiring and the appointment of, and the fixing of a remuneration, of the auditors.
34. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. The quorum for the general meeting of the shareholders shall be the presence of at least holders of 65% ordinary shares of the Company present in person or by proxy shall be a quorum.
35. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place as or to such other day and at such other time and place as the directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present shall be a quorum.
36. The chairperson of the board of directors shall preside as chairperson at every general meeting of the Company or if he shall not be present within fifteen

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minutes after the time appointed for the holding of the meeting or is unwilling to act the directors present shall elect one of their members to be chairperson of the meeting.

37. If at any meeting no director is willing to act as chairperson or if no director is present within fifteen minutes after the time appointed for holding a meeting, the members present shall choose one of their members to be chairperson of the meeting.
38. The chairperson may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than business left unfinished at the meeting from which the adjournment took place. When the meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of adjournment or of the business to be transacted at an adjourned meeting.
39. (A) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:
 - a) by the chairperson;
 - b) by at least two members present in person or by proxy;
 - c) by any member or members present in person or by proxy and representing not less than sixty five per cent of the total voting rights of all the members having the right to vote at the meeting; or
 - d) by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less sixty five per cent of the total sum paid up on all the shares conferring that right.

Unless poll be so demanded a declaration by the chairperson that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for poll may be withdrawn.

40. (B) At any general meeting, the following actions shall be subjected to and implemented with the express approval of both GOU and CHL which approval shall not be unreasonably withheld:
 - a) an amendment to the Memorandum and Articles of Association of the Company, including the increase or decrease of the number of Directors,

increase or decrease of the authorised capital of the Company;

- b) the granting or issuance of options, warrants or other securities which are convertible into or exchangeable for equity of the Company;
 - c) the issuance of share capital of the Company;
 - d) the appointment or change of independent auditors of the Company.
41. Except as provided in regulation 42, if a poll is duly demanded it shall be taken in such manner as the chairperson directs, and result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
 42. In case of an equality of votes, whether on show of hands or a poll, the chairperson of the meeting at which the show of hands takes place or at which a poll is demanded, shall be entitled to a second or casting vote.
 43. A poll demanded on the election of a chairperson or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairperson of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

VOTES OF MEMBERS

44. Subject to any rights or restriction for the time being attached to any class or classes of shares, on a show of hands every member present in person or by proxy shall have one vote for each share of which he is the holder.
45. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
46. A member of unsound mind in respect of whose estate a manager has been appointed under the law relating to the administration of estates of persons of unsound mind may vote, whether on show of hands or on a poll by his said manager and any such manager may on a poll, vote by proxy.
47. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
48. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all-purpose. Any such objection made in due time shall be referred to the chairperson of the meeting, whose decision shall be final and conclusive.

49. On a poll, votes may be given either personally or by proxy.

50. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. A proxy need not be a member of the Company.

51. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is authorised shall be deposited at the registered office of the Company or at such other place within Uganda as is specified for that purpose in the notice convening the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

52. An instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit.

"_____ Limited.
I/We _____ of

Being a member/members of the above-named Company, hereby appoint

of _____ or failing him,
_____ of _____

as my/our proxy to vote for me/us on my/our behalf at the [annual or extraordinary, as the case may be] general meeting of the company to be held on the _____ 20____, and at any adjournment thereof. Signed this _____ day of _____ 20____."

53. Where it is desired to afford members an opportunity of voting for or against a resolution the instrument appointment a proxy shall be in the following form or a form as near thereto as circumstances admit:

"_____ Limited.
I/We _____ of

_____ the above-named company, hereby appoint

_____ of _____, or failing him, _____ of _____

as my/our proxy to vote for me/us on my/our behalf at the [annual or extraordinary, as the case may be] general meeting of the company to be held on the _____ 20____, and at any adjournment thereof. Signed this _____

day of, 20_____". This form is to be used in favour of/against the resolution. Unless otherwise instructed, the proxy will vote as he/she thinks fit.

54. The instrument appointment a proxy shall be deemed to confer authority to demand or join in demanding a poll.

55. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at the office before the commencement of the meeting or adjournment meeting at which the proxy is used.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS

56. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation which he represents as that corporation could exercise if it were an individual member of the Company.

DIRECTORS

57. (a) The Board of directors shall consist of ten (10) members. CHL shall be entitled to nominate six (6) Directors including the Managing Director and two Executive Directors responsible for Operations and Finance, whilst the GOU shall be entitled to nominate four (4) non-executive Directors.
(b) The Directors shall have power to appoint any one of them to serve as Chairman of the Board;
(c) Each Director shall serve on the Board until removed by the shareholder appointing him. Where a director nominated by a shareholder ceases to be a director due to death, resignation or removal, the shareholder who nominated such director shall nominate a director to fill such vacant position and both shareholders shall cast all votes that it is entitled to vote in favour of the election of such nominee;
(d) The directors shall have responsibility for the affairs of the Company and shall make general policy guidelines for the running and operations of the company. CHL shall be responsible for the management and running of the day-to-day

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operations of the Company and shall appoint suitable and qualified staff to man the different departments and divisions of the company.

58. The remuneration of the directors shall from time to time be determined by the Board of Directors upon recommendation of the Remuneration Committee. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or general meetings of the company or in connection with the business of the Company.
59. Save as expressly required by the Act or any other applicable law, the Company shall not and the Board of Directors shall not approve or pass any resolution restricting the qualification to be a Director in the Board to:
- a) a prescribed share qualification, or
 - b) residents or citizens of Uganda
60. A director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the company or in which the company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise direct.
61. The Company may exercise the powers conferred by section 37 of the Act with regard to having an official seal for use abroad, and such powers shall be vested in the directors.
62. The Company may exercise the powers conferred upon the Company by sections 121 to 124 (both inclusive) of the Act with regard to the keeping of a branch register, and the directors may (subject to the provisions of these sections) make and vary such regulations as they may think fit respecting the keeping of such register.
63. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the directors shall from time to time by resolution determine.
64. The directors shall cause minutes to be made in books provided for the purpose
- a) of all appointments of officers made by the directors;
 - b) of the names of the directors present at each meeting of the directors and of any committee of the directors;
 - c) of all resolutions and proceedings at all meetings of the Company, and of the directors, and of committees of directors;
- and every director present at any meeting of directors or committee of directors shall sign his name in a book to be kept for that purpose.
65. The directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any other salaried office or place of profit with Company or to his widow or dependants and may make contributions to any fund any pay premiums for the purchase or provision of any such gratuity, pension or allowance.
66. The Company may from time to time by ordinary resolution increase or reduce the number of directors.
67. Subject to Article 59, the shareholders shall have power at any time, and from time to time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors, but so that the total number of directors shall not at any time exceed the number fixed for the respective shareholders as specified in these Articles of Association.
68. Subject to the express provisions of clause 4 of the SHA, the directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party.

DISQUALIFICATION OF DIRECTORS

71. No person shall be appointed a director and a director shall vacate the office of director if he:
- ceases to be a director by virtue of section 183 of the Act, or
 - becomes prohibited from being a director by reason of any order made under section 189 of the Act, or
 - becomes of unsound mind, or
 - resigns his office by notice in writing to the Company, or
 - is removed by the shareholder that nominated him for appointment.

PROCEEDINGS OF DIRECTORS

72. The directors may meet together for the dispatch of business, adjourn, and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of vote, the chairperson shall have a second or casting vote.

Either the Chairman, the Managing Director or a minimum of four (4) directors shall be entitled to summon a meeting of the directors at any time.

73. The quorum necessary to transact the business of the directors shall be five (5) directors, at least two (2) of whom shall be directors nominated by CHL and at least one (1) of whom shall be a director nominated by GOU.
74. The continuing directors may not act notwithstanding any vacancy in their number, but if and so long as their number is reduced below the number fixed by or pursuant to the regulations of the Company as the necessary quorum of directors, the continuing directors or director may act for the purpose of increasing the number of directors to that number, or summoning a general meeting of the Company, but for no other purpose.
75. The directors shall elect a chairperson of their meetings and determine the period for which he is to hold office; but if at any meeting the chairperson is not present within five minutes after the time appointed for holding the same, the directors present may choose one of their number to be a chairperson of the meeting.
76. The directors may delegate any of their powers to committees consisting of such member or members of their body as they fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the directors.
77. A committee may elect a chairperson of its meetings; if no such chairperson is elected, or if at any meeting

the chairperson is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be chairperson of the meeting.

78. A committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the chairperson shall have a second or casting vote.
79. All acts done by any meeting of the directors or of a committee of directors or by any person acting as a directors shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such director or person acting as aforesaid, or that they or any of them disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director.
80. All proceedings of the directors shall be conducted in English with interpreters provided as necessary to accommodate any non-English speaking directors.
81. All or any of the directors may participate in a meeting of the board or committee of the board by means of a telephone or any communicating equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or if there is no such group, where the chairperson of the meeting then is.
82. A resolution in writing, signed by all the directors for the time being entitled to receive notice of a meeting of the directors if that number is sufficient to constitute a quorum, or by all the members of a committee for the time being, shall as valid and effectual as a resolution passed a meeting of the directors, duly convened and held, or as the case may be, of the committee properly called and constituted. The resolution may be contained in one document or in several documents in like form and executed by one or more of the directors or members of the committee concerned. All acts done by any meeting of the directors or of a committee of directors or by any person as a director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director.

DIVIDENDS AND RESERVE

83. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the directors.

Statutory And General Information

84. The directors may from time to time pay to the members such interim dividends as appear to the directors to be justified by the profits of the Company.
85. No dividends shall be paid otherwise than out of profits.
86. The directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as reserve or reserves which shall, at the discretion of the directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the company or be invested in such investments (other than shares of the Company as the directors may from time to time think fit. The directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.
87. All dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes and paid regulation as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portions of the period in respect of which the dividend is paid; but if any share shall rank for dividend as from a particular date such share shall rank for dividend accordingly.
88. The directors may deduct from any dividend payable to any member all sums of money, if any presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
89. Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways, and the directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the directors may settle the same as they think expedient, and in particular may issue or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the directors.
90. Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders to the registered address of that one of the joint holders who is first named on the register of members or to such person and as such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person for any dividends, bonus or the moneys payable in respect of the shares held by them as joint holders.
91. No dividend shall bear interest against the Company.
92. The directors shall cause proper books of account to be kept which
- show all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure takes place;
 - show all sales and purchases of goods and services by the Company.
 - Show the assets and liabilities of the Company.
- Proper books shall not be deemed to be kept if they give a true and fair view of the state of the Company's affairs and explain its transactions. The Company shall preserve the accounts and records referred to in this article for a period of not less than ten years.
93. Article 124 to 127 (inclusive) of table "A" shall apply)

Note: The GoU and CHL entered into a Shareholders Agreement dated 02 June 2005, which has more detailed provisions regarding shareholding and other matters

5. LAND AND FIXED ASSETS		
Plot	Location	Tenure
Commercial Properties		
Plot 3 Pilkington Road	Center of Kampala City	Leasehold, 99 years unexpired
Plot 2 Portal Avenue	Center of Kampala City	Leasehold, 99 years unexpired
Plot 13B Kampala Road	Center of Kampala City	Leasehold, 96 years unexpired
Plot 2A Kampala Road	Center of Kampala City	
Untitled	Lugogo show ground	Leasehold
Plot 29 Elgon Avenue, Mbale	Centre of Mbale Town	Leasehold 69 years unexpired
Plot 41 Elgon Avenue, Mbale	Centre of Mbale Town	Leasehold 99 years unexpired
Plot 37 – 39 Solot Avenue, Soroti	Centre of Soroti Town	Leasehold, 99 years unexpired
Residential Properties		
Plot 3A Mackinnon Road	Nakasero Kampala City	Leasehold 99 years unexpired
Plot 1704,1705,and 1706 Block 244 Muyenga	Muyenga Kampala City	Private Mailo*
Plot 30 & 31 Block 245 Muyenga	Kansanga Kampala City	Private Mailo*
Plot 21,22 and 23 Block 244 Muyenga	Muyenga Kampala City	Private Mailo*

** Under the Constitution and the Land Act, this is construed as a 99 year lease interest because of the Company being a non-citizen for purposes of holding land*

5. LAND & FIXED ASSETS

ASSET VALUATION

In 2007, Messrs East African Consulting Surveyors and Valuers undertook an Appraisal and Market Valuation on Select Properties of NIC. A further Appraisal and Market Valuation was carried out on 25 February 2009. The valuations were carried out on an open market basis. The Valuation of the properties amounted to UGX 24,945,000,000.

6. MATERIAL CONTRACTS

There are no contracts in which NIC is involved that would be material to the listing other than those entered into in the ordinary course of business.

7. LEGAL OPINION

Mugenyi and Company Advocates and Masembe, Makubuya, Adriko, Karugaba, and Ssekatawa (MMAKS Advocates) have given a legal opinion dealing with the matters referred to in the Capital Markets Authority (Prospectus) Regulations (S.I 84-2), under Section 102 of the Capital Markets Authority Act, the Schedule, Part II, 2 (c) (iv) and the USE Listing Rules

8. MATERIAL LITIGATION & CLAIMS

There is no material litigation, prosecution or other civil or criminal legal action in which NIC or its Director are involved other than in which NIC is involved other than in the ordinary course of business.

9. RISK FACTORS AND INVESTMENT CONSIDERATIONS

Industry Specific Risks

- Life Insurance Risk
- General Insurance Risk
- Interest Rate Risk
- Liquidity Risk
- Equity Price Risk
- Competition Risk
- Economic and Political Risk

Company Specific Risks

- Risk related to Market Perception of NIC
- Operational Risk
- Regulatory Risk
- Risks associated with listing
- Credit Risk

10. OTHER GENERAL

- Consents: Databank Financial Services Limited, MBEA Brokerage Services (Uganda) Limited, Dyer & Blair Investment Bank Limited, Dyer & Blair (Uganda) Limited, PricewaterhouseCoopers, Mugenyi and Company Advocates and Masembe, Makubuya, Adriko, Karugaba and Ssekatawa Advocates (MMAKS Advocates), and all other Advisors on the Offer

Statutory And General Information

for Sale, have given and have not withdrawn their respective consents to the issue of this Prospectus with the inclusion herein of their reports, the references to those reports, their names and the references to their names, as applicable, in the form and context in which these, respectively, appear.

- **Interests of the Directors and others**
 - a) At the date of this Prospectus, none of the Directors had any direct or indirect beneficial interest in the Company.
 - b) There is no existing or proposed contract between any of the Directors and the Company.
 - c) No options to purchase any securities of the Company have been granted to or exercised by a Director of the Company within the year preceding the date of this Prospectus.
 - d) None of the Directors of the Company and none of the executive officers of the Company is or has been involved in any event referred to in Capital Markets (Prospectus Requirements) Regulations, S I. 84-2,3, Schedule, Part II, Regulation 2(d)(ii)
 - e) No payment has been made to any Director of NIC in the two years preceding the date of his Prospectus to induce him or qualify him to become a Director or is intended to be paid or given to any promoter.
 - f) Qualifications of Directors – The relevant provisions of the Articles of Association of NIC regarding the Qualifications of Directors are set out in Part VI of this Prospectus.
 - g) Remuneration of Directors – The relevant provisions of the Articles of Association of NIC regarding the remuneration of Directors are set out in Part VI of this Prospectus. There will be no variation in the remuneration receivable by any of the Directors as a consequence of the Listing.
 - h) The Directors of NIC, whose names are listed on page 49 of this Prospectus accept, collectively and individually, full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief, no facts have been omitted from this Prospectus which would make any statement herein false or misleading and that they have made all reasonable enquiries to ascertain such facts and that the Prospectus contains all the information required by law.

MATERIAL DISCLOSURES

COMESA YELLOW CARD (CYC) & THE REGIONAL CUSTOMS TRANSIT GUARANTEE (RCTG) SCHEME

The COMESA Yellow Card (CYC) Scheme is as a result of the Protocol on the establishment of a third party Motor Vehicle Insurance Scheme for vehicles operating in the COMESA (Common Markets of Eastern & Southern Africa) Region. The Yellow Card is the Insurance Card that is issued by the National Bureau of Member States. As at the date of this Prospectus, the National Bureau in Uganda's case is the NIC as the government designated agency responsible for the management and control of the Yellow Card.

The RCTG operates under the same principle as the CYC. As at the date of this Prospectus, NIC is the National surety of this Scheme. The Customs Bond Guarantee Agreement and Inter-Surety Agreement on the Implementation of the Regional Customs Bond Guarantee Agreement undertakes to transfer through the Preferential Trade Area clearing house to the other Member States, the funds necessary for reimbursement of import duties and taxes paid by the designated sureties under the provisions agreement, and the funds for penalties and other incidental expenses that may be levied by the customs authorities of transit member states.

As a National Bureau, NIC receives handling fees for the management of the COMESA account. In the event that the COMESA account is withdrawn from NIC, there will be no significant financial impact on the profitability of the company. The prerogative to select the National Bureau for the CYC and RCTG Schemes lies with the Ministry of Tourism, Trade and Industry.

THE DEPOSIT ADMINISTRATION PLAN (DAP) BY MAKERERE UNIVERSITY

By Group Master Policy (GMP) No. DAP/22/30 dated to be effective 1st July, 1996, National Insurance Corporation (NIC) undertook to manage the retirement saving scheme known as the DEPOSIT ADMINISTRATION ACCOUNT for some of Makerere University Kampala (MUK) employees.

MUK stopped payment of contributions in 2005. Since then MUK has been making claims on the scheme and NIC has been paying all the withdrawal and retirement benefits as at when reported.

MUK has notified NIC of its intention to discontinue the scheme and requested for proposals from NIC in this regard. The instrument binding the transaction is the

GMP and the Trust Deed & Rules. In order to determine the level of MUK funds currently under NIC Management, the GMP provides that a valuation of the scheme could be undertaken by an Actuary. The MUK funds are part of the Total Amounts Payable under Deposit Administration Contracts (Note 25 of the Accountants Report in Appendix II), which amount to UGX 34,309,832,000.

Miscellaneous

- a) The expenses of the Offer and Listing are estimated at UGX 2,531,500,000 and include the following:

EXPENSE	UGX
Application and listing fees payable to CMA & USE	32,000,000
Professional and advisory fees	1,650,000,000
Printing, publication and distribution	97,500,000
Public relations, marketing and advertising	272,000,000
Authorized Selling Agents commissions and under writing fees	480,000,000
Total	2,531,500,000

All fees will be for the account of the GoU, and will be paid out of the proceeds.

- (b) No bankruptcy, receivership or similar proceedings have been taken against the Company or any of the Directors.
- (c) In the past two years, there have been no acquisitions or dispositions of any material amount of assets otherwise than those specified in Part Six, of this Prospectus or in the ordinary course of NIC business.
- (d) As at the date of this Prospectus, none of the Advisors to the Offer has subscribed, or has agreed to subscribe for any of the ordinary shares of NIC.

10. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of this Prospectus, which was delivered to, and registered with, the Registrar of Companies for registration per the Capital Market Authority Act and section 382 (1) of the Companies Act and had attached thereto:

- The written consents of the Transaction Advisors', the Sponsoring Brokers', the Receiving Bankers', the Reporting Accountants, the Legal Counsel/ Transaction Lawyers, and other Advisors, to act in the capacities stated and to their names being stated in this Prospectus. None of these consents having been withdrawn prior to registration of this Prospectus;
- The written consent of the Reporting Accountants to the inclusion in this Prospectus of their Accountants

Report in the form and context in which it appears, and setting out the adjustments made in arriving at the figures contained in their report herein and giving reasons thereof, which consent likewise had not been withdrawn prior to the registration of this Prospectus;

- The written consent of the Legal Counsel/ Transaction Lawyers to the inclusion in this Prospectus of their Legal Opinion in the form and context in which it appears, which consent likewise had not been withdrawn prior to the registration of this Prospectus.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, may be inspected at the Registered Office of the Company, Plot 3, Pilkington Road, Kampala, during normal business hours on any working day, from the date of this Prospectus until the close of the Offer at 5:00 pm on 30 October 2008:

- a. The Memorandum and Articles of Association of the Company;
- b. The Audited Accounts of the Company for the years ended 31 December 2004 to 31 December 2008;
- c. The signed Accountants' Report, which is included in Appendix II of this Prospectus, and their Statement of Adjustments;
- d. The signed Legal Opinion, which is included in Appendix I of this Prospectus;
- e. The Letter of No Objection from the Uganda Insurance Commission;
- f. The Actuarial Report on the Life and Non-Life business of NIC undertaken by QED Actuaries and Consultants (Pty) Ltd in Appendix V& VI;
- g. The December 2007 & February 2009 Appraisal & Valuation Reports carried out on select properties of NIC by Associated Consulting Surveyors;
- h. The approval of the CMA relating to the Prospectus;
- i. The approval of the USE relating to the application for admission to the Official List of the USE;
- j. The written consents of all the Advisors; and
- k. The Legal Due Diligence Report by MMAKS Advocates and Mugenyi and Company Advocates

PART Seven
Procedures for, and Terms and
Conditions of Application

Procedures for, and Terms and Conditions of Application

TIMETABLE

1. The Application to List will open at noon on 31 December 2009 and will close at 05:00pm on 05 February 2010.
2. Applications must be received by anyone of the Authorized Selling Agents listed in Appendix VII not later than 5:00 pm on 05 February 2010.
3. Persons wishing to apply for shares in NIC must complete the appropriate Application Form accompanying this Prospectus and return it to one of the Authorized Selling Agents.
4. Under the Offer, GoU are now offering up to 161,552,000 shares, representing 40% of the current issued share capital of the Company.
5. Application has been made to list all the shares on the Uganda Securities Exchange and no application is being made to list the shares on any other stock exchange.
6. Copies of this Prospectus, with the accompanying Application Forms, may be obtained from the Authorized Selling Agents referred to below.

AUTHORIZED SELLING AGENTS

7. The following have been authorized to act as agents for the purposes of receiving applications:

Licensed Broker/Dealers

- MBEA Brokerage Services (Uganda) Limited
- Dyer and Blair Uganda Limited
- African Alliance (Uganda) Limited
- Baroda Capital Markets (Uganda) Limited
- Crane Financial Services Limited
- Crested Stocks and Securities Limited
- Equity Stock Brokers Limited
- ReNaissance Capital Limited

Receiving Bankers

- Stanbic Uganda Limited
- Bank of Africa
- Bank of Baroda (Uganda) Limited
- Global Trust Bank Limited
- Citibank Uganda Limited
- Crane Bank Limited
- Diamond Trust Bank
- Equity Bank Uganda Limited
- United Bank for Africa Limited

Foreign Selling Agents

- Auerbach Grayson and Company Incorporated (USA)
- MBEA Brokerage Services (Rwanda) S.A.
- Databank Brokerage Services Limited (Ghana)
- Dyer & Blair Investment Bank Limited (Kenya)
- Renaissance Capital (Kenya) Limited
- Orbit Securities Company Limited

APPLICATION PROCEDURE

8. Persons wishing to apply for shares of the Company under the Offer must complete the Application Form accompanying this Prospectus and return it to any one of the Authorized Selling Agents in Part Seven and listed in Appendix VII of this Prospectus.
9. Application from nominee companies – Each applicant will be regarded as a single application except one received from a nominee company. Such latter application must state the number of principals covered by the application in the appropriate block on the face of the Application Form and must be completed in the manner prescribed therein.
10. Application may be made only on the relevant Application Form attached to this Prospectus (whether printed as a separate document). The Application Forms must be completed in accordance with the provisions of this Prospectus and the instructions set out on the Application Form and should be sent to any of the Authorized Selling Agents listed in Appendix VII of this Prospectus. Each Application Form must be accompanied by a valid banker's draft/cheque for the full amount payable for the shares applied for, drawn on a licensed bank in favour of:
“NIC – INITIAL PUBLIC OFFER ACCOUNT”
OR
“NIC – INITIAL PUBLIC OFFER ACCOUNT”
FOREIGN CURRENCY
- Cash will be accepted by any of the Authorized Selling Agents, in lieu of a banker's draft/cheque. The Authorized Selling Agents will present all bankers' drafts/cheques to the Lead Receiving Banker, Stanbic Bank, for deposit on behalf of the Lead Transaction Advisor, and the GoU. Due completion and delivery of an Application Form accompanied by a banker's draft/cheque will constitute a warranty that the draft or cheque will be honoured on first presentation. If any draft or cheque accompanying an application is dishonoured or not paid on first presentation and the application has already been accepted in whole or part, such acceptance may be rescinded or disqualified, and the shares comprised therein may be transferred to another applicant upon such terms and conditions as the Lead Advisor, and the GoU see fit. The original applicant shall be responsible for any losses and all costs incurred.
11. Application Forms may be submitted to any of the Authorized Selling Agents listed in Appendix VII of this Prospectus so as reach them by no later than 05:00pm on 05 February 2010. The Lead Transaction Advisor and the GoU shall be under no liability whatsoever should an Application Form fail to be received by the Closing Date.
12. The minimum number of Shares that may be applied

Procedures for, and Terms and Conditions of Application

for is 2,000. Thereafter applications for shares must be made in whole number multiples of 1,000 Shares.

13. Banker's drafts may be obtained from any branch of a commercial bank in Uganda against payment to the relevant branch of the Uganda shillings amount in cleared funds, plus any applicable commission.
14. Every applicant is required to complete the declaration on the Application Form concerning their residence status.
15. Receipts which are counterfoils torn from the bottom of the Application Forms will be issued to applicants.

ALLOTMENT POLICY

16. Responsibility for allotting the shares that are the subject of the Offer lies with the GoU and the Lead Transaction Advisors.
17. The GoU wishes to achieve a balanced distribution of shares between individual members of the public, companies and institutions, with priority being accorded to individuals.
18. In the event that there is an over-subscription for the shares, it is the GoU's intention that there should be the widest possible spread of shareholders, and the GoU and the Lead Transaction Advisor will allot the shares on that basis. In this case, applicants may be allotted shares following a pro rata scaling down from the number of shares applied for.
19. The Lead Transaction Advisor and the GoU reserve the right to accept or to refuse any application in their sole and absolute discretion, either in whole or in part, or to accept some applications in full and others in part, or to abate any or all applications in such manner as they may determine.
20. The Lead Transaction Advisor will announce the "Basis of Allotment Criteria" approved by the NIC Board of Directors, to the CMA, USE and the public by advertisement in the press within 21 days of the Closing date.

ADDITIONAL TERMS AND CONDITIONS

21. The Receiving Bankers in respect of this Offer are listed in Appendix VII of this Prospectus.
22. No application will be considered unless made on an original Application Form that has been signed for and on behalf of all named applicants and otherwise fulfils the conditions stated on the form. The right is reserved to accept or reject any application in whole or in part. In particular, multiple or suspected multiple applications shall be rejected.
23. Applications are irrevocable and may not be withdrawn once submitted.
24. Applicants may be called upon for evidence of their authority or capacity to sign the Application Form.
25. In the interest of achieving the GoU's objective of

broadening share ownership within the Ugandan public, a minimum sale of shares is not a GoU requirement. However, in order to procure a listing per the Rules and Regulations of the USE, a minimum sale to 1,000 shareholders is a requirement for a listing on the MIMS.

26. Commissions at the specified rate of between 1.0% and 1.5% on the Offer Price will be paid to the Authorized Selling Agents on allotments in response to Application Forms in respect of the public Offer which bear the stamp of an Authorized Selling Agent. No commission will be paid on Application Forms which bear more than one stamp.
27. The proceeds of the Offer will accrue to the divestiture account of the GOU, from which all expenses of the Offer will be paid.

ACCEPTANCE AND SETTLEMENT

28. The Lead Transaction Advisor and the GoU reserve the right to reject any application not complying in all respects with these terms and conditions or if an Application Form is not completed as required.
29. The number of ordinary shares allotted to each applicant will be inserted by the Company in the share transfer instrument which will be prepared on behalf of the Company by the Registrars following allotment.
30. Upon acceptance of any application, the GoU and the Lead Transaction Advisor will, as soon as possible, allot, and thereafter the Registrars will transfer the ordinary shares concerned in the name of the applicant.
31. In the case of unsuccessful or partly successful applications, the full or surplus application monies, as the case may be, will be refunded by cheque or electronic funds transfer no later than 10 working days after allotment and thereafter attract interest at the prevailing 91 day T-bill rate.
32. If the applicant concerned has indicated in the appropriate block on the relevant Application Form that he wishes to collect the share certificate or any refund cheque, the share certificates and any refund cheques will be forwarded to the Authorized Selling Agents through whom his/her Application Form was submitted, within 21 days following the date of announcement of the "Basis of Allotment Criteria" and such Agents will then be responsible for distribution. No Certificate will be released by the Authorized Selling Agents at which the application was lodged unless the receipted and numbered original receipt/counterfoil of the Application Form is produced. Otherwise share certificates and refund cheques will be dispatched by ordinary mail to the postal addresses set out in the Application Forms at the applicant's risk. Interest will not be paid on any

Procedures for, and Terms and Conditions of Application

amounts refunded or indeed deposited at the time of application.

33. By signing the Application Form, an applicant agrees to accept transfer of such number of shares (not exceeding the number applied for) as shall be allotted to the applicant upon the Terms and Conditions of this Prospectus and subject to the Company's Memorandum and Articles of Association and agrees that the Company may enter the applicant's name in the register of members of the Company as the holder of such shares.
34. In the event of a discrepancy between the number of shares applied for and the value thereof, the Lead Transaction Advisor and the GoU may, in their discretion, adjust the number of shares to correspond with the value received for their application.

FOREIGN INVESTORS

35. Foreign investors as defined in the Investment Code Act (Cap.92) may apply for the NIC shares that are the subject of this Offer. Any foreign investor who wishes to apply for shares should obtain guidance from any of the Authorized Selling Agents listed in Appendix VII of this Prospectus, before completing and lodging an Application Form. The GoU foreign investment policy does not limit or restrict any foreign investor from applying for the shares on Offer. In addition, there are currently no foreign exchange restrictions in Uganda.

Foreign investors wishing to buy the NIC shares may be exposed to foreign exchange risk that may arise from the conversion of a foreign currency into the local currency at the prevailing market rate.

The distribution of this Prospectus and the Offer or sale of the shares the subject thereof in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the GoU, and the Directors of NIC, the Company and the Lead Transaction Advisor to use the information herein purely for the purposes of this Offer. This Prospectus may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction or in any circumstances where such offer or solicitation is not authorized or is unlawful.

GOVERNING LAW

36. This Prospectus and any contract resulting from acceptance of an application to purchase shares of NIC shall be governed by and construed in accordance with Ugandan law and it shall be a term of each such contract that the parties thereto and all other interested parties submit to the exclusive jurisdiction of the Courts of Uganda

EXECUTION BY GOVERNMENT OF UGANDA, AND DIRECTORS OF NIC LIMITED

37. The issue of this Prospectus is authorized by the GoU, and the Directors of NIC and has been signed by representatives of The Board on behalf of each one of them.

APPENDIX I
Legal Opinion

31 December 2009

To

THE LEAD TRANSACTION ADVISORS, THE CO-TRANSACTION ADVISORS, THE LEAD SPONSORING AND CO-SPONSORING BROKERS NAMED IN THE PROSPECTUS,

Ladies/Gentlemen,

RE: LEGAL OPINION ON THE INITIAL PUBLIC OFFER OF NATIONAL INSURANCE CORPORATION LIMITED

Background

1. We have acted as advisers on the laws of Republic of Uganda in relation to the initial public offering of 161,552,000 ordinary shares with a par value of Ug. Shs. 5 (Uganda Shillings Five) each in the ordinary share capital of National Insurance Corporation Limited (NIC), by the Government upon the terms and conditions set out in the Prospectus. Terms defined in the Prospectus have the same meaning in this opinion.

The Assumptions

2. For purposes of this opinion we have assumed:
 - a) that all the information supplied to us by NIC and the Brokers and by their respective officers and advisers is true, accurate and up to date
 - b) the genuineness of all documents and the completeness, and the conformity to original documents of all copies submitted to us; and
 - c) that Agreements with respect to the Lead Sponsoring Broker, and Co-sponsoring Brokers, Reporting Accountants, the Lead Receiving Bank, the Communication and Public Relations Consultants and the Share Registrars, have been authorized and duly executed and delivered by the parties to those documents.

The Opinion

This opinion is based upon;

- a) the information supplied to us by NIC;
- b) a due diligence conducted by ourselves in May, 2008;
- c) a certificate of the Company Secretary of the Company issued on 2nd July, 2009, updating and validating the findings in the due diligence
- d) a further certificate of the Company Secretary of the Company issued on 11th December, 2009, updating and validating the findings.

Subject to the assumptions set out above and the qualifications set out below, we are of the following opinion.

3. NIC is a public limited liability company incorporated in Uganda. The offer for sale is being undertaken within Uganda's divestiture programme which is governed by the Public Enterprises Reform and Divestiture Act (Cap. 98). By virtue of the provisions of the said Act, the Divestiture Reform and Implementation Committee decided that Government's 161,552,000 ordinary shares in NIC be sold to the general public and proposed that NIC be listed on the Uganda Securities Exchange (USE).

NIC supports the public offer of Government's shares in NIC and the listing of NIC on the USE.

4. The sale of the Government's shares by an initial public offering of NIC has been duly authorized and when the transfers of the respective shares have been duly executed by the Government and duly authenticated and delivered to, and the shares paid for by, the respective purchasers in accordance with the conditions of sale, the transfers will constitute valid, legally binding and unconditional obligations of the Government in accordance with their terms except as the same may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and by general principles of equity.

Legal Opinion

5. All licenses and consents required by NIC to perform its business have been duly obtained and are current.
6. The certificates of title to land owned by NIC are valid so far as searches at the relevant registries can reveal, subject to the qualification on the pre-divestiture mailo land holdings by NIC.
7. We have seen registration books for all motor vehicles, and the registration books appear valid. No registration regime for other moveable assets such as computers exists in Uganda and there are no certificates issued in respect to their ownership.
8. To the best of our knowledge and based on the searches we made and on the Company Secretary's certificate dated 2nd July, 2009, there is no material litigation, prosecution or other civil or criminal legal action in which NIC or any of its Directors is involved.
9. The Underwriting Agreement dated 30 December 2009 between the Government of Uganda and Industrial and General Insurance Plc (IGI), provides adequately for the purchase of any shares not applied for by the public, by IGI and for the payment of a fee to IGI for providing this service.
10. The existing paid-up capital of NIC of Ug. Shs. 2,019,400,000/= (Uganda Shillings Two Billion Nineteen Million Four Hundred Thousand) is in conformity with applicable laws relating to the conduct of the business of the company and its admission to listing on the USE and NIC has received all necessary authorizations
11. In our opinion, the prospectus complies with the requirements of the Companies Act (Cap. 110), the Capital Markets Authority Act (Cap. 84), the Capital Markets Authority (Prospectus) Regulations (S.I. 84-2) and the Uganda Securities Exchange Listing Rules, 2003.

Effective Date

12. This letter and the opinion given in it are governed by the laws of the Republic of Uganda and relates to the law of the Republic of Uganda as applied by the courts of the Republic of Uganda as at today's date. We express no opinion in this letter on the laws of any other jurisdiction.

Reliance

13. This opinion is given to the Lead Sponsoring Broker and the Co-Sponsoring Brokers as defined in the Prospectus and the intended purchasers of the shares under the Prospectus for their own use and may not be disclosed in whole or in part by any person or otherwise quoted, referred to or relied upon for any other purpose.

Yours faithfully,



MUGENYI AND COMPANY ADVOCATES

KAMPALA
as Joint Transaction Lawyers



MASEMBE, MAKUBUYA, ADRIKO, KARUGABA & SSEKATAWA (MMAKS) ADVOCATES

KAMPALA
as Joint Transaction Lawyers

APPENDIX II
Reporting Accountants' Report

**The Board of Directors
National Insurance Corporation Limited
P. O. Box 7134
Kampala,**

31 December 2009

SUBJECT: REPORTING ACCOUNTANTS' REPORT ON NATIONAL INSURANCE CORPORATION LIMITED

Dear Sirs,

We are pleased to submit our Accountants' Report in accordance with the requirements of Section 6 and Part 3 of the Third Schedule to the Capital Markets (Prospectus Requirements) Regulations, S.I 84.2 (hereafter referred to as "the Regulations").

As directors of National Insurance Corporation Limited (NIC), you are responsible for the Prospectus to be issued on or about 31 December 2009 and for all information contained therein, and for the financial statements and information to which this Accountants' Report relates and from which it has been prepared.

A) FINANCIAL INFORMATION

The financial information required by the Third Schedule to the Regulations to be disclosed in the Prospectus is set out from page 92 to 139 of this report. This financial information forms an integral part of this report. The information has been compiled in accordance with International Standard on Related Services 4410 (ISRS 4410), Engagements to Compile Financial Statements, from the audited financial statements of NIC for the years ended 31 December 2004, 2005, 2006, 2007 and 2008. For the three years ended 31 December 2004, 2005 and 2006, KPMG were the auditors of the Company, while Deloitte & Touche were the auditors for the years ended 31 December 2007 and 2008.

As required by ISRS 4410, we have made enquiries of management about the operations of the company and its accounting principles and practices, and have applied that knowledge in compiling the financial statements. We have also applied knowledge obtained from carrying out review procedures on the audited financial statements, the scope and results of which are reported in Section B of this report

Reporting Accountants' Report

In compiling the financial information, we have effected a number of adjustments to the information presented in the audited financial statements. Details of these adjustments are summarised in Section C of this report.

The audited financial statements for the years ended 31 December 2005, 2006 and 2007 from which the financial information for the respective years was compiled received an unqualified audit opinion. The audit opinion for the years ended 31 December 2004 and 2008 received a qualified opinion due to the following exceptions:

I 31 December 2004

a) Re-insurance balances:

As part of audit procedures, independent confirmation of balances as at 31 December 2004 was sought from re-insurers for both life and general business in respect of treaty and facultative arrangements. Most of the confirmations have not been received. The accounting records in respect of these balances in the past have been inadequate to enable alternative procedures necessary to confirm the completeness, existence and accuracy of these balances due to and due from re-insurers to be carried out. Some of these balances have had no movement for a long period.

As a result of the above, it is not possible to confirm that the balances due to and due from re-insurers as at 31 December 2004 are fairly stated.

b) Actuarial valuation of the Life Fund:

The latest actuarial valuation of the Life Fund was conducted as at 31 December 2003, which returned an overall deficit in the life fund of Shs 380 million (measured on a net premium valuation basis). The deficit was made good.

The valuation for the year ended 31 December 2004 is in the process of being conducted. Although the Insurance Act only requires a valuation every three years, in the absence of an actuarial valuation as at 31 December 2004, it is not possible to comment on the amounts that may require to be transferred from the fund in the event that a surplus is distributed or the short fall made good in the event that the deficit is recorded.

c) Post employment benefits:

NIC is required to pay post employment benefits to staff at the end of their employment period as documented in the staff regulations (terms and conditions of service) 2004. In accordance with International Accounting Standards (IAS) 19, when employees have rendered a service to an entity during an accounting period, the entity shall recognize the contributions payable in exchange of this service. This in effect, requires a provision/ payable and an expense to be recognized in the books of an entity. No such provision has been recognized by NIC during the year or in the past.

It is estimated that, post employment benefits would amount to Shs 1,852 million as at 31 December 2004, before actuarial discounting as required by IAS 19. Once the above amount is quantified/ discounted, the net profit and liabilities will decrease and increase respectively. The estimated liability above has not been included in these financial statements.

II 31 December 2008

a) Withholding tax recoverable

Included in withholding tax recoverable under sundry debtors is an amount of Shs 745 million whose recoverability is not certain due to lack of withholding tax certificates from Bank of Uganda. There were no satisfactory procedures we could perform to satisfy ourselves as to the recoverability of the amounts involved as they have been long outstanding. In these circumstances, we are unable to confirm whether withholding tax recoverable is fairly stated.

B) REVIEW PROCEDURES

We have conducted a review of the audited financial statements of NIC for the five years ended 31 December 2004, 2005, 2006, 2007 and 2008. We conducted our review in accordance with the International Standard on Review Engagements 2400, Engagements to Review Financial Statements ("ISRE 2400"). The objective of the review engagement is to enable us to state whether, on the basis of procedures which do not provide all the evidence that would be required in an audit, anything has come to our attention that causes us to believe that the audited financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards. This Standard requires that we plan and perform the review with an attitude of professional scepticism, and to obtain sufficient evidence primarily through enquiry and analytical procedures to be able to draw conclusions.

Our review procedures were limited primarily to inquiries of NIC management and the NIC auditors that we considered necessary, a review of the company's accounting policies, analytical procedures applied to financial data and review of other documentation that we considered necessary.

I Accounting and Regulatory Compliance Issues

We identified the following matters during the course of our review:

a) Compliance with IFRS 4-Insurance contract liabilities:

The Company has not performed a liability adequacy test in accordance with IFRS 4, which was effective for annual periods beginning on or after 1 January 2005. IFRS 4 requires that an insurer shall assess at each reporting date whether its recognised insurance liabilities are adequate, by assessing past experience of insurance liabilities to determine the adequacy of the insurance contract liability at the balance sheet date. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the entire deficiency shall be recognised in the profit or loss as claims incurred but not reported. However, the Company has provided for the claims incurred but not reported based on 15% of the claims outstanding at the end of each year, as required by the Insurance Act.

b) Withholding tax recoverable as at 31 December 2007 and 2008

The Company held a withholding tax asset of Shs 930 million and Shs 1,054,085 at 31 December 2007 and 2008 respectively. We noted that the asset was long outstanding and was not supported by withholding tax certificates. The recoverability of the asset is doubtful.

c) Apportionment of the Super Annuation fund between Group Life and the Deposit Administration Plan

Before 2004, the Company maintained the Group Life business together with the Deposit Administration Plan in a Super Annuation fund. During 2004, whilst splitting the Super Annuation fund between the Group Life fund and the Deposit Administration Plan, the company split past accumulated overheads using a ratio of 40:60 respectively. This resulted in the fund balance for the Group Life Fund and the DAP to close at Shs 3,984 million and Shs 16,105 million as at 31 December 2004. Since we could not establish the basis of the split, therefore the amounts attributable to Group Life Fund and DAP are arbitrary.

Reporting Accountants' Report

d) Recognition of reinsurance balances

The Company records claims as gross at the time of reporting. On the other hand, The Company does not recognise the claims recoverable from the reinsurer until the claim has been finalised for settlement. As a result, the gross liability for claims has been recognised in the financial statements where as the recovery from the reinsurer has not been recognised. The claims liability is therefore overstated to the extent of the amounts receivable from reinsurers which have not been recognised.

e) Investment in unquoted shares

NIC owns shares in PTA Reinsurance Company Limited (PTA Re) which were accounted for at cost in the audited financial statements. NIC held shares in PTA Re in the years ended 31 December 2004 to 2008, acquired at a cost of Shs 91.7 million. The percentage ownership of shares in PTA Re could not be verified although management confirmed that it was less than 5% of the shares, which would be accounted for as an investment available for sale as per provision under International Accounting Standard 39, Financial Instruments: Recognition and Measurement. IAS 39 requires that such investments be carried at their fair value. However, management have not assessed the fair value of the shares and have reported the investment at cost in the financial statements at the respective balance sheet dates.

f) Non-compliance with the Insurance Act

The Company's policy is to recognise claims incurred but not reported (IBNR) based on the Insurance Act at 15% of claims outstanding at year end. However, we noted at 31 December 2005, the Company had claims outstanding of Shs 12,844 million and IBNR of Shs 127 million which is significantly less than the statutory requirement of 15% of claims outstanding. For the years ended 31 December 2006 and 2007, the Company also had IBNR which was below the 15% of claims outstanding requirement. The claims outstanding for 2006 and 2007 were Shs 3,436 million and Shs 1,413 million respectively, while IBNR was Shs 123 million and Shs 146 million respectively. Adjustments have been passed to correct the 2006 and 2007 understatement.

II Limitation of Scope arising out of the review of the audit working papers for the years ended 31 December 2004, 2005 and 2006

a) 2006

- Sundry debtors under Long term insurance business – There was an unexplained difference of Shs 2.4 billion between the detailed listing and financial statements.
- Outstanding claims provision under long term insurance business - There was an unexplained difference of Shs 361 million between the financial statements and the supporting schedules.
- Sundry creditors – there was no evidence of work done for the outstanding balance of Shs 799 million.
- Share capital and other reserves – there was no evidence of work done on shareholder's funds.
- Premiums receivable – there was no evidence of work done to establish existence of premium debtors amounting to Shs 1.7 billion.
- Related company balances – there was no evidence of work done on related company balances.
- Investment income (General insurance business) – Rental income had an unexplained difference of Shs 41.9 million between the audit work and financial statements.
- Corporation and deferred tax – the computations were not supported.

b) 2005

- Capital reserve – there was no transfer from retained earnings to the capital reserve during the year to comply with the Insurance Act.
- Contingency reserve - the contingency reserve carried forward was understated by Shs 267 million from the balance at 31 December 2004.
- Cash at bank and in hand – there was no evidence of work done for bank reconciliations for Kapchowa, Busia and Arua.
- Corporation and deferred tax- the computations were not supported.

c) 2004

- Sundry debtors – inadequate audit procedures carried out on the following specific sundry debtor balances on their recoverability:
 - Unallocated stores balance and other debtor balances amounting to Shs 63 million and Shs 9 million respectively.
 - Long outstanding staff debtors of Shs 15 million.
- Related company balances – There was no evidence of work done on related company balances.
- Investment income – the audit procedures carried out on the following balances was not satisfactory as follows:
 - Rental income – no support for rent of Shs 107 million, direct payments of 35 million and an incorrect entry of rent paid to Kampala City Council of Shs 26 million, debited to rent account instead of the expenses account;
 - No evidence of work done to support an adjustment of Shs 84 million that was passed to interest income from group life fixed deposits.
 - Interest income (coupon and discount) has been excluded from investment income.
- Capital reserve – there has been no transfer to the capital reserve during the year as required by the Insurance Act.
- Reinsurance balances - unexplained journal entries of Shs 422 million, and no evidence of audit work on reinsurance balances.
- Reserve balances - there is no evidence of audit work on distributable reserves, revenue reserves and life funds.
- Corporation and deferred tax- the computations were not supported.

III Unresolved errors in the financial statements

a) Cash flow Statement

The cash flow for the year ended 31 December 2007 has inappropriately included deferred tax as an investing activity.

b) Disclosure of overdraft against cash

Overdraft balances amounting to Shs 2 million at 31 December 2004 were netted off other cash balances as opposed to a disclosure under borrowings.

A review carried out in accordance with ISRE 2400 is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. However based on our review, other than for the effect of the matters set out above, nothing has come to our attention that causes us to believe that the audited financial statements of NICL for the five years ended 31 December 2004, 2005, 2006, 2007 and 2008 do not give a true and fair view in accordance with International Financial Reporting Standards.

IV Other matters

Note 29 of this report discloses the existence of a contingent liability in respect of a dispute between NIC and the Board of Trustees (BOT) of Makerere University Deposit Administration Plan (DAP). The amounts in dispute have not been disclosed in the Information Memorandum as would be required. However, the amounts in dispute have not been determined by NIC's actuary."

C) EFFECT OF ADJUSTMENTS MADE TO INFORMATION PRESENTED IN THE AUDITED FINANCIAL STATEMENTS

In compiling the financial information, we have effected a number of adjustments to the information presented in the audited financial statements. The impact of these adjustments is set out below; the adjustments are based on un-audited information provided to us by management.

As noted in section B), not all the matters that came to our attention have been adjusted for, because information was not available in some cases.

Reporting Accountants' Report

	2008			2007	
	GENERAL	LIFE	TOTAL	GENERAL	LIFE
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
I. ADJUSTMENTS THAT IMPACT PROFIT AS REPORTED IN THE AUDITED FINANCIAL STATEMENTS:					
Initial profit after tax reported	2,595,152	1,341,844	3,936,996	2,327,441	609,910
To reverse fair value gains through recognised through income statement	(640,095)	-	(640,095)	(167,916)	-
To reverse deferred tax charge on fair value gain passed through income tax expense	192,029	-	192,029	50,375	-
To adjust IBNR provision to 15% of outstanding claims	-	-	-	325,950	-
Revised profits after tax	2,147,086	1,341,844	3,488,930	2,535,850	609,910

II. ADJUSTMENTS THAT IMPACT RETAINED EARNINGS:					
Balance as initially stated	5,619,039	-	5,619,039	3,542,917	-
To adjust for capital reserve	(85,948)	-	(85,948)	(85,948)	-
To reverse fair value gains recognised income through statement 2003	(82,649)	-	(82,649)	(82,649)	-
To reverse deferred tax effect on fair value changes in 2003	24,795	-	24,795	24,795	-
To reverse fair value gains recognised income through statement 2004	41,460	-	41,460	41,460	-
To reverse deferred tax effect on fair value changes in 2004	(12,438)	-	(12,438)	(12,438)	-
Deferred tax arising from revaluation	-	-	-	-	-
To reverse fair value gains recognised income through statement 2005	(8,330)	-	(8,330)	(8,330)	-
To reverse deferred tax effect on fair value changes in 2005	2,499	-	2,499	2,499	-
To reverse fair value gains recognised income through statement 2006	(24,990)	-	(24,990)	(24,990)	-
To reverse deferred tax effect on fair value changes in 2006	7,497	-	7,497	7,497	-
To adjust IBNR provision to 15% of outstanding claims 2006	(391,500)	-	(391,500)	(391,500)	-
To reverse fair value gains recognised income through statement 2007	(167,916)	-	(167,916)	(167,916)	-
To reverse deferred tax effect on fair value changes in 2007	50,375	-	50,375	50,375	-
To adjust IBNR provision to 15% of outstanding claims 2007	325,950	-	325,950	325,950	-
To reverse fair value gains recognised through income statement 2008	(640,095)	-	(640,095)	-	-
To reverse deferred tax effect on fair value changes in 2008	192,029	-	192,029	-	-
Balance as restated	4,849,777		4,849,777	3,221,722	-

III. ADJUSTMENTS THAT IMPACT TOTAL ASSETS AND LIABILITIES IN THE BALANCE SHEET					
Total assets as initially reported	24,728,516	50,079,705	74,808,221	15,927,192	37,015,373
Restate the value of unrepresented cheque that is now stale	210,000	-	210,000	210,000	-
Present overdrafts as liabilities	-	-	-	117,000	-
Revised total assets	24,938,516	50,079,705	75,018,221	16,254,192	37,015,373
Total liabilities as initially reported	13,671,303	50,023,190	63,694,493	6,973,735	36,973,323
Restate the value of unrepresented cheque that is now stale	210,000	-	210,000	210,000	-
Present overdrafts as liabilities	-	-	-	117,000	-
Adjust IBNR provision to 15% of outstanding claims 2007	(325,950)	-	(325,950)	(325,950)	-
Adjust IBNR provision to 15% of outstanding claims 2006	391,500	-	391,500	391,500	-
Revised total liabilities	13,946,853	50,023,190	63,970,043	7,366,285	36,973,323

Net effect on net assets	65,550	-	65,550	65,550	-
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Reporting Accountants' Report

TOTAL	2006			2005			2004		
	GENERAL	LIFE	TOTAL	GENERAL	LIFE	TOTAL	GENERAL	LIFE	TOTAL
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2,937,351	906,667	635,651	1,542,318	981,518	886,512	1,868,030	94,638	560,550	655,188
(167,916)	(24,990)	-	(24,990)	(8,330)	-	(8,330)	41,460	-	41,460
50,375	7,497	-	77,497	2,499	-	2,499	(12,438)	-	(12,438)
325,950	(391,500)	-	(391,500)	-	-	-	-	-	-
3,145,760	497,674	635,651	1,133,325	975,687	886,512	1,862,199	1 23,660	560,550	684,210

3,542,917	3,397,454	-	3,397,454	3,481,272	-	3,481,272	3,366,673	-	3,366,673
(85,948)	(85,948)	-	(85,948)	(85,947)	-	(85,947)	(38,183)	-	(38,183)
(82,649)	(82,649)	-	(82,649)	(82,649)	-	(82,649)	(82,649)	-	(82,649)
24,795	24,795	-	24,795	24,795	-	24,795	24,795	-	24,795
41,460	41,460	-	41,460	41,460	-	41,460	41,460	-	41,460
(12,438)	(12,438)	-	(12,438)	(12,438)	-	(12,438)	(12,438)	-	(12,438)
-	-	-	-	-	-	-	298,428	-	298,428
(8,330)	(8,330)	-	(8,330)	(8,330)	-	(8,330)	-	-	-
2,499	2,499	-	2,499	2,499	-	2,499	-	-	-
(24,990)	(24,990)	-	(24,990)	-	-	-	-	-	-
7,497	7,497	-	7,497	-	-	-	-	-	-
(391,500)	(391,500)	-	(391,500)	-	-	-	-	-	-
(167,916)	-	-	-	-	-	-	-	-	-
50,375	-	-	-	-	-	-	-	-	-
325,950	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
3,221,722	2,867,850	-	2,867,850	3,360,661	-	3,360,661	3,598,086	-	3,598,086

52,942,565	12,799,047	30,995,146	43,794,193	22,378,704	27,850,715	50,229,419	10,462,541	23,042,648	33,505,189
210,000	-	-	-	-	-	-	-	-	-
117,000	-	-	-	-	-	-	-	-	-
53,269,565	12,799,047	30,995,146	43,794,193	22,378,704	27,850,715	50,229,419	10,462,541	23,042,648	33,505,189
43,947,058	5,365,271	30,962,922	36,328,193	15,144,805	27,827,289	42,972,094	3,911,732	22,761,665	26,673,397
210,000	-	-	-	-	-	-	-	-	-
117,000	-	-	-	-	-	-	-	-	-
(325,950)	-	-	-	-	-	-	-	-	-
391,500	391,500	-	391,500	-	-	-	-	-	-
44,339,608	5,756,771	30,962,922	36,719,693	15,144,805	27,827,289	42,972,094	3,911,732	22,761,665	26,673,397

65,550	391,500	-	391,500	-	-	-	-	-	-
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Reporting Accountants' Report

D) CONSENT

We consent to the inclusion of this report in the NIC Prospectus to be issued on or about 31 December 2009 in the form and context in which it appears.



PricewaterhouseCoopers
Certified Public Accountants
Kampala, Uganda

Financial Information

Reporting Accountants' Report

INCOME STATEMENTS FOR THE FIVE YEARS ENDED 31 DECEMBER 2004, 2005, 2006, 2007 AND 2008						
		2008			2007	
		GENERAL BUSINESS	LIFE BUSINESS	TOTAL	GENERAL BUSINESS	LIFE BUSINESS
	NOTES	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Gross written premiums	4	12,254,671	1,446,468	13,701,139	12,099,818	982,452
Gross earned premiums		12,409,461	1,446,468	13,855,929	10,762,393	982,452
Less: reinsurance premium ceded		(3,422,828)	(151,181)	(3,574,009)	(2,881,000)	(399,440)
Net earned premiums		8,986,633	1,295,287	10,281,920	7,881,393	583,012
Investment income	5	2,282,415	1,448,244	3,730,659	1,763,123	691,603
Total income		11,269,048	2,743,531	14,012,579	9,644,516	1,274,615
Claims and policy owners' benefits payable	6	(2,471,644)	(519,969)	(2,991,613)	(1,175,605)	(276,279)
Amounts recoverable from reinsurance		204,476	-	204,476	38,520	-
Net claims incurred		(2,267,168)	(519,969)	(2,787,137)	(1,137,085)	(276,279)
Operating and other expenses	7	(5,439,703)	(344,197)	(5,783,900)	(4,629,389)	(176,144)
Commissions payable net		(1,019,126)	(167,420)	(1,186,546)	(1,441,907)	(44,641)
Transfer to life fund		-	(1,341,844)	(1,341,844)	-	(609,910)
Net profit before tax		2,543,051	370,101	2,913,152	2,436,135	167,641
Income tax (charge)/ credit	9	(395,966)	(370,101)	(766,067)	99,715	(167,641)
Net profit		2,147,085	-	2,147,085	2,535,850	-
Earnings per share	10			Shs 10.632		
Dividends per share	11			-		

Reporting Accountants' Report

	2006			2005			2004		
TOTAL	GENERAL BUSINESS	LIFE BUSINESS	TOTAL	GENERAL BUSINESS	LIFE BUSINESS	TOTAL	GENERAL BUSINESS	LIFE BUSINESS	TOTAL
Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
13,082,270	6,863,872	879,806	7,743,678	5,579,958	1,006,884	6,586,842	5,552,191	1,290,587	6,842,778
11,744,845	6,020,806	879,806	6,900,612	5,679,205	1,006,884	6,686,089	5,188,970	1,290,587	6,479,557
(3,280,440)	(988,618)	(57,241)	(1,045,859)	(1,812,365)	(38,808)	(1,851,173)	(1,536,485)	(841,415)	(2,377,900)
8,464,405	5,032,188	822,565	5,854,753	3,866,840	968,076	4,834,916	3,652,485	449,172	4,101,657
2,454,726	2,213,558	355,557	2,569,115	1,698,728	227,221	1,925,949	511,682	203,476	715,158
10,919,131	7,245,746	1,178,122	8,423,868	5,565,568	1,195,297	6,760,865	4,164,167	652,648	4,816,815
(1,451,884)	(1,625,496)	(215,691)	(1,841,187)	13,005,805)	(227,844)	(13,233,649)	(1,313,981)	(244,377)	(1,558,358)
38,520	182,658	68,035	250,693	12,161,872	92,711	12,254,583	577,460	154,172	731,632
(1,413,364)	(1,442,838)	(147,656)	(1,590,494)	(843,933)	(135,133)	(979,066)	(736,521)	(90,205)	(826,726)
(4,805,533)	(3,950,242)	(220,462)	(4,170,704)	(2,878,209)	(139,551)	(3,017,760)	(2,647,598)	(124,898)	(2,772,496)
(1,486,548)	(810,812)	(99,400)	(910,212)	(500,724)	(7,101)	(507,825)	(518,340)	131,970	(386,370)
(609,910)	-	(635,651)	(635,651)	-	(886,512)	(886,512)	-	(560,550)	(560,550)
2,603,776	1,041,854	74,953	1,116,807	1,342,702	27,000	1,369,702	261,708	8,965	270,673
(67,926)	(544,180)	(74,953)	(619,133)	(367,015)	(27,000)	(394,015)	(138,048)	(8,965)	(147,013)
2,535,850	497,674	-	497,674	975,687	-	975,687	123,660	-	123,660
Shs 12.557			Shs 2.464			Shs 4.831			Shs 0.612
Shs 8,500			Shs 4,000			Shs 3,500			-

Reporting Accountants' Report

BALANCE SHEETS FOR THE FIVE YEARS ENDED 31 DECEMBER 2004, 2005, 2006, 2007 AND 2008						
		2008			2007	
		SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM
	NOTES	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Capital employed						
Share capital	12	2,019,400	-	2,019,400	2,019,400	-
Retained earnings	13	4,849,777	-	4,849,777	3,221,722	-
Proposed dividends	11	1,225,094	-	1,225,094	1,716,490	-
Contingency reserve	14	1,856,722	56,515	1,913,237	1,467,450	42,050
Capital reserve	14	422,906	-	422,906	293,148	-
Fair value reserve available for sale investments		617,764	-	617,764	169,697	-
Shareholders' funds		10,991,663	56,515	11,048,178	8,887,907	42,050
Assets						
Property and equipment	15	761,741	134,596	896,337	930,356	165,026
Prepaid lease rentals	16	891,014	-	891,014	895,243	-
Investment property	17	10,265,000	13,830,000	24,095,000	6,910,000	12,750,000
Available for Sale investments	18	1,853,210	30,780,341	32,633,551	764,740	12,957,677
Held to maturity investments	19	1,191,620	2,398,531	3,590,151	915,252	6,792,918
Loans		107,496	62,989	170,485	51,167	235,577
Investment in subsidiary	20	163,471	-	163,471	78,242	-
Deferred tax asset		36,324	-	36,324	38,064	-
Receivables arising out of direct insurance arrangements		3,558,773	-	3,558,773	2,523,411	-
Receivables arising out of indirect insurance arrangements i.e. brokers, insurers and agents		-	-	-	-	-
Receivables arising out of re-insurance arrangements		2,359,669	136,208	2,495,877	231,958	156,243
Reinsurance share of insurance contract liabilities		-	-	-	-	-
Other receivables	23	437,098	1,118,480	1,555,578	193,839	1,078,683
Deposits with financial institutions	21	108,993	497,161	606,154	146,745	2,349,630
Due from related parties	33	2,192,948	-	2,192,948	22,352	-
Current income tax recoverable		-	-	-	257,155	-
Cash and bank balances		1,011,159	1,121,399	2,132,558	2,295,668	529,619
Total Assets		24,938,516	50,079,705	75,018,221	16,254,192	37,015,373
Liabilities						
Borrowing	31	-	-	-	-	-
Insurance contract liabilities	24	2,243,422	8,496,044	10,739,466	1,625,693	7,216,941
Payable under deposit administration scheme	25	-	34,309,832	34,309,832	-	24,036,651
Inter-divisional account		3,020,822	(3,020,822)	-	(1,091,573)	1,091,573
Managed funds		-	729,175	729,175	-	208,392
Provision for unearned premium	26	4,901,868	-	4,901,868	3,687,528	-
Tax payable		182,012	-	182,012	-	-
Deferred income tax	27	-	9,165,556	9,165,556	-	4,154,750
Creditors arising from reinsurance arrangements		2,106,917	46,239	2,153,156	636,378	-
Creditors arising from insurance arrangements		-	134,037	134,037	-	131,452
Gratuity provisions		-	-	-	33,320	-
Due to related parties	33	-	-	-	1,016,794	-
Other payables	28	1,491,812	163,129	1,654,941	1,458,145	133,564
Total liabilities		13,946,853	50,023,190	63,970,043	7,366,285	36,973,323
Net Assets		10,991,663	56,515	11,048,178	8,887,907	42,050

Reporting Accountants' Report

	2006			2005			2004		
TOTAL	SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2,019,400	2,019,400	-	2,019,400	2,019,400	-	2,019,400	2,019,400	-	2,019,400
3,221,722	2,867,850	-	2,867,850	3,360,661	-	3,360,661	3,598,086	-	3,598,086
1,716,490	807,760	-	807,760	706,790	-	706,790	-	-	-
1,509,500	1,118,334	32,224	1,150,558	980,942	23,426	1,004,368	822,124	13,357	835,481
293,148	176,776	-	176,776	131,443	-	131,443	82,367	-	82,367
169,697	52,156	-	52,156	34,663	-	34,663	28,832	-	28,832
8,929,957	7,042,276	32,224	7,074,500	7,233,899	23,426	7,257,325	6,550,809	13,357	6,564,166
1,095,382	928,006	202,441	1,130,447	719,104	239,856	958,960	277,717	214,623	492,340
895,243	245,501	-	245,501	249,659	-	249,659	-	-	-
19,660,000	5,356,000	11,933,000	17,289,000	4,509,000	9,190,000	13,699,000	4,589,000	8,441,000	13,030,000
13,722,417	608,998	6,302,973	6,911,971	662,522	4,216,824	4,879,346	635,425	2,397,628	3,033,053
7,708,170	736,278	8,049,319	8,785,597	848,761	11,891,547	12,740,308	910,368	8,539,063	9,499,431
286,744	115,535	24,025	139,560	112,781	24,026	136,807	296,955	28,321	325,276
78,242	-	-	-	-	-	-	-	-	-
38,064	-	-	-	-	-	-	-	-	-
2,523,411	1,715,751	493,689	2,209,440	50,189	-	50,189	1,326,012	337,449	1,663,461
-	-	-	-	1,082,569	-	1,082,569	733,072	-	733,072
388,201	147,456	156,243	303,699	6,066,646	88,222	6,154,868	452,517	88,222	540,739
-	-	-	-	-	-	-	-	-	-
1,272,522	593,265	2,615,209	3,208,474	542,229	1,220,820	1,763,049	305,404	637,475	942,879
2,496,375	1,675,479	1,171,774	2,847,253	6,443,294	782,742	7,226,036	306,776	882,692	1,189,468
22,352	178,667	-	178,667	36,589	-	36,589	-	-	-
257,155	83,899	-	83,899	-	-	-	13,789	-	13,789
2,825,287	414,212	46,473	460,685	1,055,361	196,678	1,252,039	615,506	1,476,175	2,091,681
53,269,565	12,799,047	30,995,146	43,794,193	22,378,704	27,850,715	50,229,419	10,462,541	23,042,648	33,505,189
-	-	-	-	-	-	-	-	-	-
8,842,634	3,951,830	6,558,128	10,509,958	12,972,185	5,992,640	18,964,825	1,519,778	4,889,986	6,409,764
24,036,651	-	19,765,587	19,765,587	-	18,591,031	18,591,031	-	16,105,383	16,105,383
-	(2,312,075)	2,312,075	-	(1,704,769)	1,704,769	-	(761,256)	761,256	-
208,392	-	-	-	-	-	-	-	-	-
3,687,528	2,350,102	-	2,350,102	1,507,037	-	1,507,037	1,606,282	-	1,606,282
-	-	-	-	344,187	-	344,187	-	-	-
4,154,750	427,868	1,953,248	2,381,116	88,816	891,140	979,956	77,278	215,931	293,209
636,378	657,510	131,452	788,962	857,133	505,103	1,362,236	617,176	850,238	1,467,414
131,452	-	-	-	-	-	-	55,523	-	55,523
33,320	124,544	-	124,544	337,162	-	337,162	-	-	-
1,016,794	-	-	-	-	-	-	-	-	-
1,591,709	556,992	242,432	799,424	743,054	142,606	885,660	796,951	206,497	1,003,448
44,339,608	5,756,771	30,962,922	36,719,693	15,144,805	27,827,289	42,972,094	3,911,732	23,029,291	26,941,023
8,929,957	7,042,276	32,224	7,074,500	7,233,899	23,426	7,257,325	6,550,809	13,357	6,564,166

Reporting Accountants' Report

STATEMENTS OF CHANGES IN EQUITY FOR THE FIVE YEARS ENDED 31 DECEMBER 2004, 2005, 2006 2007 AND 2008							
	SHARE CAPITAL	CAPITAL RESERVES	CONTIN- GENCY RESERVE	FAIR VALUE RESERVES	PROPOSED DIVIDEND	RETAINED EARNINGS	TOTAL
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Balance at 1 January 2004							
As previously stated	2,019,400	77,635	962,975	57,854	-	3,547,577	6,665,441
Prior year adjustments							
Gratuity provisions	-	-	-	-	-	(255,804)	(255,804)
Deferred tax arising from revaluation	-	-	-	-	-	298,428	298,428
Restated	2,019,400	77,635	962,975	57,854	-	3,590,201	6,708,065
Profit for the year	-	-	-	-	-	123,660	123,660
Transfer to capital reserve	-	44,184	-	-	-	(44,184)	-
Recognition of fair value gain	-	-	-	(41,460)	-	-	(41,460)
Adjustment of deferred tax on the fair value gain	-	-	-	12,438	-	-	12,438
Transfer to capital reserve	-	(39,452)	-	-	-	39,452	-
Reversal of contingency reserve through DAP			(267,626)				(267,626)
Transfer to contingency reserve Short term	-	-	111,043	-	-	(111,043)	-
Transfer to contingency reserve Long term	-	-	29,089	-	-	-	29,089
Balance as at 31 December 2004	2,019,400	82,367	835,481	28,832	-	3,598,086	6,564,166
Balance as at 1 January 2005	2,019,400	82,367	835,481	28,832	-	3,598,086	6,564,166
Profit for the year	-	-	-	-	-	975,687	975,687
Proposed dividend 2005	-	-	-	-	706,790	(706,790)	-
Transfer to contingency reserve	-	-	158,818	-	-	(158,818)	-
Transfer to capital reserve	-	1,311	-	-	-	(1,311)	-
Adjustment prior year deferred tax on revaluation						(298,428)	(298,428)
Recognition of fair value gain	-	-	-	8,330	-	-	8,330
Adjustment of deferred tax on the fair value gain	-	-	-	(2,499)	-	-	(2,499)
Transfer to capital reserve	-	47,765	-	-	-	(47,765)	-
Transfer to contingency reserve Long term	-	-	10,069	-	-	-	10,069
Balance as at 31 December 2005	2,019,400	131,443	1,004,368	34,663	706,790	3,360,661	7,257,325

Reporting Accountants' Report

STATEMENTS OF CHANGES IN EQUITY FOR THE FIVE YEARS ENDED 31 DECEMBER 2004, 2005, 2006 2007 AND 2008							
	SHARE CAPITAL	CAPITAL RESERVES	CONTIN- GENCY RESERVE	FAIR VALUE RESERVES	PROPOSED DIVIDEND	RETAINED EARNINGS	TOTAL
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Balance as at 1 January 2006	2,019,400	131,443	1,004,368	34,663	706,790	3,360,661	7,257,325
Profit for the year	-	-	-	-	-	497,674	497,674
2005 dividend paid	-	-	-	-	(706,790)	-	(706,790)
Proposed dividend	-	-	-	-	807,760	(807,760)	-
Transfer to capital reserve	-	45,333	-	-	-	(45,333)	-
Transfer to contingency reserve	-	-	137,392	-	-	(137,392)	-
Recognition of fair value gain	-	-	-	24,990	-	-	24,990
Adjustment of deferred tax on the fair value gain	-	-	-	(7,497)	-	-	(7,497)
Transfer to contingency reserve Long term	-	-	8,798	-	-	-	8,798
Balance as at 31 December 2006	2,019,400	176,776	1,150,558	52,156	807,760	2,867,850	7,074,500
Balance as at 1 January 2007	2,019,400	176,776	1,150,558	52,156	807,760	2,867,850	7,074,500
Profit for the year	-	-	-	-	-	2,535,850	2,535,850
2006 dividend paid	-	-	-	-	(807,760)	-	(807,760)
Proposed dividend 2007	-	-	-	-	1,716,490	(1,716,490)	-
Transfer to contingency reserve	-	-	349,116	-	-	(349,116)	-
Recognition of fair value gain	-	-	-	167,916	-	-	167,916
Adjustment of deferred tax on the fair value gain	-	-	-	(50,375)	-	-	(50,375)
Transfer to capital reserve	-	116,372	-	-	-	(116,372)	-
Transfer to contingency reserve Long term	-	-	9,826	-	-	-	9,826
Balance as at 31 December 2007	2,019,400	293,148	1,509,500	169,697	1,716,490	3,221,722	8,929,957
Balance as at 1 January 2008	2,019,400	293,148	1,509,500	169,697	1,716,490	3,221,722	8,929,957
Profit for the year	-	-	-	-	-	2,147,086	2,147,086
2007 dividend paid	-	-	-	-	(814,500)	-	(814,500)
Reinstatement of prior year dividend	-	-	-	-	323,104	-	323,104
Transfer to contingency reserve	-	-	389,273	-	-	(389,273)	-
Recognition of fair value gain	-	129,758	-	-	-	(129,758)	-
Adjustment of deferred tax on the fair value gain	-	-	-	640,095	-	-	640,095
Transfer to capital reserve	-	-	-	(192,029)	-	-	(192,029)
Transfer to contingency reserve Long term	-	-	14,464	-	-	-	14,464
Balance as at 31 December 2008	2,019,400	422,906	1,913,237	617,764	1,225,094	4,849,777	11,048,177

CASH FLOW STATEMENTS FOR THE FIVE YEARS ENDED 31 DECEMBER 2004, 2005, 2006, 2007 AND 2008

	2008			2007	
	GENERAL	LIFE	TOTAL	GENERAL	LIFE
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
OPERATING ACTIVITIES					
Profit before taxation	2,543,051	-	2,543,051	2,436,135	-
Adjustment for;					
Increase in insurance funds	-	1,341,844	1,341,844	-	818,302
Depreciation	253,014	-	253,014	290,485	37,415
Revaluation surplus recognized in income	(1,570,515)	(1,233,761)	(2,804,276)	(1,235,324)	(558,805)
Impairment losses on doubtful debts	953,167	146,139	1,099,306	300,800	-
Amounts written back	-	-	-	(77,190)	-
Gain on disposal of equipment					
Investment income and other income	(692,599)	(72,693)	(765,292)	(463,159)	(127,829)
Operating loss and insurance funds before working capital	1,486,118	181,529	1,667,647	1,251,747	169,083
Increase in premiums outstanding	(1,035,362)	-	(1,035,362)	(313,971)	-
Increase in loans	(56,329)	172,588	116,259	64,368	(211,552)
Decrease in gratuity provision	(33,320)	-	(33,320)	91,224	-
Changes in investment					
Change in related company balances	(3,187,390)	-	(3,187,390)	2,189,903	-
Change in reinsurer balances	(657,172)	68,859	(588,313)	(105,634)	-
Change in debtors	(243,259)	(39,797)	(283,056)	399,426	511,388
Change in creditors and accruals	150,667	29,565	180,232	574,153	(108,868)
Change in amounts payable under deposit administration contracts	-	10,793,964	10,793,964	-	4,271,065
Change in inter division balances	4,112,395	(4,112,395)	-	1,091,573	(1,091,573)
Change in outstanding claims	514,657	1,279,103	1,793,760	(2,348,678)	48,903
Decrease in prepayments	-	-	-	-	1,505,000
Change in underwriting provisions	1,214,340	-	1,214,340	1,359,966	-
Cash generated from / (used in) underwriting activities	2,265,345	8,373,416	10,638,761	4,254,077	5,093,446
Taxes paid	(147,087)	-	(147,087)	(447,624)	-
Withholding tax paid	-	-	-	(142,224)	-
Net cash flows from operating activities	2,118,258	8,373,416	10,491,674	3,664,229	5,093,446
INVESTING ACTIVITIES					
Investment income	692,599	72,693	765,292	631,075	127,829
Investment in other companies (subsidiaries)	(85,229)	-	(85,229)	(78,242)	-
Increase in deferred tax provision	-	5,010,806	5,010,806	-	1,735,570
Purchase of investment property	(1,784,485)	-	(1,784,485)	(486,592)	(54,307)
Purchase of equipment	(80,170)	(7,606)	(87,776)	(288,677)	-
Purchases of operating leases	-	-	-	(653,900)	-
Fair value gains in equity	(640,095)	(14,881,299)	(15,521,394)	(167,916)	(6,575,639)
Proceeds from sale of equipment					
Proceeds from disposal of shares	-	1,254,035	1,254,035	-	-
Purchase of shares	(387,000)	(3,453,922)	(3,840,922)		
Increase in statutory deposit	-	(35,553)	(35,553)	-	(18,456)
Decrease / (Increase) in held to maturity investments	(238,616)	7,465,287	7,226,671	(944,439)	1,815,884
Increase in available for sale investments	-	(3,374,857)	(3,374,857)	-	(79,065)
Exchange loss / (gain)	(61,375)	-	(61,375)	12,550	-
Cash flows from investing activities	(2,584,371)	(7,950,416)	(10,534,787)	(1,976,141)	(3,048,184)
FINANCING ACTIVITIES					
Dividend paid	(491,396)	-	(491,396)	(597,302)	(210,458)
Cash flows from financing activities	(491,396)	-	(491,396)	(597,302)	(210,458)
Net increase / (decrease) in cash and cash equivalents	(957,509)	423,000	(534,509)	1,090,786	1,834,804
Cash and cash equivalents at 1 January	1,968,668	1,881,277	3,849,945	877,882	46,473
Cash and cash equivalents at 31 December	1,011,159	2,304,277	3,315,436	1,968,668	1,881,277
	Note: 32				

	2006			2005			2004		
TOTAL	GENERAL	LIFE	TOTAL	GENERAL	LIFE	TOTAL	GENERAL	LIFE	TOTAL
Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2,436,135	1,041,854	-	1,041,854	1,342,702	-	1,342,702	261,708	-	261,708
818,302	-	719,402	719,402	-	923,581	923,581	-	2,713,407	2,713,407
327,900	243,974	37,415	281,389	111,180	31,694	142,874	71,027	26,618	97,645
(1,794,129)	(871,990)	(249,844)	(1,121,834)	(397,097)	(210,136)	(607,233)	-	-	-
300,800	-	-	-	-	-	-	-	-	-
(77,190)	-	-	-	-	-	-	-	-	-
	(8,656)	-	(8,656)	(2,500)	-	(2,500)	(4,100)	-	(4,100)
(758,904)	(560,302)	(93,857)	(654,159)	(542,014)	(133,393)	(675,407)	(557,817)	(2,123,152)	(2,680,969)
1,420,830	(155,120)	413,116	257,996	512,271	611,746	1,124,017	(229,182)	616,873	387,691
(313,971)	-	-	-	-	-	-	-	-	-
(147,184)	-	-	-	-	-	-	-	-	-
91,224	-	-	-	-	-	-	42,624	-	42,624
	(1,252,523)	218,624	(1,033,899)	604,914	(1,660,631)	(1,055,717)	(79,408)	(4,109,451)	(4,188,859)
2,189,903	(142,078)	-	(142,078)	(36,589)	-	(36,589)	-	-	-
(105,634)	-	-	-	-	-	-	-	-	-
910,814	5,285,161	(1,956,099)	3,329,062	(4,924,628)	(245,896)	(5,170,524)	(150,725)	379,306	228,581
465,285	(598,303)	(343,988)	(942,291)	169,271	(409,026)	(239,755)	(246,420)	(163,515)	(409,935)
4,271,065	-	(1,128,805)	(1,128,805)	-	1,093,296	1,093,296	-	-	-
-	(607,306)	607,306	-	(943,513)	943,513	-	(824,367)	560,737	(263,630)
(2,299,775)	-	-	-	-	-	-	-	-	-
1,505,000	-	-	-	-	-	-	-	-	-
1,359,966	(8,177,290)	-	(8,177,290)	11,353,162	216,143	11,569,305	948,217	(374,345)	573,872
9,347,523	(5,647,459)	(2,189,846)	(7,837,305)	6,734,888	549,145	7,284,033	(539,261)	(3,090,395)	(3,629,656)
(447,624)	(640,711)	-	(640,711)	-	-	-	-	-	-
(142,224)	-	-	-	-	-	-	-	-	-
8,757,675	(6,288,170)	(2,189,846)	(8,478,016)	6,734,888	549,145	7,284,033	(539,261)	(3,090,395)	(3,629,656)
758,904				550,344	133,393	683,737	516,357	2,123,152	2,639,509
(78,242)	585,292	93,857	679,149	-	-	-	-	-	-
1,735,570	-	-	-	-	-	-	-	-	-
(540,899)	-	-	-	-	-	-	-	-	-
(288,677)	-	-	-	(352,226)	(56,927)	(409,153)	(150,078)	(187,106)	(337,184)
(653,900)	(448,718)	-	(448,718)	-	-	-	-	-	-
(6,743,555)	-	-	-	-	-	-	-	-	-
	-	-	-	2,500	-	2,500	4,100	-	4,100
-	8,656	-	8,656	-	-	-	-	-	-
(18,456)	60,000	-	60,000	-	-	-	-	-	-
871,445	-	-	-	-	-	-	-	-	-
(79,065)	-	-	-	-	-	-	-	-	-
12,550	-	-	-	-	-	-	-	-	-
(5,024,325)	205,230	93,857	299,087	200,618	76,466	277,084	370,379	1,936,046	2,306,425
(807,760)	(706,790)	-	(706,790)	-	-	-	-	-	-
(807,760)	(706,790)	-	(706,790)	-	-	-	-	-	-
2,925,590	(6,789,730)	(2,095,989)	(8,885,719)	6,935,506	625,611	7,561,117	(168,882)	(1,154,349)	(1,323,231)
924,355	7,667,612	2,142,462	9,810,074	732,106	1,516,851	2,248,957	900,988	2,671,200	3,572,188
3,849,945	877,882	46,473	924,355	7,667,612	2,142,462	9,810,074	732,106	1,516,851	2,248,957

Reporting Accountants' Report – Notes

1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the NIC have been prepared in accordance with International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Insurance Act.

a) Basis of preparation

The financial statements have been prepared in Uganda Shillings under the historical cost convention, as modified by the revaluation of investment properties which are accounted for at fair value and the carrying of held to maturity investments at amortised cost and impaired assets at their recoverable amounts.

The preparation of financial statements in conformity with International Financial Reporting Standards requires directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at that date of financial statements and reported amounts of revenues and expenses during the reported period. The estimates and associated assumptions are based on historical experiences, the results of which form the basis of making the judgements about the carrying values and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates.

b) Adoption of new revised international Financial Reporting Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations become effective for the first time and have been adopted by the Company where relevant to its operations. The comparative figures have been restated as required in accordance with the relevant requirements.

- IFRS 7 on Financial Instruments Disclosures; this standard introduces new qualitative and quantitative disclosure requirements about exposure to risks arising from financial instruments.
- IAS 1 Amendment - Capital Disclosures - defines minimum disclosure requirements about the level of Capital and management thereof.

The following amendments to existing standards, new standards and interpretations will be applicable and mandatory for the Company with effect from or after 1 January 2008.

- IFRS 8 on Operating Segments - from 1 January 2009
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programs
- IFRIC 14 IAS 1 the limit on a defined benefit asset, minimum funding requirement and their interaction

The adoption of these standards and interpretations, when effective, will have no material impact on the financial statements of the Company.

(c) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged on a straight line basis over the estimated useful lives of the assets. The rates of depreciation used are as follows:

Motor vehicles	30.0%
Furniture, Fittings and equipment	12.5%
Computer equipment	30.0%
Freehold properties	3.00%
Leasehold properties	Unexpired period of the lease

d) Accounting for leases

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to income on a straight-line basis over the period of the lease.

e) Translation of foreign currencies

Transactions during the year are converted into Uganda Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Uganda Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the years in which they arise. Non monetary assets and liabilities are converted at the rates ruling on the transaction date

f) Recognition and measurement of financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by the NIC include balances with Bank of Uganda, investments in government securities, balances with banks and fixed deposits.

Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial instruments are appropriately classified.

Recognition

The Company recognises available-for-sale financial assets on the date it commits to purchase the assets. From this date, any gains and losses arising from changes in fair value of the assets are recognised in equity.

Held-to-maturity financial assets, loans and receivables are recognised on the day they are transferred to the Company.

Measurement

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non trading financial liabilities, loans and receivables and held to maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of related instrument and amortised based on the effective interest rate of the instrument.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs.

Fair value gains /(losses) arising on investments held are credited or charged to the income statement.

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise the asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale assets are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Company commits to sell the assets. The Company uses the specific identification method to determine the gain or loss on derecognition. Held-to-maturity instruments and loans and receivables are derecognised on the day they are transferred by the Company.

h) Investment property

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, determined annually by external independent valuers. Fair value is based on active market prices as adjusted, if necessary, for any difference in the nature, condition or location of the specific asset.

Investment properties are not subject to depreciation. Changes in their carrying amount between balance sheet dates are recorded, net of deferred tax, through the profit and loss account.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

i) General business - Unearned premiums and Insurance contract liabilities

Provision for unearned premium at the year end is taken as 40% of the net premium written in accordance with Section 47 (2)(a) of the insurance Act.

The provisions for outstanding claims include the cost of claims notified but not settled at the balance sheet date estimated on the basis of the best information available as at that date.

Provisions are also taken for claims incurred but not reported (IBNR) each year at 15% of the outstanding reported claims at the balance sheet date, pursuant to section 47 (2)(b) of the Insurance Act. Differences between the provision for outstanding claims and subsequent re-estimates or settlements are included in the financial statements in the year in which the claims are re-estimated or settled.

j) Contingency reserves

General business

The contingency reserve is set up under Section 47(2) (c) of the Insurance Act. The reserve is provided for at the greater of 2% of the gross premium income and 15% of net profit each year effective from 1996, and is required to accumulate until it reaches the greater of either minimum paid-up capital or fifty percent of the net premiums written.

Long term business

The contingency reserve is set up under Section 47(3) (b) of the Insurance Act. Provisions for these reserves are taken at 1% of the premiums written.

k) Life fund

A review of the financial condition of the life fund is carried out at least once every three years by the NIC's consulting actuaries. At the discretion of the directors, any surpluses arising are allocated with the advice of the actuaries to policyholders' as bonuses and to the profit and loss account for distribution to the shareholders. Any balance remaining is carried forward in the life fund.

l) Investment Income

Investment income comprises interest and net rents due to be received in the year. Income from Government securities and dividends is taken on a receipt basis except the discount on treasury bills, which is apportioned to income over the period of the bills.

Dividends accruing from quoted and unquoted shares are taken into account on a receipt basis.

Investments in the balance sheet of both long term and general business are generally stated at the following values:

- i) Mortgages and loans - Redemption values
- ii) Freehold and Leasehold properties - Fair value
- iii) Government securities - Amortised cost
- iv) Quoted preference and ordinary shares - Fair value
- v) Unquoted ordinary shares - Cost less impairment losses

The unrealised gains arising from the valuation of (ii) and (iv) above are credited to the income statement for general business while those relating to life business are credited to the revenue account.

m) Employee benefits

The corporation's employees are eligible for retirement benefits under a defined contribution plan provided through a separate fund arrangement. Contributions to the plan are charged to the income statement as incurred.

n) Insurance contract liabilities - Life business

Maturity and annuity claims are recorded as they fall due for payment. Death claims and surrenders are recorded when notified.

o) Commissions and expenses of management - General business

Commission expense is shown net of commissions received in respect of re-insurance. Expenses of management are allocated / charged to the relevant revenue accounts as incurred in the management of each class of business.

p) Taxation

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the Ugandan tax legislation.

No current tax is computed on the results of long term insurance business as the Company recognises taxation on any surplus distributed to shareholders and policy holders on the advice of the Actuaries.

Deferred tax income is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantially enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilized.

q) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

r) Impairment of assets

The carrying values of the NIC's assets are reviewed at each balance sheet date to determine whether there is any indication of any impairment if any such indication exists, the assets' recoverable amount is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its estimated recoverable amount.

s) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Reporting Accountants' Report – Notes

t) Defined contribution

The Company operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Company and employees. The employees of the Company are also members of the National Social Security Fund ("NSSF").

The Company's contributions to the defined contribution scheme and NSSF are charged to the profit and loss account in the year to which they relate.

u) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

v) Consolidation

Subsidiary undertakings, which are those companies in which the Company directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All inter-Company transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated.

Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

w) Incorporation and registered office

The Company is incorporated in Uganda under the Companies Act and is domiciled in Uganda.

x) Deposit Administration Plan

Deposit administration contracts are recorded at amortised cost. Movements in amounts payable under deposit administration contracts during the year are disclosed as notes and the liability to the Company is shown inclusive of interest accumulated to 31 December within the balance sheet.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimation of future benefit payments from long-term insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard mortality tables that reflect historical mortality experience. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed to longevity risk. QED Consultants and Actuaries (Pty) Limited carried out the latest actuarial valuation of the life fund as at 31 December 2007 (Note 24)

3 FINANCIAL RISK MANAGEMENT

Risk management objectives and policies

The Company's activities expose it to a variety of financial risks, including insurance risk, financial risk, credit risk, through its financial assets, financial liabilities (investment contracts and borrowings), foreign currency exchange rates, interest rates, through its reinsurance assets and insurance liabilities. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

This section summarises the way the Company manages key risks:

a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location, lack of sound reinsurance program and type of industry covered.

b) Financial risk

The company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. It manages these positions with an Asset Liability Management (ALM) framework that has been developed to achieve investment returns in excess of obligations under insurance contracts. The principal technique of the company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The company's ALM is also integrated with the management of the financial risks associated with the company's other financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The Company does not use hedge accounting.

Reporting Accountants' Report – Notes

The Company has not changed the process used to manage its risks from previous periods. The notes below explain how financial risks are managed using the categories utilised in the company's ALM framework.

The Company engages in short term insurance contracts and funds the insurance liabilities with a portfolio of equity and debt securities exposed to market risk. During the year, the company increased the portion of financial assets invested in debt securities to mitigate the impact of the volatility of equity prices experienced in recent years. An analysis of the company's financial assets and its short term insurance liabilities is presented below;

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non interest bearing. However, due to the time value of money and the impact of interest rates on the level of bodily injury incurred by the Company's policyholders (where a reduction of interest rate would normally produce a higher insurance liability), the Company matches the cash flows of assets and liabilities in this portfolio by estimating their mean duration.

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets					
Available for Sale investments	32,633,551	13,722,417	6,911,971	4,879,346	3,033,053
Held to maturity investments	3,590,151	9,854,132	9,117,554	13,066,138	9,773,819
Loans	170,485	286,744	139,560	136,807	325,276
Other receivables	1,555,578	1,272,522	3,208,474	1,763,049	942,879
Deposits with financial institutions	606,154	350,413	2,515,296	6,900,206	865,080
Due from related parties	2,192,948	22,352	178,667	36,589	-
Current income tax recoverable	-	257,155	83,899	-	13,789
Cash and bank balances	2,132,558	2,825,287	460,685	1,252,039	2,091,681
	42,881,425	28,591,022	22,616,106	28,034,174	17,045,577
Insurance contracts- short term					
- Amounts due to reinsures	2,106,917	636,378	788,962	1,362,236	1,467,414
- Due to insurance companies	134,037	131,452	-	-	55,523
- Amounts payable under Deposit Administration Contracts	34,309,832	24,036,651	19,765,587	18,591,031	16,105,383
	36,550,786	24,804,481	20,554,549	19,953,267	17,628,320
Less assets arising from reinsurance contracts held-short term					
- Premiums outstanding	(3,558,773)	(2,523,411)	(2,209,440)	(1,132,758)	(2,396,533)
- Due from reinsurance contracts	(2,495,877)	(388,201)	(303,699)	(6,154,868)	(540,739)
	(6,054,650)	(2,911,612)	(2,513,139)	(7,287,626)	(2,937,272)
Net impact	30,496,136	21,892,869	18,041,410	12,665,641	14,691,048

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non interest bearing. However, due to the time value of money and the impact of interest rates on the level of bodily injury incurred by the company's policyholders (where a reduction of interest rate would normally produce a higher insurance liability), the company matches the cash flows of assets and liabilities in this portfolio by estimating their mean duration.

The mean duration of liabilities is calculated using historical claims data to determine the expected settlement pattern for claims arising from the insurance contracts in force at the balance sheet date (both incurred claims and future claims arising from the unexpired risks at the balance sheet date). The mean durations are:

	2008	2007	2006	2005	2004
Net short term insurance liabilities - life risk	0.2 years	0.2 years	0.2 years	0.2 years	0.2 years
Net short term insurance liabilities-property risk	2.0 years	2.0 years	2.0 years	2.0 years	2.0 years
Net short term insurance liabilities-casualty risk	5.0 years	5.0 years	5.0 years	5.0 years	5.0 years
Financial assets (excluding equity securities)	3.0 years	3.0 years	3.0 years	3.0 years	3.0 years

Reporting Accountants' Report – Notes

The table below indicates the contractual timing of cash flows arising from assets and liabilities included in the Company's ALM framework for management of short term insurance contracts as of 31 December 2004, 2005, 2006, 2007 and 2008:

	31.12.2008	NO STATED MATURITY	0-1 YR	1-2 YRS	2-3YRS	3-4 YRS	> 5 YRS
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Investment in Subsidiaries	163,471	163,471					
Loans	170,485	-	170,485	-	-	-	-
Available for sale investments	32,633,551	32,633,551	-	-	-	-	-
Held to maturity investments	3,810,339	-	220,188	-	3,490,151	100,000	-
Statutory deposit	385,966	-	-	-	-	-	385,966
Tax recoverable	-	-	-	-	-	-	-
Sundry debtors	1,555,578	-	1,555,578	-	-	-	-
Due from related parties	2,192,948	-	2,192,948	-	-	-	-
Cash and cash equivalents	2,132,558	-	2,132,558	-	-	-	-
Total	42,044,896	32,797,022	6,271,757	-	3,490,151	100,000	385,966
Amounts due to reinsurers	2,153,156	-	2,153,156	-	-	-	-
Due to insurance companies	134,037	-	134,037	-	-	-	-
Amounts payable under DAP	34,309,832	-	34,309,832	-	-	-	-
Less assets arising from reinsurance contracts held-short term							
Premiums outstanding	(3,558,773)	-	(3,558,773)	-	-	-	-
Due from reinsurance contracts	(2,495,877)	-	(2,495,877)	-	-	-	-
	30,542,375	-	30,542,375	-	-	-	-
Difference in contractual cash flows	11,502,521	32,797,022	(24,270,618)		3,490,151	100,000	385,966

c) Market risk

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The Company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 5 percentage points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the company's overall exposure to interest rate sensitivities included in the Company's ALM framework and its impact in the Company's profit or loss by business.

An increase/decrease of 5 percentage points in interest yields would result in additional profit/loss for the period of Shs 6.47 million (2007: Shs 5.5 million).

(ii) Equity price risk

The company is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. Exposure to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Uganda Securities Exchange.

Reporting Accountants' Report – Notes

Investment management meetings are held monthly. At these meetings, senior managers meet to discuss investment return and concentration of the equity investments.

Listed equity securities represent 97.4% (2007: 97%) of total equity investments. If equity market indices had increased/decreased by 5%, with all other variables held constant, and all the company's equity investments moving according to the historical correlation with the index, the profit for the year would increase/decrease by Shs 87.8 million (2007: Shs 18.9 million).

(iii) Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The company primarily transacts in Uganda shilling and its assets and liabilities are denominated in the same currency. The company is therefore not exposed to currency risk.

d) Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are:

- reinsurers' share of insurance liabilities and reserves;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- amounts due from corporate bond issuers; and
- counterparty risk with respect to derivative transactions

The company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty and to geographical and industry segments. Such risks are subject to regular review.

Reinsurance is used to manage insurance risk. This does not, however, discharge the company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalisation of annual contract.

In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy.

The exposure to individual counterparties is also managed through other mechanisms such as the right of offset where counterparties are both debtors and creditors of the company. Management information reported to the directors include details of provisions for impairment on receivables and subsequent write offs. Exposures to individual policyholders and groups of policy holders are collected with the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis is carried out by the management.

Reporting Accountants' Report – Notes

e) Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the company is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand.

THE TABLE PROVIDES A CONTRACTUAL MATURITY ANALYSIS OF THE COMPANY'S FINANCIAL LIABILITIES:

	31 DECEMBER 2008				31 DECEMBER 2007			
	6 MONTHS OR ON DEMAND	BETWEEN 6 MONTHS AND 1 YEAR	MORE THAN 1 YEAR	TOTAL	6 MONTHS OR ON DEMAND	BETWEEN 6 MONTHS AND 1 YEAR	MORE THAN 1 YEAR	TOTAL
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Amounts due to reinsurers	-	2,153,156	-	2,153,156	-	-	636,378	636,378
Due to insurance companies	134,034	-	-	134,037	131,452	-	-	131,452
Amounts payable under DAP contracts	-	-	34,309,832	34,309,832	-	-	24,036,651	24,036,651
Sundry creditors	-	1,444,941	-	1,444,941	-	1,264,709	-	1,264,709
Due to related parties	-	-	-	-	1,016,794	-	-	1,016,794
Gratuity provisions	-	-	-	-	-	-	33,320	33,320
	134,037	3,598,097	34,309,832	38,041,966	1,148,246	1,264,709	24,706,349	27,119,304

THE TABLE ANALYSES THE LIQUIDITY PERIOD OF THE CORPORATION'S FINANCIAL ASSETS AND LIABILITIES

I) GENERAL BUSINESS	ON DEMAND	1 & 3 MONTHS	3 & 12 MONTHS	1 & 5 MONTHS	DUE AFTER 5 YEARS	TOTAL 2008	TOTAL 2007
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Loans	-	-	-	107,496	-	107,496	51,167
Ordinary shares	-	-	-	-	974,610	974,610	764,740
Securities issued by Government	-	-	-	1,191,620	-	1,191,620	915,252
Deposits with banks	-	-	108,993	-	-	108,993	146,745
Premiums outstanding	-	3,558,773	-	-	-	3,558,773	2,523,411
Amounts retained under reinsurance contracts	-	278,767	-	-	-	278,767	231,958
Sundry debtors	-	437,098	-	-	-	437,098	336,057
Cash and bank balances	801,159	-	-	-	-	801,159	1,968,668
Amounts due to reinsurers	-	(2,106,917)	-	-	-	(2,106,917)	(636,378)
General from long term business	-	-	-	-	-	-	(1,091,573)
Sundry creditors	-	(1,281,812)	-	-	-	(1,281,812)	(1,131,145)
	801,159	885,909	108,993	1,299,116	976,610	4,069,787	4,078,902

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e) Liquidity risk (continued)

THE TABLE ANALYSES THE LIQUIDITY PERIOD OF THE CORPORATION'S FINANCIAL ASSETS AND LIABILITIES							
II) LONG TERM BUSINESS	ON DEMAND	1 & 3 MONTHS	3 & 12 MONTHS	1 & 5 MONTHS	DUE AFTER 5 YEARS	TOTAL 2008	TOTAL 2007
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Loans	-	-	62,989	-	-	62,989	235,577
Ordinary shares	-	-	-	-	30,780,341	30,780,341	12,957,677
Securities issued by Government	-	-	-	2,298,531	-	2,298,531	7,143,331
Deposits with banks	-	-	111,195	-	-	111,195	1,999,217
Prepayments for shares	-	-	-	-	-	-	-
Premiums outstanding	-	-	-	-	-	-	-
Amounts retained under reinsurance contracts	-	-	136,208	-	-	136,208	156,243
Sundry debtors	-	-	1,118,480	-	-	1,118,480	1,078,683
Cash and bank balances	1,121,399	-	-	-	-	1,121,399	529,619
Amounts due to reinsurers	-	-	(180,276)	-	-	(180,276)	(131,452)
Long term business from general	(3,020,822)	-	-	-	-	(3,020,822)	1,091,573
Sundry creditors	-	-	(163,129)	-	-	(163,129)	(133,564)
	(1,899,423)	-	1,248,596	2,298,531	30,780,341	32,264,916	24,926,904

e) Capital management

The Company maintains an efficient capital structure consistent with the Company's risk profile and the regulatory and market requirements of its business

The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the company is focused on the creation of value for shareholders.

The Company has a number of sources of capital available to it and seeks to optimise its equity structure in order to ensure that it can consistently maximise returns to shareholders. The company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Company manages as capital all items that are eligible to be treated as such for regulatory purposes.

The Company is regulated by the Uganda Insurance Commission and is subject to insurance solvency regulations which specify the minimum amount and type of capital that accordance with these rules and has embedded in its ALM framework the necessary tests to ensure continuous and full compliance with such regulations. The company has complied with all externally imposed capital requirements throughout the year.

4 GROSS EARNED PREMIUMS

The Company is organised into two main divisions, short term insurance and long term assurance. Long term assurance business relates to the underwriting of risks relating to death of an insured person, and includes contracts subject to the payment of premiums for a term dependent on the termination or continuance of the life of an insured person. Short term insurance business relates to all other categories of general insurance business written by the Company, analysed into several sub-classes of business based on the nature of the assumed risks.

The gross written premium income of the Company can be analysed between the main classes of business as shown below:

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business:					
Fire	1,619,170	1,085,746	1,237,595	709,882	771,767
Motor	4,487,890	3,778,306	2,773,208	2,283,177	1,748,457
Aviation and marine	2,966,099	3,529,467	471,480	962,563	1,335,910
Accident	3,181,512	3,706,299	2,381,589	1,624,336	1,696,057
	12,254,671	12,099,818	6,863,872	5,579,958	5,552,191
Long term business:					
Life individual	406,830	110,506	70,627	70,989	34,386
Group life	1,039,638	871,946	809,179	935,895	1,256,201
	1,446,468	982,452	879,806	1,006,884	1,290,587
Gross written premium	13,701,139	13,082,270	7,743,678	6,586,842	6,842,778

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5 INVESTMENT INCOME

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term insurance business:					
Interest on treasury bills	106,435	70,693	82,767	125,912	150,616
Interest on fixed deposits	9,120	22,523	141,730	16,223	6,053
Rent income	547,838	504,284	320,781	368,584	301,030
Dividends	16,602	26,983	28,679	18,497	18,292
Interest on car loans	4,089	6,509	11,030	20,629	36,540
Other income	125,039	83	305	499	3,826
Fair value gains on property	1,570,515	1,067,408	847,000	370,000	24,502
Amounts written back	-	77,190	792,592	705,264	-
Foreign exchange gains /(losses)	(97,223)	(12,550)	(11,326)	73,120	(29,177)
	2,282,415	1,763,123	2,213,558	1,698,728	511,682
Long term insurance business:					
Interest on treasury bills	11,101	45,610	33,840	78,027	72,172
Interest on fixed deposits	2,875	39,619	32,888	15,766	14,358
Rent income	56,520	42,600	38,430	39,600	35,624
Interest on car loans	2,197	2,449	-	-	-
Other income	5,582	2,520	555	2,520	6,169
Fair value gains on property	180,000	78,000	202,000	90,000	29,833
Amounts written back	136,208	-	-	-	16,234
Fair value gain on equity	1,053,761	480,805	47,844	-	18,424
Income from general business	-	-	-	-	16,422
Foreign exchange gains /(losses)	-	-	-	1,308	(5,760)
	1,448,244	691,603	355,557	227,221	203,476
Total Investment income	3,730,659	2,454,726	2,569,115	1,925,949	715,158

6 CLAIMS AND POLICYHOLDER BENEFITS PAYABLE

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business:					
Fire	70,299	59,075	72,016	49,392	296,368
Motor	2,037,156	1,252,717	764,452	672,420	654,310
Aviation and marine	(355,701)	(237,081)	331,250	12,017,340	20,622
Accident	719,890	100,894	457,777	266,653	342,681
	2,471,644	1,175,605	1,625,495	13,005,805	1,313,981
Long term business:					
Life individual	40,130	5,952	28,396	6,312	33,509
Group life	479,839	270,327	187,295	221,532	210,868
	519,969	276,279	215,691	227,844	244,377
	2,991,613	1,451,884	1,841,186	13,233,649	1,558,358

7 OPERATING AND OTHER EXPENSES

The following items are included in operating expenses:

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Employee benefit expense (Note 8)	2,492,882	2,368,823	1,793,641	1,464,126	1,209,119
Directors emoluments	264,336	309,127	144,524	40,280	17,008
Auditors' remuneration	60,000	60,000	60,000	61,004	43,475
Depreciation	248,785	286,327	239,816	110,839	71,027
Amortisation of prepaid operating lease rentals	4,229	4,158	4,158	349	-
Provision for bad debts	1,103,498	300,801	(281,294)	306,852	159,196

8 EMPLOYEE BENEFIT EXPENSE

The following items are included in employee benefit expense:

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Salaries	2,004,448	1,768,749	1,279,426	956,926	900,457
Pension fund contributions	113,497	92,705	87,485	60,207	63,931
Retirement benefit costs	48,843	95,500	83,515	256,550	71,024
Staff welfare costs	326,094	411,869	343,215	190,443	173,707
	2,492,882	2,368,823	1,793,641	1,464,126	1,209,119

9 INCOME TAX EXPENSE

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Current tax charge / (credit)	586,254	416,592	212,625	357,976	349,060
Deferred tax charge / (credit) (Note 28)	185,671	203,368	331,555	9,039	(211,012)
Prior year (over) / under provision of deferred tax	(375,959)	(719,675)	-	-	-
	395,966	(99,715)	544,180	367,015	138,048
Proof of tax					
Profit before tax	2,543,051	2,436,135	1,041,854	1,342,702	261,708
Tax calculated at a tax rate of 30%	762,915	739,840	312,556	402,811	78,512
Tax effect of:					
expenses not deductible for tax purposes	40,941	63,595	114,174	-	59,536
income not subject to tax	(31,931)	(76,690)	-	(35,796)	-
Tax effect of compilation adjustment	-	-	117,500	-	-
Prior year (over) / under provision of deferred tax	(375,959)	(719,675)	-	-	-
	395,966	(99,715)	544,180	367,015	138,048

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10 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on:

	2008	2007	2006	2005	2004
Profit attributable to share holders (Shs'000)	2,147,086	2,535,850	497,674	975,687	123,660
Weighted averaged number of ordinary shares in issue ('000)	403,880	403,880	403,880	403,880	403,880
Basic earnings per share (Shs)	5.316	6.279	1.232	2.416	0.306

The Company's basic earnings per share disclosed in the financial statements for the periods prior to 31 December 2008 were restated to take into account the effect of the Share Split (Note 12)

11 DIVIDENDS

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. Payment of dividends is subject to withholding tax at the rate of 15%.

	2008	2007	2006	2005	2004
Dividends proposed (Shs'000)	-	1,716,490	807,760	706,790	-
Number of ordinary shares in issue (Shs'000)	403,880	201,940	201,940	201,940	201,940
Dividend per share (Shs)	-	8,500	4,000	3,500	-

12 SHARE CAPITAL

The total authorised number of ordinary shares is 600,000,000 with a par value of Shs 5 per share.

At the extra ordinary meeting held on 15 September 2008 a special resolution was passed where the ordinary shares were split by a ratio of 1:2000, there by bringing the authorised shares to 600,000,000 (2007: 300,000 Shares) and issued shares to 403,880,000 (2007: 201,940 Shares) at a nominal value of Shs 5 per share (2007: Shs 10,000 per share). All issued shares are fully paid.

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Authorised					
600,000,000 shares of Shs 5 each	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Issued and fully paid					
At 1 January	2,019,400	2,019,400	2,019,400	2,019,400	2,019,400
Issued during the year	-	-	-	-	-
At 31 December	2,019,400	2,019,400	2,019,400	2,019,400	2,019,400
THE SHAREHOLDERS OF THE COMPANY ARE:					
	%	%	%	%	%
Government of Uganda	40%	40%	40%	100%	100%
Industrial and General Insurance Company Limited of Nigeria	60%	60%	60%	-	-
	100%	100%	100%	100%	100%

13 RETAINED EARNINGS

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Realised revenue gains	1,110,789	582,105	975,419	2,061,130	2,557,555
Unrealised gains on revaluation of investment properties	3,738,988	2,639,627	1,892,431	1,299,531	1,040,531
	4,849,777	3,221,732	2,867,850	3,360,661	3,598,086

14 STATUTORY RESERVES

Statutory reserves have been set up in accordance with the Insurance Act, and comprise the following:

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business:					
Contingency reserves	1,856,723	1,467,450	1,118,334	1,004,368	822,124
Capital growth fund	422,906	293,148	176,776	131,442	82,367
	2,279,629	1,760,598	1,295,110	1,135,810	904,491
Long term business:					
Contingency reserves	56,515	42,050	32,224	23,426	280,983

15 PROPERTY AND EQUIPMENT

	SHORT TERM BUSINESS					LONG TERM	
	Buildings & Freehold Land	Motor Vehicles	Furniture & Equipment	Computers	Total	Furniture & Equipment	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January 2004							
Cost	-	152,192	138,284	137,188	427,664	55,287	482,951
Accumulated depreciation	-	99,523	55,288	74,187	228,998	1,152	230,150
NBV	-	52,669	82,996	63,001	198,666	54,135	252,801
Year ended 31 December 2004							
Opening NBV	-	52,669	82,996	63,001	198,666	54,135	252,801
Additions	-	-	71,874	78,204	150,078	187,106	337,184
Depreciation charge for the year	-	(14,373)	(23,233)	(33,421)	(71,027)	(26,618)	(97,645)
Disposals	-	(18,500)	-	-	(18,500)	-	(18,500)
Depreciation on disposals	-	18,500	-	-	18,500	-	18,500
Closing NBV	-	38,296	131,637	107,784	277,717	214,623	492,340
At 1 January 2005							
Cost	-	133,692	210,158	215,392	559,242	242,393	801,635
Accumulated depreciation	-	95,396	78,521	107,608	281,525	27,770	309,295
NBV	-	38,296	131,637	107,784	277,717	214,623	492,340
Year ended 31 December 2005							
Opening NBV	-	38,296	131,637	107,784	277,717	214,623	492,340
Additions	-	205,583	95,539	51,104	352,226	56,927	409,153
Reclassifications	200,000	-	-	-	200,000	-	200,000
Depreciation charge for the year	(273)	(29,879)	(28,778)	(51,909)	(110,839)	(31,694)	(142,533)
Disposals	-	(15,000)	-	-	(15,000)	-	(15,000)
Depreciation on disposals	-	15,000	-	-	15,000	-	15,000
Closing NBV	199,727	214,000	198,398	106,979	719,104	239,856	958,960

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15 PROPERTY AND EQUIPMENT - CONTINUED

	SHORT TERM BUSINESS					LONG TERM	
	Buildings & Freehold Land	Motor Vehicles	Furniture & Equipment	Computers	Total	Furniture & Equipment	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January 2006							
Cost	200,000	324,275	305,697	266,496	1,096,468	299,320	1,395,788
Accumulated depreciation	273	110,275	107,299	159,517	377,364	59,464	436,828
NBV	199,727	214,000	198,398	106,979	719,104	239,856	958,960
Year ended 31 December 2006							
Opening NBV	199,727	214,000	198,398	106,979	719,104	239,856	958,960
Additions	-	213,379	187,248	48,091	448,718	-	448,718
Depreciation charge for the year	(6,000)	(109,378)	(56,555)	(67,883)	(239,816)	(37,415)	(277,231)
Disposals	-	(37,200)	-	-	(37,200)	-	(37,200)
Depreciation on disposals	-	37,200	-	-	37,200	-	37,200
Closing NBV	193,727	318,001	329,091	87,187	928,006	202,441	1,130,447
At 1 January 2007							
Cost	200,000	500,454	492,945	314,587	1,507,986	299,320	1,807,306
Accumulated depreciation	6,273	182,453	163,854	227,400	579,980	96,879	676,859
NBV	193,727	318,001	329,091	87,187	928,006	202,441	1,130,447
Year ended 31 December 2007							
Opening NBV	193,727	318,001	329,091	87,187	928,006	202,441	1,130,447
Additions	-	160,691	55,163	72,823	288,677	-	288,677
Depreciation charge for the year	(6,000)	(154,918)	(64,918)	(60,491)	(286,327)	(37,415)	(323,742)
Closing NBV	187,727	323,774	319,336	99,519	930,357	165,026	1,095,382
At 1 January 2008							
Cost	200,000	661,145	548,108	387,410	1,796,663	299,320	2,095,983
Accumulated depreciation	12,273	337,371	228,772	287,891	866,307	134,294	1,000,601
NBV	187,727	323,774	319,336	99,519	930,356	165,026	1,095,382
Year ended 31 December 2008							
Opening NBV	187,727	323,774	319,336	99,519	930,357	165,026	1,095,382
Additions	-	-	35,905	44,265	80,170	7,606	87,776
Depreciation charge for the year	(6,000)	(135,409)	(57,208)	(50,168)	(248,785)	(38,036)	(286,821)
Closing NBV	181,727	188,365	298,033	93,616	761,742	134,596	896,337

16 LEASES

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start	895,243	245,501	249,659	-	-
Reclassification	-	-	-	250,000	-
Addition	-	653,900	-	-	-
Disposal	-	-	-	-	-
Amortisation charge for the year	(4,229)	(4,158)	(4,158)	(341)	-
At end of year	891,014	895,243	245,501	249,659	-
At 31 December					
Cost	903,900	903,900	250,000	250,000	-
Accumulated amortisation	(12,886)	(8,657)	(4,499)	(341)	-
Closing net book value	891,014	895,243	245,501	249,659	-

17 INVESTMENT PROPERTY

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business:					
At start of year	6,910,000	5,356,000	4,509,000	4,589,000	4,564,498
Additions	1,784,485	486,592	-	-	-
Unrealised fair value gains	1,570,515	1,067,408	847,000	370,000	24,502
Reclassification to prepaid leases	-	-	-	(250,000)	-
Reclassification to property and equipment	-	-	-	(200,000)	-
Sub total	10,265,000	6,910,000	5,356,000	4,509,000	4,589,000
Long term business:					
At start of year	12,750,000	11,933,000	9,190,000	8,441,000	8,081,849
Additions	-	54,307	-	-	-
Unrealised fair value gains	1,080,000	762,693	2,743,000	749,000	359,151
Sub total	13,830,000	12,750,000	11,933,000	9,190,000	8,441,000
Total	24,095,000	19,660,000	17,289,000	13,699,000	13,030,000

An independent professional firm of valuers, Messrs East African Consulting Surveyors and Valuers, carried out a desktop valuation of the NIC's investment properties as at 31 December 2008. The carrying book values were adjusted upwards. The resultant revaluation surplus for properties relating to long term business has been credited to the life fund and amounts due to deposit administration plan. The revaluation surplus relating to general insurance business has been credited to profit and loss account. The valuation was carried out on an open market basis as most of the properties have got lease extensions of up to 99 years. These leasehold properties have various un-expired lease periods ranging from 7 years to 65 years

18 AVAILABLE-FOR-SALE INVESTMENTS

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business:					
At start of year	764,740	608,998	662,522	635,424	676,964
Additions	387,000	-	-	-	-
Disposals	-	-	(60,000)	-	(80)
Foreign exchange movements	61,375	(12,174)	(18,514)	18,768	-
Fair value gains unrealised	640,095	167,916	24,990	8,330	(41,460)
Sub total	1,853,210	764,740	608,998	662,522	635,424
Long term business:					
At start of year	12,957,677	6,302,973	4,216,824	2,397,628	805,817
Additions	3,453,922	79,065	1,288,755	317,500	1,159,752
Disposals	(1,254,035)	-	-	-	-
Foreign exchange movements	-	-	-	1,501,696	-
Fair value gains unrealised	15,622,777	6,575,639	797,394	-	432,059
Sub total	30,780,341	12,957,677	6,302,973	4,216,824	2,397,628
Total	32,633,551	13,722,417	6,911,971	4,879,346	3,033,052

Reporting Accountants' Report – Notes

19 HELD TO MATURITY INVESTMENTS

These comprise of treasury bills and bonds held by the Company at year end. The maturity analysis is as follows:

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business:					
Treasury Bills					
Within 91 days	-	-	-	-	-
91 days – 1 year	-	494,969	555,117	673,531	910,368
	-	494,969	555,117	673,531	910,368
Treasury Bills					
Maturing within 2 years	1,191,620	420,283	181,161	175,230	-
Maturing after 2 years	-	-	-	-	-
	1,191,620	915,252	736,278	848,761	910,368
Long term business:					
Treasury Bills					
Within 91 days	-	1,351,658	-	-	-
91 days – 1 year	-	169,282	245,809	5,361,967	6,508,040
	-	1,520,940	245,809	5,361,967	6,508,040
Treasury Bills					
Maturing within 2 years	2,298,531	5,271,978	5,746,969	1,279,608	557,026
Maturing after 2 years	100,000	-	2,056,541	5,249,972	1,473,997
	2,398,531	5,271,978	7,803,510	6,529,580	2,031,023
	2,398,531	6,792,918	8,049,319	11,891,547	8,539,063
Total	3,590,151	7,708,170	8,785,597	12,740,308	9,449,431

Weighted average effective interest rate					
	%	%	%	%	%
	10.19%	10.25%	14%	9%	16%

20 INVESTMENTS IN SUBSIDIARIES

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business:					
NIC (Southern Sudan) Limited	132,811	47,582	-	-	-
Capital Assets Investments Limited	15,330	15,330	-	-	-
Premium Trust Investment Limited	7,665	7,665	-	-	-
NIC Trustees and Investment Limited	7,665	7,665	-	-	-
	163,471	78,242	-	-	-

NIC owns 100% shares in the above mentioned companies. The amounts shown relate to initial costs incurred by NIC in starting up the companies. The companies were incorporated but are not yet operational. As a result, their results have not been consolidated in the financial statements.

21 DEPOSITS WITH FINANCIAL INSTITUTIONS

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business:					
United Bank for Africa	108,993	-	-	-	-
Bank of Baroda (U) Limited	-	121,036	610,004	1,444,714	116,600
Orient Bank Limited	-	25,709	-	4,818,738	23,933
Allied Bank Limited	-	-	104,374	179,842	166,243
Standard Chartered Bank (U) Ltd	-	-	961,101	-	-
	108,993	146,745	1,675,479	6,443,294	306,776
Long term business:					
Global Trust Bank	111,195	-	-	-	-
Bank of Baroda (U) Limited	-	-	-	-	40,676
Orient Bank Limited	-	366,279	109,303	104,962	191,092
Allied Bank Limited	-	-	79,988	73,317	67,280
DFCU Limited	-	-	300,171	278,633	259,256
Standard Chartered Bank (U) Ltd	-	-	106,447	-	-
Commercial Micro finance	-	314,672	243,908	-	-
Tropical Bank Limited	-	212,352	-	-	-
Crane Bank Limited	-	1,105,914	-	-	-
Bank of Uganda	385,966	350,413	331,957	325,830	324,388
	497,161	2,349,630	1,171,774	782,742	882,692
Weighted average effective interest rate					
	%	%	%	%	%
	10.19%	10.25%	14%	10%	8%

22 STATUTORY DEPOSIT

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Statutory deposit	385,966	350,413	331,957	325,830	324,388

The Company maintains a statutory deposit with Bank of Uganda in line with the requirement of Section 7(1) of the Insurance Act which states that every insurer must maintain a security deposit of at least 10% of the prescribed paid up capital of the Company. The deposit made is considered part of the assets in respect of the capital of the insurer and is invested by the central bank in short term investments and securities. Interest and all income accruing from this deposit is payable to the insurer. The deposit can be made available if the insurer suffers a substantial loss arising from liability to claimants and the loss is such that it cannot be met from its available resources or in the event of closure or winding up of the insurance business.

Reporting Accountants' Report – Notes

23 OTHER RECEIVABLES

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business:					
Rent debtors	28,823	32,205	107,225	121,389	88,361
Staff debtors	159,453	88,083	41,507	44,842	15,500
Prepayments	170,155	127	92,797	151,593	130,305
Stationery stores	52,987	45,499	117,736	104,894	63,718
Withholding tax recoverable *	19,082	-	-	-	-
Other debtors	6,598	27,925	234,000	119,511	7,520
	437,098	193,839	593,265	542,229	305,404
Long term business:					
Rent debtors	31,384	44,939	341,480	281,782	463,028
Prepayments	12,179	14,707	14,708	103,335	125,861
Withholding tax recoverable *	1,054,085	930,193	-	-	-
Prepayment of Stanbic shares	-	-	1,505,000	-	-
Other debtors	20,832	88,844	754,021	835,703	48,586
	1,118,480	1,078,683	2,615,209	1,220,820	637,475

*Relates to Withholding tax on accrued interest and Withholding tax under life investments.

24 INSURANCE CONTRACT LIABILITIES

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business:					
Claims reported and claims handling expenses	1,956,667	1,413,646	3,436,374	12,844,701	1,321,546
Claims incurred but not reported	221,205	212,047	515,456	127,484	198,232
	2,177,872	1,625,693	3,951,830	12,972,185	1,519,778
Long term business:					
Claims reported and claims handling expenses	347,451	410,192	361,289	431,452	215,309
Estimated / actuarial value of long term liabilities	8,148,593	6,806,749	6,196,839	5,561,188	4,674,676
	8,496,044	7,216,941	6,558,128	5,992,640	4,889,985
Total	10,673,916	8,842,634	10,509,958	18,964,825	6,409,763

QED Consultants and Actuaries (Pty) Limited carried out the latest actuarial valuation of the life fund as at 31 December 2007. According to the valuation the fund had an actuarial surplus of Shs 4,270 million (2006: Shs 3,262 million; 2005: Shs 954 million; 2004: Shs 753 million) in fund assets over fund liabilities.

25 AMOUNTS PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS

Deposit administration contracts are recorded at amortised cost. Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to 31 December.

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	24,036,651	19,765,587	18,591,031	16,105,383	14,032,222
Deposits received during the year	1,212,512	998,985	371,560	1,658,414	1,630,095
Surrenders and annuities paid	(945,084)	(632,217)	(601,187)	(1,020,778)	(1,314,234)
Pensions paid	(93,717)	(24,813)	(24,330)	(26,837)	(32,930)
Retirement benefit scheme	(161,707)	(150,165)	(172,320)	(352,939)	-
Death claims	(16,057)	-	(11,576)	-	-
Net commissions and expenses (charged) / received	(24,798)	(16,700)	(7,655)	(145,334)	(116,747)
Direct expenses of management	(464,226)	(245,137)	(546,614)	(355,146)	(217,999)
Re-branding cost	-	-	(379,506)	-	-
Interest paid	(16,776)	-	-	-	-
Technical assistance fees	(479,908)	(924,025)	(1,043,753)	(459,500)	-
Depreciation expenses	(38,036)	(37,415)	(37,415)	(31,694)	(26,618)
Shared management expenses	(1,878,753)	(1,476,341)	(1,415,495)	(904,896)	(819,946)
Impairment losses on bad and doubtful debts	(4,192)	-	(31,322)	(83,253)	(116,185)
Write back or write off	-	-	-	-	-
Deferred tax	(4,640,705)	(2,033,860)	(987,155)	(648,209)	(98,780)
Exchange losses	-	-	-	-	(232,257)
Investment income	2,197,759	1,969,455	2,711,905	2,642,040	2,001,048
Other income from general insurance business	-	-	-	-	662,178
Other income	67,584	63,770	58,903	53,084	12,633
Revaluation surplus on investment properties	900,000	684,693	2,541,000	659,000	329,268
Revaluation surplus on equity investments	14,569,016	6,094,834	749,516	1,501,696	413,635
Gain on disposal of shares	90,269	-	-	-	-
At end of year	34,309,832	24,036,651	19,765,587	18,591,031	16,105,383

Reporting Accountants' Report – Notes

26 PROVISION FOR UNEARNED PREMIUM

This provision represents the liability for short term business contracts where the Company's obligations are not expired at the year end.

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Gross					
At start of year	4,839,927	2,745,548	2,231,983	2,220,876	1,835,059
Increase / (decrease) in the period	61,941	2,094,379	513,565	11,107	385,817
At end of year	4,901,868	4,839,927	2,745,548	2,231,983	2,220,876
Reinsurance					
At start of year	1,152,400	395,447	724,946	614,594	591,997
Increase / (decrease) in the period	216,731	756,953	(329,499)	110,352	22,597
At end of year	1,369,131	1,152,400	395,447	724,946	614,594
Net					
At start of year	3,687,528	2,350,101	1,507,037	1,606,282	1,243,062
Increase / (decrease) in the period	(154,791)	1,337,426	843,064	(99,245)	363,221
At end of year	3,532,737	3,687,527	2,350,101	1,507,037	1,606,282

27 DEFERRED INCOME TAX

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (which has remained the same for each of the years 2007, 2006, 2005 and 2004 at 30%). The movement on the deferred income tax account is as follows:

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	4,116,687	2,381,116	979,956	293,209	408,914
Short term business					
charge / (credit) to profit and loss	185,671	203,369	77,482	(89,523)	(230,801)
charge / (credit) to equity	192,029	50,375	261,570	101,061	7,351
prior year over provision of deferred tax	(375,959)	(719,675)	-	-	-
Long term business					
charge / (credit) to life fund	370,099	167,642	74,953	27,000	8,965
charge / (credit) to DAP	4,640,705	2,033,860	987,155	648,209	98,780
At end of year	9,129,232	4,116,687	2,381,116	979,956	293,209

Deferred tax and liabilities, deferred tax charge / (credit) in the profit and loss, life fund, DAP and equity are attributable to the items in the following page:

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31 DECEMBER 2004	AS START OF YEAR	PRIOR YEAR ADJUSTMENT	RESTATED AS START OF YEAR	CHARGED / (CREDITED) TO P/L	CHARGED/ (CREDITED) TO EQUITY / DAP / LIFE FUND	AS END OF YEAR
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business						
Equipment allowances	84,437		84,437	62,943		147,380
Revaluation surplus on investment property	1,270,777		1,270,777	24,504		1,295,281
Unrealised exchange gains	658,384		658,384	(673,083)		(14,699)
	2,013,598	-	2,013,598	(585,636)	-	1,427,962
Bad debt provision	(1,011,172)		(1,011,172)	(159,196)		(1,170,368)
	1,002,426	-	1,002,426	(744,832)	-	257,594
Net deferred tax (assets) / liabilities at 30%	300,728	-	300,728	(223,450)	-	77,278
Long term business						
Life individual						
Revaluation surplus on investment property	511,350	(391,233)	120,117	-	29,883	150,000
Net Deferred tax (assets) / liabilities at 30%	153,405	(117,370)	36,035	-	8,965	45,000
Deposit Administration Plan (DAP)						
Revaluation surplus on investment property	-	240,504	240,504	-	329,268	569,772
Net Deferred tax liabilities at 30%	-	72,151	72,151	-	98,780	170,931
Total Deferred tax (assets) / liabilities	454,133	(45,219)	408,914	(223,450)	107,745	293,209
31 DECEMBER 2005						
Short term business						
Equipment allowances	147,380	-	147,380	16,809	-	164,189
Revaluation surplus on investment property	1,295,281	-	1,295,281	336,870	-	1,632,151
Unrealised exchange gains	(14,699)	-	(14,699)	(8,368)	-	(23,067)
	1,427,962	-	1,427,962	345,311	-	1,773,273
Bad debt provision	(1,170,368)	-	(1,170,368)	(306,852)	-	(1,477,220)
	257,594	-	257,594	38,459	-	296,053
Net deferred tax (assets) / liabilities at 30%	77,278	-	77,278	11,538	-	88,816
Long term business						
Life individual						
Revaluation surplus on investment property	150,000	-	150,000	-	90,000	240,000
Net Deferred tax (assets) / liabilities at 30%	45,000	-	45,000	-	27,000	72,000
Deposit Administration Plan (DAP)						
Revaluation surplus on investment property	569,772	-	569,772	-	659,000	1,228,772
Revaluation surplus on equity	-	-	-	-	1,501,696	1,501,696
	569,772	-	569,772	-	2,160,696	2,730,468
Net Deferred tax liabilities at 30%	170,931	-	170,931	-	648,209	819,140
Total Deferred tax (assets) / liabilities	293,209	-	293,209	11,538	675,209	979,956

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31 DECEMBER 2006	AS START OF YEAR	PRIOR YEAR ADJUSTMENT	RESTATED AS START OF YEAR	CHARGED / (CREDITED) TO P/L	CHARGED/ (CREDITED) TO EQUITY / DAP / LIFE FUND	AS END OF YEAR
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business						
Equipment allowances	164,189	-	164,189	(11,696)	-	152,493
Revaluation surplus on investment property	1,632,151	-	1,632,151	871,900	-	2,504,051
Unrealised exchange gains	(23,067)	-	(23,067)	(11,326)	-	(34,393)
	1,773,273	-	1,773,273	848,878	-	2,622,151
Bad debt provision	(1,477,220)	-	(1,477,220)	281,294	-	(1,195,926)
	296,053	-	296,053	1,130,172	-	1,426,225
Net deferred tax (assets) / liabilities at 30%	88,816	-	88,816	339,052	-	427,868
Long term business						
Life individual						
Revaluation surplus on investment property	240,000	-	240,000	-	202,000	442,000
Net Deferred tax (assets) / liabilities at 30%	72,000	-	72,000	-	60,600	132,600
Life group						
Revaluation surplus on investment property	-	-	-	-	47,844	47,844
Net Deferred tax (assets) / liabilities at 30%	-	-	-	-	14,353	14,353
Deposit Administration Plan (DAP)						
Revaluation surplus on investment property	1,228,772	-	1,228,772	-	2,541,000	3,769,772
Revaluation surplus on equity	1,501,696	-	1,501,696	-	749,516	2,251,212
	2,730,468	-	2,730,468	-	3,290,516	6,020,984
Net Deferred tax liabilities at 30%	819,140	-	819,140	-	987,155	1,806,295
Total Deferred tax (assets) / liabilities	979,956	-	979,956	339,052	1,062,108	2,381,116

Reporting Accountants' Report – Notes

31 DECEMBER 2007	AS START OF YEAR	PRIOR YEAR ADJUSTMENT	RESTATED AS START OF YEAR	CHARGED / (CREDITED) TO P/L	CHARGED/ (CREDITED) TO EQUITY / DAP / LIFE FUND	AS END OF YEAR
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business						
Equipment allowances	152,493	-	152,493	231,280	-	383,773
Revaluation surplus on investment property	2,504,051	(2,398,917)	105,134	962,273	-	1,067,407
Revaluation surplus on equity investments	-	-	-	-	167,917	167,917
IBNR Provision	-	-	-	(146,497)	-	(146,497)
Gratuity provision	-	-	-	(91,223)	-	(91,223)
Unrealised exchange gains	(34,393)	-	(34,393)	22,863	-	(11,530)
	2,622,151	(2,398,917)	223,234	978,696	167,917	1,369,847
Bad debt provision	(1,195,926)	-	(1,195,926)	(300,801)	-	(1,496,727)
	1,426,225	(2,398,917)	(972,692)	677,895	167,917	(126,880)
Net deferred tax (assets) / liabilities at 30%	427,868	(719,675)	(291,808)	203,369	50,375	(38,064)
Long term business						
Life individual						
Revaluation surplus on investment property	442,000	-	442,000	-	78,000	520,000
Net Deferred tax (assets) / liabilities at 30%	132,600	-	132,600	-	23,400	156,000
Life group						
Revaluation surplus on investment property	47,844	-	47,844	-	480,805	528,649
Net Deferred tax (assets) / liabilities at 30%	14,353	-	14,353	-	144,242	158,595
Deposit Administration Plan (DAP)						
Revaluation surplus on investment property	3,769,772	-	3,769,772	-	684,696	4,454,468
Revaluation surplus on equity	2,251,212	-	2,251,212	-	6,094,837	8,346,049
	6,020,984	-	6,020,984	-	6,779,533	12,800,517
Net Deferred tax liabilities at 30%	1,806,295	-	1,806,295	-	2,033,860	3,840,155
Total Deferred tax (assets) / liabilities	2,381,116	(719,675)	1,661,441	203,369	2,251,877	4,116,686

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31 DECEMBER 2008	AS START OF YEAR	PRIOR YEAR ADJUSTMENT	RESTATED AS START OF YEAR	CHARGED / (CREDITED) TO P/L	CHARGED/ (CREDITED) TO EQUITY / DAP / LIFE FUND	AS END OF YEAR
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business						
Equipment allowances	383,773	-	383,773	(105,740)	-	278,033
Revaluation surplus on investment property	1,067,407	(1,253,107)	1,067,407	1,756,307	-	1,570,517
Revaluation surplus on equity investments	167,917	-	167,917	-	640,095	808,012
IBNR Provision	(146,497)	-	(146,497)	(74,713)	-	(221,210)
Gratuity provision	(91,223)	-	(91,223)	91,223	-	-
Unrealised exchange gains	(11,530)	-	(11,530)	72,907	-	61,377
	1,369,847	(1,253,107)	1,369,847	1,739,984	640,095	2,496,729
Bad debt provision	(1,496,727)	-	(1,496,727)	(953,166)	(150,131)	(2,617,898)
	(126,880)	(1,253,107)	(126,880)	786,168	489,764	(121,170)
Net deferred tax (assets) / liabilities at 30%	(38,064)	(375,932)	(413,996)	236,045	141,627	(36,351)
Long term business						
Life individual						
Revaluation surplus on investment property	520,000	-	520,000	-	180,000	700,000
Net Deferred tax (assets) / liabilities at 30%	156,000		156,000	-	54,000	210,000
Life Group						
Revaluation surplus on investment property	528,649	-	528,649	-	1,053,761	1,528,410
Net Deferred tax (assets) / liabilities at 30%	158,595	-	158,595	-	316,128	474,723
Deposit Administration Plan (DAP)						
Revaluation surplus on investment property	4,454,468	-	4,454,468	-	900,000	5,354,468
Revaluation surplus on equity investment	8,346,049	-	8,346,049	-	14,569,016	22,915,065
	12,800,517	-	12,800,517	-	15,469,016	28,269,533
Net Deferred tax liabilities at 30%	3,840,155	-	3,840,155	-	4,640,705	8,480,860
Total Deferred tax (assets) / liabilities	4,116,686	(375,932)	3,740,754	236,045	5,157,795	9,129,232

28 OTHER PAYABLES

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business:					
Ground rent and rates	-	-	-	(1,598)	36,705
Commission payable	-	-	-	-	369,369
Accrued expenses	991,172	726,278	104,118	112,702	31,636
Tenant deposits	6,353	6,353	-	-	4,444
Audit fees	60,000	60,000	60,000	63,455	50,866
Contributions to COMESA	382,920	205,551	220,191	414,124	13,621
Other professional fees	-	-	-	-	3,742
Other sundry creditors	51,367	132,963	172,683	154,371	286,568
	1,491,812	1,141,145	556,992	743,054	796,951
Long term business:					
Global Trust Bank	-	-	14,455	-	52,991
Bank of Baroda (U) Limited	-	-	197,783	67,283	106,691
Orient Bank Limited	163,129	133,564	30,194	75,323	46,815
	163,129	133,564	242,432	142,606	206,497
Total	1,654,941	1,474,709	799,424	885,660	1,003,448

29 CONTINGENT LIABILITIES

a) Makerere University Deposit Administration Plan

By Master Policy No. DAP/22/30, which took effect on 1 July 1996, NIC undertook to manage the retirement saving scheme known as the Deposit Administration Plan (DAP) for some Makerere University employees.

In August 2008, the Board of Trustees (BOT) of the DAP, communicated to NIC their decision to withdraw from the Company and demanded the immediate settlement of the funds which they (BOT) estimate to be significantly higher than the amounts as per NIC. In a rejoinder, NIC management indicated that despite the cessation of deposits by Makerere University since 2005, NIC had continued to meet its obligations in accordance with the terms of the policy.

Subsequent meetings have been held between NIC and the BOT with a view to reconciling the amounts. The Directors of NIC are of the opinion that the reconciliation process will not result into a significant liability in excess of the amount already included in the DAP. However, the eventual outcome, and the financial impact, if any, cannot be presently determined until the discussions are concluded and the matter settled.

Reporting Accountants' Report – Notes

b) Other Contingent Liabilities

In the ordinary course of business contingent liabilities may arise due to breach of contracts, injury to third parties, failure to honour commitments entered into by NIC as a guarantor and numerous other reasons.

The gross contingent liability reported by the legal department of NIC amounted to:

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Pending litigation	297,200	139,800	108,000	366,000	452,000

30 CAPITAL COMMITMENTS

No capital expenditure was contracted for at each of the balance sheet dates.

31 BORROWINGS

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Borrowings	-	-	-	-	-

The carrying amount of the borrowing approximates to their fair value. Fair values are based upon the discounted cash flows arising from using a discount rate based upon the borrowing rate that directors expect would be available to the Company at the balance sheet date.

32 CASH AND CASH EQUIVALENTS

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Short term business:					
Cash and bank balances	1,011,159	2,295,668	414,212	1,055,361	615,506
Deposits with financial institutions	-	-	463,670	6,417,595	116,600
Government securities held to maturity with maturity of > 3 months	-	-	-	194,656	-
	1,011,159	2,295,668	877,882	7,667,612	732,106
Long term business:					
Cash and bank balances	1,121,399	529,619	46,473	196,678	1,476,175
Deposits with financial institutions	1,182,878	1,351,658	-	-	40,676
Government securities held to maturity with maturity of > 3 months	-	-	-	1,945,784	-
	2,304,277	1,881,277	46,473	2,142,462	1,516,851
Total	3,315,436	4,176,945	924,355	9,810,074	2,248,957

33 RELATED PARTY TRANSACTIONS

The ultimate holding Company is Industrial and General Insurance Company Limited, a Company incorporated in the Federal Republic of Nigeria which owns 60% of the Company's shares.

In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

	2008	2007	2006	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
I	Amounts due from related parties				
Link (U) Wireless limited	22,352	22,352	-	-	-
Industrial and General Insurance (IGI) Company Limited	808,888	-	178,667	36,589	-
Global Trust Bank (U) Limited	1,361,708	-	-	-	-
	2,192,948	22,352	178,667	36,589	-
II	Amounts due to related parties				
Global Trust Bank (U) Limited	-	1,016,794	-	-	-
III	Directors' Emoluments				
Directors fees	264,336	225,227	114,524	40,820	-
IV	Key management compensation				
Directors fees	264,336	225,227	114,524	40,820	-
Salaries and benefits - local	466,537	353,562	353,562	176,781	-
Salaries and benefits - expatriates	442,795	513,557	449,534	278,445	270,486
Bonus	95,372	72,260	64,475	23,204	22,541
	1,269,040	1,164,606	982,095	519,250	293,027

32 NIC DEALING AS A NATIONAL BUREAU

NIC was appointed by the Government of Uganda to act as a National Bureau of COMESA yellow card scheme in Uganda. NIC has intimated to continue as a National Bureau for Uganda handling COMESA transactions.

33 CURRENCY

The financial statements are presented in Uganda Shillings (Shs'000).

Supplementary information

CONSOLIDATED REVENUE ACCOUNT – LONG-TERM BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2008			
	LIFE INDIVIDUAL	LIFE GROUP	TOTAL 2008
	Shs'000	Shs'000	Shs'000
Net premiums written			
Gross premiums	406,840	1,039,638	1,446,468
Reinsurance outward	(64,225)	(86,956)	(151,181)
Net premium income	342,605	952,682	1,295,287
Claims paid and outstanding			
Death	(298)	(453,897)	(454,195)
Surrenders and annuities	(12,762)	(24,848)	(37,610)
Survival benefits	(7,574)	(94)	(7,668)
Maturity claims	(17,944)	-	(17,944)
Group medical expenses	(1,552)	(1,000)	(2,552)
Premium refund	-	-	-
Total claims	(40,130)	(479,839)	(519,969)
Expenses			
Commissions paid	(45,035)	(138,126)	(183,161)
Commissions received	9,634	6,107	15,741
Net commissions	(35,401)	(132,019)	(167,420)
Direct expenses	(17,040)	(26,217)	(43,257)
Management expenses	(89,551)	(46,593)	(136,144)
Impairment losses	(1,607)	(148,724)	(150,331)
Deferred tax	(54,000)	(316,101)	(370,101)
	(197,599)	(669,654)	(867,253)
Investment income	61,753	10,940	72,693
Recoveries	-	136,208	136,208
Other income	5,582	-	5,582
Increase/(decrease) in the fund	172,211	(49,663)	122,548
Contingency reserve	(4,068)	(10,396)	(14,465)
Revaluation surplus on investment properties	180,000	-	180,000
Revaluation surplus on equity investments	-	1,053,761	1,053,761
Net increase in funds and reserves	348,143	939,702	1,341,844
Funds and reserves at 1 January	1,198,876	5,607,873	6,806,749
Funds and reserves at 31 December	1,547,018	6,601,575	8,148,593

Supplementary information

CONSOLIDATED REVENUE ACCOUNT – LONG-TERM BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2007			
	LIFE INDIVIDUAL	LIFE GROUP	TOTAL 2008
	Shs'000	Shs'000	Shs'000
Net premiums written			
Gross premiums	110,506	871,946	982,452
Reinsurance outward	-	(399,440)	(399,440)
Net premium income	110,506	472,506	583,012
Claims paid and outstanding			
Death	-	(270,327)	(270,327)
Surrenders and annuities	(667)	-	(667)
Survival benefits	(756)	-	(756)
Maturity claims	(14)	-	(14)
Group medical expenses	(1,173)	-	(1,173)
Premium refund	(3,342)	-	(3,342)
Total claims	(5,952)	(270,327)	(276,279)
Expenses			
Commissions paid	(24,650)	(145,848)	(170,498)
Commissions received	26,075	99,781	125,856
Net commissions	1,425	(46,067)	(44,642)
Direct expenses	(25,515)	(33,821)	(59,336)
Management expenses	(70,370)	(36,613)	(106,983)
Deferred tax	(23,400)	(144,241)	(167,641)
	(117,860)	(260,742)	(378,602)
Investment income	88,695	41,583	130,278
Other income	2,520	-	2,520
Increase/(decrease) in the fund	77,910	(16,980)	60,930
Contingency reserve	(1,105)	(8,719)	(9,824)
Revaluation surplus on investment properties	78,000	-	78,000
Revaluation surplus on equity investments	-	480,805	480,805
Net increase in funds and reserves	154,805	455,106	609,911
Funds and reserves at 1 January	1,044,071	5,152,768	6,196,839
Funds and reserves at 31 December	1,198,876	5,607,874	6,806,750

Supplementary information

CONSOLIDATED REVENUE ACCOUNT – LONG-TERM BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2006			
	LIFE INDIVIDUAL	LIFE GROUP	TOTAL 2008
	Shs'000	Shs'000	Shs'000
Net premiums written			
Gross premiums	70,627	809,179	879,806
Reinsurance outward	(15,680)	(41,561)	(57,241)
Net premium income	54,947	767,618	822,565
Claims paid and outstanding			
Death	(11,775)	(187,295)	(199,070)
Surrenders and annuities	(2,811)	-	(2,811)
Survival benefits	-	-	-
Maturity claims	-	-	-
Group medical expenses	14	68,021	68,035
Premium refund	(13,810)	-	(13,810)
Total claims	(28,382)	(119,274)	(147,656)
Expenses			
Net commissions	(13,229)	(86,171)	(99,400)
Direct expenses	(8,372)	(74,899)	(83,271)
Shared management expense	(67,470)	(35,104)	(102,574)
Bad and doubtful debts written off	-	-	-
Write back or write off provisions	-	-	-
Re branding costs	-	(25,819)	(25,819)
Deferred tax	(60,600)	(14,353)	(74,953)
	(149,671)	(236,346)	(386,017)
Investment income	93,857	11,301	105,158
Other income	555	-	555
(Decrease) / increase in the fund	(28,694)	423,299	394,605
Contingency reserve	(706)	(8,092)	(8,798)
Revaluation surplus on investment properties	202,000	-	202,000
Revaluation surplus on equity investments	-	47,844	47,844
Net increase in funds and reserves	172,600	463,051	635,651
Funds and reserves at 1 January	871,471	4,689,717	5,561,188
Funds and reserves at 31 December	1,044,071	5,152,768	6,196,839

CONSOLIDATED REVENUE ACCOUNT – LONG-TERM BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2005			
	LIFE INDIVIDUAL	LIFE GROUP	TOTAL 2008
	Shs'000	Shs'000	Shs'000
Net premiums written			
Gross premiums	70,989	935,895	1,006,884
Reinsurance outward	(5,512)	(33,296)	(38,808)
Net premium income	65,477	902,599	968,076
Expenditure			
Claims paid and outstanding			
Death	-	(211,018)	(211,018)
Surrenders and annuities	(2,262)	-	(2,262)
Annuities paid/pensions	-	-	-
Profit sharing	-	-	-
Recoveries	-	92,711	92,711
Premium refund	(4,050)	(10,514)	(14,564)
Total claims	(6,312)	(128,821)	(135,133)
Expenses			
Net commissions	(10,350)	3,249	(7,101)
Direct expenses	(3,260)	(56,224)	(59,484)
Shared management expense	(47,556)	(22,442)	(69,998)
Deferred tax	-	(27,000)	(27,000)
Exchange differences	1,308	-	1,308
	(59,858)	(102,417)	(162,275)
Investment income	89,401	43,992	133,393
Other income	2,520	-	2,520
Increase in the fund	91,228	715,353	806,581
Contingency reserve	(710)	(9,359)	(10,069)
Revaluation surplus on investment properties	90,000	-	90,000
Net increase in funds and reserves	180,518	705,994	886,512
Funds and reserves at 1 January	690,953	3,983,723	4,674,676
Funds and reserves at 31 December	871,471	4,689,717	5,561,188

Supplementary information

CONSOLIDATED REVENUE ACCOUNT – LONG-TERM BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2004			
	LIFE INDIVIDUAL	LIFE GROUP	TOTAL 2008
	Shs'000	Shs'000	Shs'000
Net premiums written			
Gross premiums	34,386	1,256,201	1,290,587
Reinsurance outward	(3,621)	(837,794)	(841,415)
Contingency reserve	(344)	(12,562)	(12,906)
Net premium income	30,421	405,845	436,266
Expenditure			
Claims paid and outstanding			
Death	-	(210,868)	(210,868)
Surrenders and annuities	(13,180)	-	(13,180)
Annuities paid/pensions	-	-	-
Recoveries	-	154,172	154,172
Premium refund	(20,329)	-	(20,329)
Total claims	(33,509)	(56,696)	(90,205)
Expenses			
Net commissions	(4,040)	136,010	131,970
Direct expenses	(23,299)	(5,406)	(28,705)
Shared management expense	(43,091)	(20,335)	(63,426)
Bad and doubtful debts written off	(16,980)	(2,881)	(19,861)
Write back or write off provisions	16,234	-	16,234
Deferred tax	(8,965)	-	(8,965)
Exchange differences	-	(5,760)	(5,760)
	(80,141)	101,628	21,487
Investment income	72,478	49,626	122,104
Income from general business	-	16,422	16,422
Other income	5,856	313	6,169
(Decrease) / increase in the fund	(4,895)	517,138	512,243
Revaluation surplus on investment properties	29,883	-	29,883
Revaluation surplus on equity investments	-	18,424	18,424
Net increase in funds and reserves	24,988	535,562	560,550
Funds and reserves at 1 January	665,965	3,448,161	4,114,126
Funds and reserves at 31 December	690,953	3,983,723	4,674,676

DETAILED REVENUE ACCOUNT SHORT TERM BUSINESS						
FOR THE YEAR ENDED 31 DECEMBER 2008	FIRE	MOTOR	AVIATION & MARINE	ACCIDENT	TOTAL 2008	TOTAL 2007
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Premiums						
Gross premium written	1,619,170	4,487,890	2,966,099	3,181,512	12,254,671	12,099,819
Outward reinsurance	(419,486)	(109,555)	(2,503,200)	(390,587)	(3,422,838)	(2,881,000)
Net premiums written	1,199,684	4,378,335	462,899	2,790,925	8,831,843	9,218,819
Net change in provision for earned premiums	(133,560)	(278,905)	505,555	61,700	154,790	(1,337,425)
Net earned premium	1,066,124	4,099,430	968,454	2,852,625	8,986,633	7,881,393
Claims						
Claims paid	(86,997)	(1,824,457)	(100,834)	(495,821)	(2,508,109)	(3,443,340)
Change in claims outstanding	14,520	(134,888)	(64,810)	(357,843)	(543,021)	2,022,728
Recoveries	82	183,256	519,933	170,700	507,295	38,520
Sticker fees	-	(57,578)	-	-	(57,578)	(58,403)
Net claims before IBNR	(72,395)	(1,833,667)	363,065	(649,464)	(2,192,461)	(1,440,495)
Change in IBNR reserve	2,178	(20,233)	(2,976)	(53,676)	(74,707)	(22,540)
Net claims incurred	(70,217)	(1,853,900)	360,089	(703,140)	(2,267,168)	(1,137,085)
Net commission	(253,461)	(431,415)	191,446	(525,696)	(1,019,126)	(1,441,907)
Total claim/commission	(323,678)	(2,285,315)	551,535	(1,228,386)	(3,286,294)	(2,578,992)
Underwriting profits before expenses of management	742,446	1,814,115	1,519,989	1,623,789	5,700,339	5,302,401
Expenses of management	(505,948)	(2,283,541)	(241,427)	(1,455,620)	(4,486,536)	(4,328,589)
Underwriting profit / (loss)	236,498	(469,426)	1,278,562	168,169	1,213,803	973,812

Supplementary information

DETAILED REVENUE ACCOUNT SHORT TERM BUSINESS						
FOR THE YEAR ENDED 31 DECEMBER 2007	FIRE	MOTOR	AVIATION & MARINE	ACCIDENT	TOTAL 2007	TOTAL 2006
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Premiums						
Gross premium written	1,085,747	3,778,306	3,529,467	3,706,299	12,099,819	6,863,872
Outward reinsurance	(219,964)	(97,232)	(1,802,680)	(761,124)	(2,881,000)	(988,618)
Net premiums written	865,783	3,681,074	1,726,787	2,945,175	9,218,819	5,875,254
Unearned premium reserves b/f	418,135	1,080,124	19,636	832,207	2,350,102	1,507,036
Unearned premium reserves c/f	(346,314)	(1,472,429)	(690,715)	(1,178,070)	(3,687,528)	(2,350,102)
Net earned premium	937,604	3,288,769	1,055,708	2,599,312	7,881,393	5,032,188
Claims						
Claims paid	(66,839)	(950,559)	(2,235,249)	(190,693)	(3,443,340)	(10,603,050)
Claims outstanding b/f	54,971	311,206	2,636,551	433,646	3,436,374	12,844,701
Claims outstanding c/f	(48,220)	(523,167)	(486,699)	(355,560)	(1,413,646)	(3,436,374)
Recoveries	-	16,198	20,822	1,500	38,520	182,658
Sticker fees	-	(58,403)	-	-	(58,403)	(42,800)
Net claims before IBNR	(60,088)	(1,204,725)	(64,575)	(111,107)	(1,440,495)	(1,054,865)
IBNR provisions c/f	8,246	46,681	395,483	65,047	515,458	(515,458)
IBNR provisions b/f	(7,233)	(78,475)	(73,005)	(53,334)	(212,047)	127,484
Net claims incurred	(59,075)	(1,236,519)	(257,903)	(99,394)	(1,137,085)	(1,442,838)
Net commission	(241,734)	(346,187)	(292,706)	(561,280)	(1,441,907)	(810,812)
Total claim/commission	(300,809)	(1,582,706)	(34,803)	(660,674)	(2,578,992)	(2,253,650)
Underwriting profits before expenses of management	636,795	1,706,063	1,020,9055	1,938,638	5,302,401	2,778,538
Expenses of management	(456,519)	(1,678,405)	(660,793)	(1,532,872)	(4,328,589)	(3,273,725)
Underwriting profit / (loss)	180,276	27,658	360,112	405,766	973,812	(495,187)

DETAILED REVENUE ACCOUNT SHORT TERM BUSINESS						
FOR THE YEAR ENDED 31 DECEMBER 2006	FIRE	MOTOR	AVIATION & MARINE	ACCIDENT	TOTAL 2006	TOTAL 2005
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Premiums						
Gross premium written	1,237,595	2,773,208	471,480	2,381,589	6,863,872	5,579,958
Outward reinsurance	(192,258)	(72,899)	(422,390)	(301,071)	(988,618)	(1,812,365)
Net premiums written	1,045,337	2,700,309	49,090	2,080,518	5,875,254	3,767,593
Unearned premium reserves b/f	134,942	862,345	22,253	487,496	1,507,036	1,606,283
Unearned premium reserves c/f	(418,135)	(1,080,124)	(19,636)	(832,207)	(2,350,102)	(1,507,036)
Net earned premium	762,144	2,482,530	51,707	1,735,807	5,032,188	3,866,840
Claims						
Claims paid	(62,854)	(889,556)	(9,333,448)	(317,192)	(10,603,050)	(1,469,814)
Claims outstanding b/f	47,004	457,210	12,029,089	311,398	12,844,701	1,321,546
Claims outstanding c/f	(54,971)	(311,206)	(2,636,551)	(433,646)	(3,436,374)	(12,844,701)
Recoveries	-	175,171	-	7,487	182,658	12,161,872
Sticker fees	-	(42,800)	-	-	(42,800)	(83,584)
Net claims before IBNR	(70,821)	(611,181)	59,090	(431,953)	(1,054,865)	(914,681)
IBNR provisions c/f	(8,246)	(46,681)	(395,483)	(65,047)	(515,458)	(127,484)
IBNR provisions b/f	7,051	68,581	5,142	46,710	127,484	198,232
Net claims incurred	(72,016)	(589,281)	(331,250)	(450,290)	(1,442,838)	(843,933)
Net commission	(278,230)	(268,089)	50,196	(314,689)	(810,812)	(500,724)
Total claim/commission	(350,246)	(857,370)	(281,055)	(764,979)	(2,253,650)	(1,344,657)
Underwriting profits before expenses of management	411,898	1,625,160	(229,348)	970,828	2,778,538	2,522,183
Expenses of management	(382,468)	(1,504,628)	(522,352)	(864,277)	(3,273,725)	(2,502,467)
Underwriting profit / (loss)	29,430	120,532	(751,700)	106,551	(495,187)	19,716

Supplementary information

DETAILED REVENUE ACCOUNT SHORT TERM BUSINESS						
FOR THE YEAR ENDED 31 DECEMBER 2005	FIRE	MOTOR	AVIATION & MARINE	ACCIDENT	TOTAL 2008	TOTAL 2007
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Premiums						
Gross premium written	709,882	2,283,177	962,563	1,624,336	5,579,958	5,552,191
Outward reinsurance	(372,525)	(127,315)	(906,930)	(405,595)	(1,812,365)	(1,536,485)
Net premiums written	337,357	2,155,862	55,633	1,218,741	3,767,593	4,015,706
Contingency reserves 2%	-	-	-	-	-	(111,044)
Unearned premium reserves b/f	220,040	666,824	84,995	634,424	1,606,283	1,243,062
Unearned premium reserves c/f	(134,942)	(862,345)	(22,253)	(487,496)	(1,507,036)	(1,606,283)
Net earned premium	422,455	1,960,341	118,375	1,365,669	3,866,840	3,541,441
Claims						
Claims paid	(306,527)	(674,455)	(43,607)	(445,225)	(1,469,814)	(728,985)
Claims outstanding b/f	270,600	531,661	52,607	466,678	1,321,546	812,853
Claims outstanding c/f	(47,004)	(457,210)	(12,029,089)	(311,398)	(12,844,701)	(1,321,546)
Recoveries	-	174,189	11,970,410	17,273	12,161,872	577,460
Sticker fees	-	(83,584)	-	-	(83,584)	-
Net claims before IBNR	(82,931)	(509,399)	(49,679)	(272,672)	(914,681)	(660,218)
IBNR provisions c/f	(7,051)	(68,581)	(5,142)	(46,710)	(127,484)	(198,232)
IBNR provisions b/f	40,590	79,749	7,891	70,002	198,232	121,929
Net claims incurred	(49,392)	(498,231)	(46,930)	(249,380)	(843,933)	(736,521)
Net commission	(147,895)	(225,826)	67,770	(194,773)	(500,724)	(518,340)
Total claim/commission	(197,287)	(724,057)	20,840	(444,153)	(1,344,657)	(1,254,861)
Underwriting profits before expenses of management	225,168	1,236,284	139,215	921,516	2,522,183	2,286,580
Expenses of management	(220,938)	(1,268,618)	(105,123)	(907,788)	(2,502,467)	(2,484,282)
Underwriting profit / (loss)	4,230	(32,334)	34,092	13,728	19,716	(197,702)

DETAILED REVENUE ACCOUNT SHORT TERM BUSINESS						
FOR THE YEAR ENDED 31 DECEMBER 2004	FIRE	MOTOR	AVIATION & MARINE	ACCIDENT	TOTAL 2004	TOTAL 2003
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Premiums						
Gross premium written	771,767	1,748,457	1,335,910	1,696,057	5,552,191	4,587,647
Outward reinsurance	(221,668)	(81,398)	(1,123,422)	(109,997)	(1,536,485)	(1,479,993)
Net premiums written	550,099	1,667,059	212,488	1,586,060	4,015,706	3,107,654
Contingency reserves 2%	(15,435)	(34,969)	(26,718)	(33,921)	(111,044)	(91,753)
Unearned premium reserves b/f	179,489	540,100	113,870	409,603	1,243,062	1,074,065
Unearned premium reserves c/f	(220,040)	(666,824)	(84,995)	(634,424)	(1,606,283)	(1,243,062)
Net earned premium	494,113	1,505,366	214,645	1,327,318	3,541,441	2,846,904
Claims						
Claims paid	(8,788)	(466,089)	(76,035)	(178,073)	(728,985)	(566,134)
Claims outstanding b/f	20,530	367,990	100,792	323,541	812,853	1,107,696
Claims outstanding c/f	(270,600)	(531,661)	(52,607)	(466,678)	(1,321,546)	(812,853)
Recoveries	174,541	175,559	-	227,360	577,460	316,861
Net claims before IBNR	(84,317)	(454,201)	(27,850)	(93,850)	(660,218)	45,570
IBNR provisions c/f	(40,590)	(79,749)	(7,891)	(70,002)	(198,232)	(121,929)
IBNR provisions b/f	3,080	55,199	15,119	48,531	121,929	166,154
Net claims incurred	(121,827)	(478,751)	(20,622)	(115,321)	(736,521)	89,795
Net commission	(169,976)	(178,575)	67,993	(237,782)	(518,340)	(289,887)
Total claim/commission	(291,803)	(657,326)	47,371	(353,103)	(1,254,861)	(200,092)
Underwriting profits before expenses of management	202,310	848,040	262,016	974,215	2,286,580	2,646,812
Expenses of management	(340,314)	(1,031,312)	(131,454)	(981,202)	(2,484,282)	(2,360,604)
Underwriting profit / (loss)	(138,004)	(183,272)	130,562	(6,987)	(197,702)	286,208

APPENDIX III
Profit Forecast

31 December 2009

**The Board of Directors
National Insurance Corporation Limited
P. O. Box 7134
Kampala,**

**RE: REPORTING ACCOUNTANTS' REPORT ON THE PROFIT FORECAST FOR THE YEARS ENDING
31 DECEMBER 2009 AND 31 DECEMBER 2010.**

Dear Sirs,

We have examined the profit forecast of National Insurance Corporation Limited ("the Company") for the years ending 31 December 2009 and 31 December 2010, as set out in Section B, in accordance with the International Standard on Assurance Engagements applicable to the examination of prospective financial information. The Directors of the Company are responsible for the preparation of the profit forecast including the assumptions set out in Section A on which it is based.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the profit forecast. Further, in our opinion the profit forecast is properly prepared on the basis of the assumptions prepared by the Directors contained in Section A and the basis is consistent with the accounting policies of the Company.

Actual results are likely to be different from the profit forecast since anticipated events frequently do not occur as expected and the variation may be material. We do not, therefore, by way of this report, provide any assurance on the achievement of the profit forecast by the Company.

Further, we emphasise that the forecast information is not intended to, and does not, provide all the information and disclosures necessary to give a fair presentation of the results of the operations of the Company in accordance with International Financial Reporting standards.



**PricewaterhouseCoopers
Certified Public Accountants
Kampala**

A KEY ASSUMPTIONS ON WHICH THE PROFIT FORECAST IS BASED;

I. Non life business

a) Gross premiums

The key drivers for an annual growth rate of 26% (2009) and 30% (2010) in gross premiums for the Company are the following;

- i. the establishment of National Insurance Company ("NIC") Juba located in Southern Sudan which is a fully owned subsidiary of NIC and is expected to contribute 7.5% to 11% of the gross premiums written;
- ii. expected revenue synergies from the opening up of Global Trust Bank, a related company to Industrial and General Insurance Company of Nigeria (IGI) that recently bought a micro finance company in Uganda;
- iii. the development of new products in the market especially those related to health insurance that is growing very fast;
- iv. continued growth of the Company considering that premiums increased from Shs 12.1 billion in 2007 to Shs 12.3 billion in 2008 despite the global economic melt down;
- v. growth in the Ugandan banking sector (7 new banks licensed in 2008 and expansion of existing banks) which is expected to spur economic growth in the country going forward which will in turn increase the need for insurance by borrowers;
- vi. amendments to the insurance legislation that will include guidance for other products which insurance companies can develop such as unit trusts and investment linked products;
- vii. the increased economic activity in the country fuelled by the oil reserve discovered in Western Uganda that will lead to investors in the market;
- viii. continued growth in the insurance industry considering that premiums increased by 22.9% to approximately Shs 125.7 billion in the year 2007;

b) Reinsurance premiums

An estimated growth in reinsurance premiums in line with the growth in gross premiums written i.e. 26% in 2009 and 30% in 2010, thereby maintaining a retention rate of 72%.

c) Unearned Premiums Reserve

Unearned Premium Reserve will continue to be computed at 40% of net premiums written as required by the Insurance Act.

d) Claims incurred

- i. Claims incurred are assumed to increase in line with increase in gross premiums based on the development of new products and planned establishment of NIC Juba, a subsidiary of the Company;
- ii. An increase in claim recoveries each year in line with increase in reinsurance due to:
 - planned maintenance of the retention ratio at 72% as in 2008;
 - change in the reinsurance strategy where by the Company will reinsure approximately 90% of the very risky business lines;

iii. The incurred but not reported (IBNR) claims reserve will continue to be accrued for at the statutory rate of 15% of claims outstanding as required by the Insurance Act.

e) Net commission expense

The growth in commissions at 26% and 30% which is also in line with the growth in premiums. The ratio of net commission paid to gross premiums written is also uniform at 10% (actual 2008: 8%). The increase of 2% is due to the expected increase in gross premiums written.

Management expense ratios of 29% for 2009 and 26% for 2010. These are expected to grow at about 12% which is the expected inflation rate for 2009/2010.

f) Income tax

Effective income tax rate of 30%. The Company has brought forward tax losses which it expects to utilise in future. In addition, management took into consideration withholding tax expense on treasury bills which is treated as final tax and capital allowances expected from the purchase of property, plant and equipment.

g) Operating profit

Operating profit/ underwriting results have increased significantly because of the reduction in net claims incurred which is as a direct result of increase in claim recoveries.

h) Statutory reserves

The movement in statutory reserves (i.e. capital and contingency reserves) will continue to be accounted for as per the requirements of Uganda Insurance Act.

II. Life business

Life business is expected to grow at 27% in 2009 and 30% in 2010 due to:

- The introduction of new products and growth of the existing products such as the whole life savings and school fees schemes, Employee Insurance Package and Teachers' Insurance Savings Plan.
- In addition, the Company is in the process of developing and launching other new products for the market.
- The fact that the Company recorded a 47% growth in life premiums written in 2008.

Profit Forecast

B. PROFIT AND LOSS ACCOUNT						
	2009			2010		
	GENERAL	LIFE	TOTAL	GENERAL	LIFE	TOTAL
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Gross written premiums	15,500,000	1,843,790	17,343,790	20,150,000	2,396,927	22,546,927
Gross earned premiums	14,557,842	1,843,790	16,401,632	18,807,532	2,396,927	21,204,459
Less: reinsurance premium ceded	(4,312,763)	(166,298)	(4,479,061)	(5,606,592)	(182,928)	(5,789,520)
Net earned premiums	10,245,079	1,677,492	16,401,632	13,200,940	2,213,999	15,414,939
Investment income	1,525,900	145,386	1,671,286	1,678,490	159,925	1,838,415
Total income	11,770,979	1,822,878	13,593,857	14,879,430	2,373,924	17,253,354
Claims paid	(3,490,109)	(759,361)	(4,249,470)	(4,537,142)	(987,169)	(5,524,311)
Claims outstanding b/f	1,956,667	-	1,956,667	2,465,400	-	2,465,400
Claims outstanding c/f	(2,465,400)	-	(2,465,400)	(3,205,021)	-	(3,205,021)
Amounts recoverable from reinsurance	257,640	140,000	397,640	334,932	154,000	488,932
Changes in IBNR	(210,991)	-	(210,991)	(274,288)	-	(274,288)
Net claims incurred	(3,952,194)	(619,361)	(4,571,555)	(5,216,119)	(833,169)	(6,049,288)
Operating and other expenses	(4,556,756)	(170,101)	(4,726,857)	(5,225,849)	(196,000)	(5,421,849)
Commissions payable net	(1,482,102)	(184,448)	(1,666,550)	(1,926,733)	(239,782)	(2,166,515)
Transfers to life business	-	(848,968)	(848,968)	-	(1,104,973)	(1,104,973)
Net profit before tax	1,779,927	-	1,779,927	2,510,729	-	2,510,729
Tax charge	(533,978)	-	(533,978)	(753,219)	-	(753,219)
Net profit	1,245,949	-	1,245,949	1,757,510	-	1,757,510

APPENDIX IV
UNAUDITED ACCOUNTS AS AT 30 September 2009

Composite Profit and Loss Account

COMPOSITE PROFIT AND LOSS ACCOUNT AS AT 30 SEPTEMBER 2009				
	General Insurance	Long term Insurance	Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Gross Premium	9,273,262	2,067,318	11,340,580	10,112,562
Reinsurance	(1,940,388)	(99,299)	(2,039,686)	(1,687,560)
Net Premium	8,729,708	1,968,019	9,300,893	8,970,009
Unearned Reserves as at 01.01.2008	4,901,868	-	4,901,868	325,605
Unearned Reserves as at 31 MARCH 2009	(3,505,035)	-	(3,505,035)	(2,220,639)
Net earned Premium	8,729,708	1,968,019	10,697,727	8,970,009
Investment income	750,122	43,602	497,405	313,100
Other income	38,204	-	-	-
Write backs	-	-	-	-
Revaluation surplus on equity investments	(287,755)	(990,157)	(1,277,912)	-
Revaluation surplus on investment properties	1,715,000	150,000	1,865,000	-
Gratuity Provision written back	-	-	-	-
Recoveries	4,111,347	-	4,111,347	45,751
	15,056,626	1,191,860	16,248,487	9,461,458
Claims Paid	6,200,880	975,211	7,176,091	2,632,655
Sticker fees	92,134	-	92,134	105,412
Commissions Net	837,547	187,012	1,024,559	1,085,173
Provision for bad debts	1	-	1	-
Gratuity Provision	-	-	-	-
Other expenses (Exchange Loss)	37,560	-	37,560	31,360
Transfer to Life fund & DAP	-	(89,229)	(89,229)	502,661
Expenses of management	2,807,215	98,193	2,905,408	2,803,925
	9,975,337	1,171,187	11,146,524	(7,161,186)
Profit before taxation	5,081,290	20,673	5,101,962	2,300,271
Transfer to Contingency	(533,535)	(20,673)	(554,208)	(251,030)
Provision for taxation	(1,524,387)	-	(1,524,387)	(686,897)
Profit (Loss) after taxation	3,023,367	0	3,023,367	1,362,345
Proposed Dividend	-	-	-	-
Retained Profit (Loss) transferred to Balance Sheet	3,023,367	0	3,023,367	1,362,345

Abridged Balance Sheet

GENERAL AND LONG TERM INSURANCE BUSINESS - ABRIDGED BALANCE SHEET AS AT 30 SEPTEMBER 2009				
	General Insurance	Long term Insurance	Total 2009	Total 2008
	Shs'000	Shs'000	Shs'000	Shs'000
Share capital	2,019,400	-	2,019,400	2,019,400
Reserves:				
Capital reserves	336,958		336,958	336,958
Contingency reserves	2,390,259	77,186	2,467,445	1,913,237
Revenue Reserves	9,176,682		9,176,682	5,619,041
Revaluation reserves	350,000		350,000	-
Undistributed Reserves	1,014,760		1,014,760	
Total Reserves	13,238,658	77,186	13,345,845	9,094,329
Shareholders' equity	15,288,058	77,186	15,365,245	11,113,729
Life fund		8,059,367	8,059,367	8,464,697
Deposit administration fund		22,516,939	22,516,939	34,309,761
Managed Funds		729,176	729,176	729,176
Totals	14,188,133	31,382,667	46,670,726	54,617,363
Represented by:				
Non-Current Assets				
Equipment				
Property and equipment	1,159,993	125,242	1,285,235	896,336
Investments				
Operating leases	939,958		939,958	891,015
Investment in properties	12,318,897	16,090,000	28,408,897	24,095,000
Available for Sale Investments	1,178,679	19,156,671	20,335,350	32,246,551
Unquoted Investments	387,000		387,000	387,000
Deferred Tax	36,324		36,324	36,324
Loans	93,725	59,068	152,793	170,485
Investments In Subsidiaries	201,675	-	201,675	163,471
Total Non Current Assets	16,316,251	35,430,981	51,747,232	58,886,181
Current Assets				
Held to Maturity Investments				
Securities issued by Government	-	2,027,148	2,027,148	3,827,870
Deposits with banks	236,473	743,518	979,990	368,434
	236,473	2,770,665	3,007,138	4,196,304
Other current assets				
Tax recoverable	-		-	-
Due from Reinsurance contracts	4,210,951	136,208	4,347,159	414,976
Reinsr's share of Insur Liab's & reserves	3,531,978	-	3,531,978	2,080,902
Premium Outstanding	4,838,373	-	4,838,373	3,558,773
Sundry debtors & Prepay'ts	619,652	1,158,181	1,777,834	1,555,477
Related company balances	2,483,018		2,483,018	2,192,948
Cash and Bank Balances	839,056	385,001	1,224,057	1,922,558
	16,523,028	1,679,390	18,202,418	11,725,632
Total current assets	16,759,501	4,450,056	21,209,557	15,921,937
Total assets	33,075,752	39,881,037	72,956,789	74,808,118

Abridged Balance Sheet

GENERAL AND LONG TERM INSURANCE BUSINESS - ABRIDGED BALANCE SHEET AS AT 30 SEPTEMBER 2009 (CONTINUED)				
	General Insurance	Long term Insurance	Total 2009	Total 2008
	Shs'000	Shs'000	Shs'000	Shs'000
Liabilities				
Non Current Liabilities				
Underwriting provisions:				
Unearned premiums provisions	4,281,190		4,281,190	4,901,868
Outstanding claims provisions	6,752,343	725,019	7,477,361	2,304,117
IBNR reserves	956,412		956,412	221,205
Total underwriting provisions	11,989,944	725,019	12,714,963	7,427,190
Current liabilities				
Deferred taxation	-	9,165,624	9,165,624	8,849,523
Amounts due to: reinsurers	1,483,538		1,483,538	2,106,917
Due to insurance business	-	264,680	264,680	180,276
Interdivisional account	1,820,082	(1,820,082)	-	-
Sundry creditors	1,183,539	163,129	1,346,668	1,444,837
Related company balances	-	-	-	-
Gratuity provisions	-		-	-
Corporation tax	1,310,590	-	1,310,590	182,012
Total current liabilities	5,797,750	(1,392,273)	4,405,477	3,914,042
Total Current Liabilities	17,787,693	8,498,370	26,286,063	20,190,755
Net assets	15,288,058	31,382,667	46,670,726	54,617,363

General Business Insurance

GENERAL BUSINESS INSURANCE - DETAILED BALANCE SHEET AS AT 30 SEPTEMBER 2009		
	Total 30/09/09	Total 31/12/08
	Shs'000	Shs'000
Share capital	2,019,400	2,019,400
Reserves:		
Capital reserves	336,958	336,958
Contingency reserves	2,390,259	1,856,723
Revenue Reserves	9,176,682	5,619,041
Revaluation reserves	350,000	0
Undistributed Reserves	1,014,760	1,225,094
Total Reserves	13,268,658	9,037,816
Shareholders' equity	15,288,058	11,057,216
Represented by:		
Non current assets		
Equipment		
Property and equipment	1,159,993	761,740
Investments		
Operating leases	939,958	891,015
Investment in properties	12,318,897	10,265,000
Available for Sale Investments	1,178,679	1,466,210
Unquoted Investments	387,000	387,000
Deferred Tax	36,324	36,324
Loans	93,725	107,496
Investments In Subsidiaries	201,675	163,471
	15,156,258	13,316,515
Total Non current Assets	16,316,251	14,078,255
Current assets		
Held to Maturity Investments		
Securities issued by government	0	1,191,946
Deposits with banks	236,473	108,667
	236,472	1,300,613
Other current assets		
Tax Recoverable	0	0
Due from Reinsurance contracts	4,210,951	278,768
Reinsr's share of Insur Liab's & reserves	3,531,978	2,080,902
Premiums outstanding	4,838,373	3,558,773
Sundry debtors & Prepay'ts	619,652	436,997
Related company balances	2,483,018	2,192,948
Cash and bank balances	839,056	801,159
	16,523,028	9,349,546
Total current assets	16,759,501	10,650,159
Total assets	33,075,752	24,728,414
Liabilities		
Underwriting provisions		
Unearned premium provision	4,281,190	4,901,868
Outstanding claims provisions	6,752,343	1,956,666
IBNR reserves	956,412	221,205
Total underwriting provisions	11,989,944	7,079,739

General Business Insurance

GENERAL BUSINESS INSURANCE - DETAILED BALANCE SHEET AS AT 30 SEPTEMBER 2009 (CONTINUED)

	Total 30/09/09	Total 31/12/08
	Shs'000	Shs'000
Non Current Liabilities		
Deferred tax		
Current liabilities		
Amounts due to: reinsurers	1,483,538	2,106,917
Due to insurance business		
Interdivisional account	1,820,082	3,020,822
Sundry creditors	1,183,539	1,281,708
Related company balances	-	-
Gratuity provisions	0	0
Corporation tax	1,310,590	182,012
Total current liabilities	5,797,750	6,591,459
Total liabilities	17,787,693	13,671,198
Net assets	15,288,058	11,057,216

Long Term Insurance Business

LONG TERM INSURANCE BUSINESS – DETAILED BALANCE SHEET AS AT 30 SEPTEMBER 2009					
	Individual	Group	Dap	Total 30/09/2009	Total 31/12/2008
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Life Funds	1,898,170	6,161,197	22,516,939	30,576,306	42,774,458
Managed Funds	0	-	729,176	729,176	729,176
	1,898,170	6,161,197	23,246,115	31,305,481	43,503,633
Non Current Assets:					
Investments:					
Investment Properties	1,150,000		14,940,000	16,090,000	13,830,000
Policy Loans	29,560	29,508		59,068	62,989
Available for Sale Investments	0	1,011,056	18,145,615	19,156,671	30,780,341
Total investments	1,179,560	1,040,565	33,085,615	35,305,739	44,673,330
Fixed assets					
Total fixed assets	0		125,242	125,242	134,596
Total non current assets	1,179,560	1,040,565	33,210,857	35,430,981	44,807,926
Current Assets					
Held to Maturity Investments					
Securities by Government	378,921	532,146	1,116,081	2,027,148	2,635,924
Deposits with banks	316,544	337,907	89,066	743,518	259,767
	695,465	870,053	1,205,148	2,770,665	2,895,691
Other Current Assets					
Premium Outstanding				0	0
Balances due from reinsurers	0	136,208	0	136,208	136,208
Sundry Debtors & Prepay'ts	69,297	4,570	1,084,315	1,158,181	1,118,479
Bank and Cash balances	304,531	48,409	32,061	385,001	1,121,399
Total current assets	373,828	189,187	1,116,376	1,679,390	2,376,086
Total assets	2,248,853	2,099,804	35,532,380	39,881,037	50,079,704
Underwriting provisions					
Outstanding claims	0	287,846	437,173	725,019	347,451
Contingency	16,976	60,210		77,186	56,513
Total underwriting provisions	16,976	348,056	437,173	802,205	403,964
Liabilities					
Deferred tax	182,997	501,767	8,480,860	9,165,624	8,849,523
Current Liabilities:					
Inter Division Account	(38,312)	(1,657,020)	(124,750)	(1,820,082)	(3,020,822)
Inter Bank Life	100,330	(260,090)	159,760	0	0
Inter Bank Dap/Life Group		(3,172,197)	3,172,197	0	0
Amount due to: reinsurers	87,319	177,361		264,680	180,276
Sundry creditors	1,373	730	161,026	163,129	163,129
Total current liabilities	333,707	(4,409,449)	3,368,233	(1,392,273)	(2,677,417)
Total liabilities	350,683	(4,061,392)	12,286,265	8,575,556	6,576,070
Net Assets	1,898,170	6,161,197	23,246,114	31,305,481	43,503,633

Revenue Account - General Business

REVENUE ACCOUNT - GENERAL BUSINESS AS AT 30 SEPTEMBER 2009						
	Fire	Motor	Aviation & Marine	Accident	total 30/09/09	total 30/06/08
Details	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Gross Premium written	956,962	2,995,621	2,575,271	2,745,407	9,273,262	9,050,901
Outward Reinsurance	(237,897)	(135,176)	1,324,700	(242,615)	(1,940,388)	(1,648,771)
Net Premium written	719,065	2,860,446	1,250,571	2,502,792	7,332,874	7,402,130
Unearned Reserves b/f 01.01.2009	647,668	1,795,156	1,186,439	1,272,605	4,901,868	2,765,646
Unearned Reserves as at 30 JUNE 2009	(404,010)	(1,666,977)	(366,281)	(1,067,768)	(3,505,035)	(2,220,639)
Net Earned Premium	962,724	2,988,625	2,070,730	2,707,629	8,729,708	7,947,137
CLAIMS						
Claims paid	(124,849)	(781,647)	(6,580)	(431,842)	(1,344,918)	(2,045,955)
Claims outstanding as at 1.1.2009	33,700	658,055	551,509	713,403	1,956,666	1,413,646
Claims outstanding as at 30 SEPT 2009	(70,560)	(867,751)	(4,816,790)	(997,241)	(6,752,343)	(1,541,563)
Reinsurer's Share of change in Insur. Liab's	-	-	487,471	187,450	674,921	-
Recoveries	36,688	65,623	3,833,165	175,871	4,111,347	165,844
Sticker fees		(92,134)			(92,134)	(105,412)
Net Claims before IBNR	(125,021)	(1,017,855)	48,774	(352,359)	(1,446,460)	(2,113,440)
IBNR provision B/F 15%	5,055	98,708	10,431	107,010	221,205	146,497
IBNR provision C/F15%	(10,584)	(130,163)	(666,079)	(149,586)	(956,412)	(231,234)
Net Claim incurred	(130,550)	(1,049,309)	(606,873)	(394,935)	(2,181,667)	(2,198,177)
Commission Paid	(187,360)	(317,925)	(142,826)	(434,583)	(1,082,694)	(1,138,497)
Commission Received	44,356	-	181,261	19,531	245,148	208,644
Net commission	143,004	(317,925)	38,435	(415,052)	(837,547)	(929,853)
Underwriting Profit before Mgt & Operational exps	689,170	1,621,391	1,502,292	1,897,642	5,710,494	4,819,107
Management and operational expenses	(257,277)	(1,095,053)	(478,751)	(958,134)	(2,807,215)	(2,716,937)
Underwriting profit / (loss) after mgt expenses	413,893	526,338	1,023,541	939,508	2,903,279	2,102,170
Investment income					750,122	218,845
Other Income					38,204	(31,360)
Net exchange gain/(loss)					(37,560)	-
Revaluation surplus/(deficit) on equity investments					(287,755)	-
Revaluation surplus on investment properties					1,715,000	-
Write back/(Write off)					-	-
Provision for bad debts					(1)	
Gratuity Provision					-	-
Profit / (Loss) before taxation					5,081,290	2,289,655
Provision for taxation at 30%					(1,524,387)	(686,897)
Profit / (Loss) after taxation					3,556,903	1,602,758
Transfer to Contingency					(533,535)	(240,414)
Net Profit for the year					3,023,367	1,362,344
Proposed Dividend					-	-
Retained Profit (Loss) carried to the Balance sheet					3,023,367	1,362,344

Revenue Account - Long Term Business

REVENUE ACCOUNT - LONG TERM BUSINESS AS AT 30 SEPTEMBER 2009				
	Life Individual	Life Group	Total 30/09/09	Total 30/06/08
	Shs'000	Shs'000	Shs'000	Shs'000
Premium	366,654	1,700,664	2,067,318	1,061,661
In/Outward Re-insurance	(22,825)	(76,474)	(99,299)	(38,789)
Net premium	343,829	1,624,190	1,968,019	1,022,872
EXPENDITURE				
Claims				
Death claims	(9,661)	(851,397)	(861,058)	(324,257)
Maturity claims	(102,135)		(102,135)	(12,901)
Surrenders/annuities	(6,400)	(4,783)	(11,183)	(32,275)
Pensions /annuities Paid	-	-	-	-
Survival Benefits	-	-	-	(2,978)
Group medical expenses	(835)	-	(835)	(1,635)
Recoveries	-	-	-	-
Premium refund	-	-	-	-
Total claims	(119,031)	(856,180)	(975,211)	(374,046)
Others				
Commission (PAID)	(43,367)	(158,540)	(201,907)	(156,787)
Commission (REC.)	3,424	11,471	14,895	1,467
Commission (Net)	(39,944)	(147,069)	(187,012)	(155,320)
Direct management expenses	(2,454)	(1,673)	(4,127)	(14,960)
Depreciation	-	-	-	-
Shared management expenses	(61,873)	(32,193)	(94,066)	(72,028)
Bad and doubtful debts written off	-	-	-	-
Write Back or (Write off/Provision)	-	-	-	-
Deferred tax	-	-	-	-
Exchange differences	-	-	-	-
	(104,271)	(180,934)	(285,206)	(242,308)
Investment income	60,891	3,108	63,998	106,760
Other Income	-	-	-	-
(Increase)/decrease in funds during the year	181,417	590,183	771,601	513,278
Contingency 1% of Gross premium	(3,667)	(17,006)	(20,673)	(10,617)
Revaluation Surplus on investment properties	150,000	-	150,000	-
Revaluation Surplus on equity investments	-	(990,157)	(990,157)	-
Net increase in funds and reserves	327,751	(416,980)	(89,229)	502,661
Fund at the beginning of the year	1,570,419	6,578,177	8,148,596	6,806,749
Funds and reserves as at 30 JUNE 2009	1,898,170	6,161,197	8,059,367	7,309,410

APPENDIX V
Summary of the Embedded Value and
Appraisal Value As At 31 December 2007

Summary Embedded Value and Appraisal Value

THE EMBEDDED VALUE AND APPRAISAL VALUE OF NATIONAL INSURANCE CORPORATION LIMITED AS AT 31 DECEMBER 2007

- The following is a summary of the results of the Embedded Value and Appraisal Value calculations that were performed for the Life Division of NIC as at the current calculation date (31 December 2007). These calculations were performed as part of the actuarial portion of a Due Diligence exercise. More detailed results, a summary of the data used and a description of the valuation basis are given in the main report and appendices.
- What follows below is an executive summary of the main results of our calculations and contains recommendations and conclusions. However, the reader is encouraged to read the full report (including the appendices) to obtain a better understanding of the results and any items arising from the calculations.
- All numbers are shown net of reinsurance unless indicated otherwise.
- The Embedded Value represents an estimate of the value of NICL exclusive of goodwill attributable to future new business. The Embedded Value comprises:
 - The value of applicable excess assets attributable to shareholders (Adjusted Net Worth); plus,
 - The Present Value of In-force business (PVIF); less,
 - The Cost of Capital (CoC).
- The Adjusted Net Worth (ANW) is essentially the Net Asset Value at the calculation date. It is taken as the excess of assets over liabilities from the valuation, adjusted for any under/over-statement of assets and/or liabilities at that date. There are no adjustments to the assets and liabilities hence the ANW is simply the excess of assets over liabilities from the valuation.
- The PVIF is calculated as the present value of all future transfers to the Shareholder Fund (Life Fund) at the relevant risk discount rate. These transfers are the anticipated future profits yet to emerge from the in-force portfolio net of taxation as appropriate (see assumptions). The main elements of the anticipated profit stream are:
 - Release of margins included in the valuation basis for business valued prospectively; and,
 - Projected future profits on the existing business.
- According to Item 6 of the Ugandan Insurance Act, 5% of all profits must be transferred into NIC's Paid-Up Capital.
- The Net Asset Value, as at the calculation date, has been calculated as follows:

	31 December 2007 (UShs'000)
A: Total Assets	37,015,373
Liabilities	
Outstanding claims	410,192
Deferred taxation	4,154,750
Current Liabilities	1,564,981
Individual Life business	410,821
Annuity business	276,305
Group Life business	136,230
Additional reserves*	558,003
Investment business**	25,449,366
B: Total Liability	32,960,648
Excess of Assets over Liabilities (A-B)	4,054,725

* AIDS reserve, paid up policies reserve and reserve for bonuses declared after the currency reform.
 ** Deposit Administration business.

Summary Embedded Value and Appraisal Value

9. The Embedded Value calculated at the calculation date (31 December 2007), assuming a risk discount rate of 20% per annum, can be summarised as follows:

	31 December 2007 (UShs'000)
Adjusted Net Worth (ANW)	4,054,725
Plus: Present Value of In-Force business (PVIF)	1,642,094
Individual Life business	27,097
Annuity business	9,438
Group Life business	620,973
Deposit Administration	984,585
Less: Cost of Capital (CoC)	467,547
Embedded Value	5,229,272

10. The long term economic assumptions used in the Embedded Value calculations (main basis) can be summarised as follows:

	31 December 2007 (per annum)
Risk Discount rate	20%
Overall investment return	10%
Expense inflation rate	7%

11. In order to calculate an Appraisal Value, the Present Value of Future New Business (PVFNB) needs to be determined. We were provided with budgeted premiums for the next three years which NICL expects to receive for the products it currently sells. Based on the historic premium growth experience by NICL, the budgeted premiums appear to be overly optimistic. Therefore, we have calculated the PVFNB in accordance with the actual growth in premiums experienced over the previous valuation periods.

12. The following table provides a summary of the actual premiums received by NICL as well as our projected premiums for the next five years:

31 December	Gross Premiums (Ushs' 000)		
	Individual Life	Group Life	Deposit Administration
Actual			
2003	412,329	1,295,826	2,630,544
2004	422,964	1,273,610	1,581,514
2005	471,756	1,270,618	1,993,443
2006	309,889	1,047,309	371,560
2007	164,507	843,924	1,207,390
Projected			
2008	245,476	818,607	1,654,124
2009	312,864	794,048	2,266,150
2010	381,749	770,227	3,104,625
2011	454,503	747,120	4,253,336
2012	531,866	724,706	5,827,071

Summary Embedded Value and Appraisal Value

13. According to our projected growth in premiums, the PVFNB, split by class of business, is summarised as follows:

Policy Type	31 December 2007 (UShs'000)
Individual Life	18,207
Deposit Administration	592,177
Group Life	-
Present Value of Future New Business (PVFNB)	610,384

14. The Appraisal Value represents an estimate of the value of NIC inclusive of any Goodwill attributable to future new business; i.e. the Appraisal Value comprises the following:

- Embedded Value; and,
- Other Present Value of Future New Business (PVFNB) or "Goodwill" value.

15. Due to the risk inherent in these items the price calculation would not normally be based on 100% of each component. A possible starting point would be to allow for the components as follows:

- 100% of ANW; plus
- 80% of the PVIF; less
- 100% of the CoC; plus
- 20% of the PVFNB (100% if it is negative).

16. Applying the percentages as shown above, the relationship between the Appraisal Value and likely price is shown in the table below:

	31 December 2007 (UShs'000)
100% of adjusted Net Worth (ANW)	4,054,725
80% of Present Value of In-force business (PVIF)	1,313,675
100% of Cost of Capital (CoC)	467,547
Embedded Value	4,900,853
20% of Present Value of Future New Business (PVFNB)	122,077
Appraisal Value	5,022,930

17. On the above basis an initial estimate of a reasonable level for the total market capitalisation of NIC is UShs 5,022,930,000.

18. Please note that in order to arrive at an appropriate Embedded Value and Appraisal Value, we assumed that the distribution of any profits made in the future would follow a similar pattern to that allowed for in NIC's previous actuarial valuation reports. Therefore, we assumed that the profits would be distributed in the following manner:

- Individual Life business will receive a simple reversionary bonus currently set at 5% per annum;
- Deposit Administration business will receive a bonus currently set at (90% x actual return) – 2% – guaranteed interest; and,
- Any surplus remaining after the declaration of bonuses will be distributed to the shareholders.

Please note that these bonuses can be changed on the advice of the Actuary from one year to the next.

Summary Embedded Value and Appraisal Value

19. Our projections have maintained the bonus structure as described above as this is currently borne out in practice.
20. We have assumed that the surplus in the Life Fund has already made allowance for tax at a rate of 30% p.a., therefore, the surplus in the Life Fund can be distributed to shareholders after all capital requirements are met.
21. We would like to express our appreciation to the management and staff of NIC for their assistance and co-operation during this exercise.
22. We would be happy to discuss this report further with management if so required.

For QED Actuaries & Consultants (Pty) Ltd



J L POTGIETER
Fellow of the Actuarial Society of South Africa
Fellow of the Institute of Actuaries
27 June 2008



A P ROUX
Fellow of the Actuarial Society of South Africa
Fellow of the Faculty of Actuaries
27 June 2008

APPENDIX VI

***Summary Report on the Appraisal Value
of the Non-Life Insurance Business of the
National Insurance Corporation Limited as
at 31 December 2007***

Report on the Appraisal Value of the Non-Life Insurance

REPORT on the Appraisal Value of the Non-Life Insurance Business of the National Insurance Corporation Limited as at 31 December 2007

1. QED Actuaries & Consultants (Pty) Ltd ("QED") have pleasure in presenting the results of the appraisal valuation conducted on the non-life insurance business of the National Insurance Corporation Limited of Uganda (or "NICL" or "the Company") as at 31 December 2007 in this executive summary.
2. The reader is, however, strongly advised to read the main report and its appendices in full to gain a more complete understanding of the results, assumptions, methodologies, reliances and limitations of this exercise.
3. This appraisal valuation forms part of the due diligence exercise conducted towards the Public Offering by the Ugandan Government of its remaining 40% holding in the Company.
4. As part of the appraisal valuation we have conducted a high-level review of the Company's technical reserves in stating the Net Asset Value. The following table compares the values of the technical reserves estimated on the statutory minimum basis (as reflected in the audited financial statements) to those estimated on the actuarial basis (as detailed in the main report):

UShs '000	31 December 2007	
	Statutory minimum basis	Actuarial basis
Unearned premium provisions	3,687,528	5,524,276
Outstanding claims reserves	1,413,646	1,413,646
IBNR reserves	146,497	779,629
Total technical reserves	5,247,671	7,717,551

5. To ensure consistency with the review of the technical reserves, we have notionally restated the relevant income statement items and hence also the value of assets reflected in the balance sheet in stating the Company's Net Asset Value on the actuarial basis.
6. Notwithstanding these changes, we have still allowed for the proposed dividend of UShs 1 716 million.
7. The following table summarises the results of the appraisal valuation of the Company as at 31 December 2007 on the statutory minimum and actuarial bases, respectively:

UShs '000	31 December 2007	
	Statutory minimum basis	Actuarial basis
Net asset value	8,953,457	7,224,541
Outstanding claims reserves	2,139,986	2,291,753
IBNR reserves	708,855	708,855
Apraisal value	10,384,587	8,807,438

8. The values of non-technical liabilities have been used as reflected in the audited financial statements.
9. The Present Value of Future Profits estimate is based on a projection of the in-force, renewal and future new business over a five year time-horizon. In brief, this involves discounting the future profits expected to arise net of tax and transfers to contingency reserves at the risk discount rate (RDR) over the projection time horizon. Future profits are estimated by projecting the relevant revenue account items, on a set of "best-estimate" actuarial assumptions.
10. The RDR is set by taking shareholder expectation's of return on capital into account at a level which is commensurate with the level of risks perceived to be involved in the business. For the purposes of this exercise we have assumed a RDR of 20% p.a.

Report on the Appraisal Value of the Non-Life Insurance

11. The Cost of Capital represents the opportunity cost of the requirement to hold the regulatory solvency capital instead of using this capital to write additional business. It is approximated by the present value (at the RDR) of the product of the regulatory solvency capital and the difference between the RDR and the expected investment return earned on the regulatory solvency capital as at the beginning of each year of the projection time-horizon.
12. The regulatory solvency capital is the greater of UShs 1 billion and 15% of the net written premium in the last year. The expected investment return was assumed to be 10% p.a.
13. We would like to express our appreciation to the management and staff of NIC for their assistance and co-operation during this exercise.
14. We would be happy to discuss this report further with the management of NIC if so required.

For QED Actuaries & Consultants (Pty) Ltd



N J STROHMENGER
Fellow of the Institute of Actuaries
27 June 2008



A VAN ROOIJEN
Student of the Faculty of Actuaries
27 June 2008

APPENDIX VII
Directory of Authorized Selling Agents

LICENSED BROKER/DEALERS

MBEA Brokerage Services (Uganda) Limited
 44 Lumumba Avenue
 P O Box 24613
 Kampala
 UGANDA
 Tel.: +256 414 231 960 / +256 31 226 0011
 Fax: +256 414 342 045
 Email: info@mbea.net
 Web: www.mbea.net

Dyer & Blair (Uganda) Limited
 Rwenzori House, 1st Floor
 1 Lumumba Avenue
 P O Box 36620
 Kampala
 UGANDA
 Tel.: +256 414 233 050
 Fax: +256 414 218 633
 Email: shares@dyerandblair.com
 Web: www.dyerandblair.com

African Alliance Uganda Limited
 Workers' House, 5th Floor, Southern Wing
 1 Pilkington Road
 Kampala
 UGANDA
 Tel.: +256 414 235 577
 Fax: +256 414 235 575
 Email: info@africanalliance.co.ug

Baroda Capital Markets (Uganda) Limited
 18 Kampala Road
 P O Box 7197
 Kampala
 UGANDA
 Tel.: +256 414 233 680-3
 Fax: +256 414 258 263
 Email: bob10@calva.com / bobho@spacenetuganda.com

Crested Stocks and Securities Limited
 Impala House, 6th Floor
 13/15 Kimathi Avenue
 P.O. Box 31736
 Kampala
 UGANDA
 Tel.: +256 414 230 900
 Fax: +256 414 230 612
 Email: info@crestedsecurities.com

Crane Financial Services Limited
 38 Kampala Road
 P.O. Box 22572
 Kampala
 UGANDA
 Tel.: +256 41 434 1400 / 434 1403
 Fax: +256 41 423 1578
 Email: cranebnk@imul.com

Equity Stock Brokers (U) Limited
 Orient Plaza
 6/6A Kampala Road
 P O Box 3072
 Kampala
 UGANDA
 Tel.: +256 414 236 012-5
 Fax: +256 414 348 039
 Email: equity@orient-bank.com

ReNaissance Capital Limited
 Plot 13, Kololo Hill Drive
 P.O Box 893
 Kampala
 UGANDA
 Tel.: +256 312 264775/9
 Fax: +256 414 340 016
 Email: inquiries@renaissance.co.ug

Receiving Bankers

RECEIVING BANKERS

Stanbic Bank Uganda Limited
Crested Towers, Short Tower
17 Hannington Road
P.O. Box 7131
Kampala
UGANDA
Tel: +256 414 258 035
Fax: +256 414 254 293
Email: ugandainfo@stanbic.com
(Branches – ALL)

Bank of Baroda (Uganda) Ltd.
18 Kampala Road
P. O. Box 7197
Kampala
UGANDA
Tel.: +256 414 233 680-3
Fax: +256 414 230 781
Email: bobho@spacenetuganda.com
(Branches - All)

Bank of Africa Uganda Limited
Jinja Road
P. O. Box 2750
Kampala
UGANDA
Tel.: +256 414 365 351/6
Fax: +256 414 344 064
Email:

Citibank Uganda Limited
Centre Court
4 Ternan Avenue, Nakasero
P.O. Box 7505
Kampala
UGANDA
Tel.: +256 312 262 042-5 / +256 414 340 945-9
Fax: +256 414 340 624
Email: anthony.ndegwa@citigroup.com

Diamond Trust Bank (U) Limited
Diamond Trust Building, Ground Floor
19 Kampala Road
P.O. Box 7155
Kampala
UGANDA
Tel.: +256 414 259 331
Fax: +256 414 342 286
Email: info@dtbuganda.co.ug
(Branches - All)

Crane Bank Limited
38 Kampala road
P. O. Box 22572
Kampala
UGANDA
Tel.: +256 414 341 400/403-5
Fax: +256 414 231 578
Email: cranebank@cranebanklimited.com
(Branches – All)

United Bank for Africa
P.O. Box 7396
Kampala
UGANDA
Tel.: +256 414 334 887
Fax: +256 414 715 100 / 410 7715152
(Branches - All)

Equity Bank Uganda Limited
P.O. Box 10184
Kampala
UGANDA
Tel.: +256 414 531 377
Fax: +256 312 262 436
(Branches - All)

Global Trust Bank
2A Kampala Road
P.O. Box 72247
Kampala
UGANDA
Tel.: +256 417 100 700
Fax: +256 414 254 007

Housing Finance Bank Limited
25, Kampala Road
P.O Box 1539
Kampala
UGANDA
Tel: +256 414 259 651/3
Fax: +256 414 341 429
Email: hfcu@housingfinance.co.ug

DFCU Bank Limited
2, Jinja Road
P.O. Box 70
Kampala
UGANDA
Tel. +256 312 300200
Fax: +256 414 231687
Email: customercare@dfcugroup.com

FOREIGN SELLING AGENTS

Auerbach Grayson & Company Incorporated
 330 Madison Avenue
 25 West 45th Street
 New York City
 USA
 Tel.: +1 212 557 4444
 Fax: +1 212 557 9066
 Email: Jonathan@agco.com

*Regulated by Securities and Exchange Commission, USA (SEC, USA)

MBEA Brokerage Services (Rwanda) S.A.
 1235 Avenue de la Paix
 B.P. 92
 Kigali
 RWANDA
 Tel.: +250 574565
 Fax: +250 510120
 Email: info@mbea.net
 Web Site: www.mbea.net

*Regulated by the Capital Markets Advisory Council (CMAC)

Databank Brokerage Services Limited
 61 Barnes Road, Adabraka
 Accra
 GHANA
 Tel.: +233 21 691404
 Fax: +233 21 669100
 Email: opoku-gyamfi.boateng@databankgroup.com
 Web Site: www.databankgroup.com

*Regulated by The Securities & Exchange Commission, Ghana (SEC, Ghana)

Dyer & Blair Investment bank
 Loita House, Loita Street
 P.O Box 45396 - 00100
 Nairobi
 KENYA
 Tel.: +254 20 0724255855
 Fax: +254 20 218633
 Email: shares@dyerandblair.com

*Regulated by the Capital Markets Authority, Kenya (CMA, Kenya)

Renaissance Capital (Kenya) Limited (RenCap)*
 Purshottam Place, 6th Floor
 Westlands Road, Chiromo
 P.O. Box 40560-00100
 Nairobi
 KENYA
 Tel.: +254 20 368 2000
 Fax: +254 20 368 2339
 Web site: www.renaissancegroup.com

*Regulated by the Capital Markets Authority, Kenya (CMA, Kenya)

Orbit Securities Company Limited
 3rd Floor, Twiga House
 P O Box 31831
 Dar es Salaam
 TANZANIA
 Tel: +255 22 211-1758
 Fax: +255 22 211-3067
 Website: www.orbit.co.tz

* Regulated by the Capital Markets & Securities Authority, Tanzania (CMSA)

