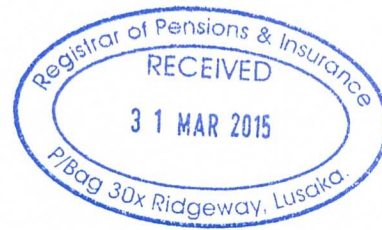


Mayfair Insurance Company Zambia Limited

Financial statements
for the year ended 31 December 2014



Mayfair Insurance Company Zambia Limited

Financial statements *for the year ended 31 December 2014*

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Mayfair Insurance Company Zambia Limited

Chairman's report
for the year ended 31 December 2014

Overview

I have the pleasure to present the Company's Annual Report and financial statements for the year ended 31 December 2014.

Despite the challenges that have continued in regard to increased and intense competition, the Company has delivered favourable results in its fifth year of operation with 28% growth in written premiums.

A milestone in terms of land acquisition for future office block development in the prime area of the city was recorded.

Additionally, following a group strategy realignment to further deepen the Company's service and product delivery, a new vision and mission statement including core values were adopted.

Economic environment

The Country's economy remained steady in its growth pattern, averaging 6% GDP growth. The economy was mainly driven by agriculture, manufacturing, construction, energy, transport, communication, and the financial sector.

Inflation remained within single digits, further raising economic confidence in the investment arena with lending rates stabilising at around 18%.

The Country experienced a lot of pressure on the general level of prices emanating from the depreciation of the Kwacha, especially during the first half of the year. The nominal exchange rate (Kwacha versus the US Dollar) was volatile and depreciated by an annual average rate of approximately 15.8% in 2014.

Corporate governance

The Board of Directors continued to adhere to good corporate governance practices of the corporate governance code using the Company's board charter adopted in 2013 as a guide.

The Board of the Company have been meeting quarterly and also established three sub committees; namely Audit, Human Resource and Investment Committees with a view of providing strategic guidance and oversight to Management.

The Board also witnessed an increase in the number of Directors by way of appointment of Miss Valerie Sesia effective 01 December 2014.

Company performance

The Company's performance in 2014 was very impressive, recording another double digit growth. This growth is both above market performance and inflation recorded.

The expansion programme in 2014 saw the Company opening up another branch in Mass media.

Mayfair Insurance Company Zambia Limited

Chairman's report *(continued)*
for the year ended 31 December 2014

The Company has positively continued to respond and comply with major policy changes such as quarterly accounting for VAT which came into effect from 1st January 2013 following submissions made by the industry players.

I am proud to say that the Company's impressive growth is a testimony to the continued hard work and constant product innovation from both the Board of Directors and the Management and Staff of the Company.

Acknowledgement

On behalf of the Board of Directors, I wish to thank our loyal customers and various stakeholders for their support during the year. We are extremely proud of the performance of the Company and this can only be attributed to their support, coupled with supreme team effort involving the Board, Management and Staff, who all made vital contributions.

It is therefore with deep gratitude and appreciation that I thank my fellow Directors for their insight, guidance and support, Management for the way in which they turned the many challenges faced to the Company's advantage, and every member of staff for their dedication and unquestionable hard work.

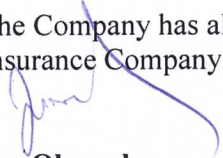
Outlook for the year 2015

The year 2015 is expected to be another challenging but exciting year for the Company. With increased competition expected, we are resolved to remain competitive through provision of quality service as has been the case in previous years.

In 2014, we saw ourselves accepting and writing medium size business risks which now form a solid platform to take up larger risks in 2015.

In view of the expected increased economic activity and projected GDP growth of 7% resulting from increased agriculture production, electricity generation, construction and growth in transport and communication with attainment of 7% inflation in 2015, the Company will position itself to be relevant in its products and services so as to best serve and delight the ever supportive clients.

The Company has also conceived a plan within its ambitious targets to set up Mayfair Insurance Company Tanzania Limited.



Joe Okwach
Board Chairman

Mayfair Insurance Company Zambia Limited

Directors' report

for the year ended 31 December 2014

Principal activities

The principal business of Mayfair Insurance Company Zambia Limited ("the Company") is the provision of non-life insurance services to both corporate and individual clients.

Registration

Mayfair Insurance Company Zambia Limited is a private company, which was incorporated in the Republic of Zambia, in September 2009. Operations commenced in March 2010.

Share capital

During the year 2014 authorised capital of the Company was K5, 000,000 (2013: K5, 000,000), issued and fully paid capital of the Company was K4, 837,000 (2013: K4, 837,000) divided into 4,837,000 (2013: 4,837,000) ordinary shares of K1 each as disclosed in note 18.

On 19 September 2014, the shareholders approved an increase in the authorised share capital by 10,000,000 ordinary shares at an exercise price of K1 per share. Of this amount K3, 031,108 has been received and is awaiting allotment of shares after the increase in the authorised share capital is approved by Patents and Companies Registration Agency (PACRA). (2013: nil).

Results

	2014 K	2013 K
Gross written premium	<u>30,521,442</u>	<u>23,781,521</u>
Profit before tax	<u>1,329,621</u>	<u>963,907</u>

Proposed dividend

There was no dividend paid or proposed during the year. (2013: nil)

Directors

The Directors for the year 2014 were:

Mr. Joe Okwach	-	Chairman	
Mr. Humphrey Kabwe	-	Managing Director	
Mr. Tushar Shah	-	Non-Executive Director	
Mr. Hemantkumar Patel	-	Non-Executive Director	
Mr. Ramesh Patel	-	Non-Executive Director	
Mr. Anjay Patel	-	Non-Executive Director	
Ms. Valerie Susan Sesia	-	Non-Executive Director	Appointed 01/12/2014

Directors' interest in ordinary shares

Mr Anjay Patel, Mr Humphrey Kabwe, Mr Ramesh Patel and Mr Hemantkumar Patel are the only directors who have direct interest in the equity of the Company.

Loans to Directors

No loans were issued to the directors during the year (2013: Nil).

Related party transactions

A loan of K 1,266,000 was issued to the Company from EPCO Builders Zambia Limited where the Managing Director of the Company is a Director (2013: nil).

Mayfair Insurance Company Zambia Limited

Directors' report *(continued)*
for the year ended 31 December 2014

Donations and gifts

Mayfair Insurance Company Zambia Limited made donations amounting to K28, 548 (2013: K7,000).

Employees

The average number of people employed by the Company during the year was 45 (2013: 31). The total amount paid to the above employees during the period under review, (in the form of salaries, wages and other allowances) was K3.4 million (2013: K 2.5 million) as disclosed in note 8.

Health and safety

The Company attaches great importance to the welfare of its employees. The Company provides medical services to staff and their direct dependants through a medical scheme. In addition to the medical service, the company provides Group Personal Accountant and Group Life Assurance covers.

Auditors

In accordance with the provision of the Articles of Association of the Company, Messrs KPMG will retire at the next Annual General Meeting. A resolution for appointing external auditors for the forthcoming year and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Corporate governance

The Board of Directors hereby confirm that the Company has complied with all the internal control aspects of the principles of good governance. Audit, Investment and Human Resources committees are all functional and operating within the terms of reference.

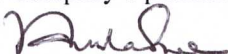
The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board and the requirement of the Companies Act and the Insurance Act of Zambia.

The Company has no service contracts with any of the Directors, except for the Managing Director.

Except for the loan issued to the Company from EPCO, as disclosed on page 3, there have been no contracts of significance subsisting during or at the end of the financial year in which any Director or any substantial shareholder has been materially interested.

Other material facts, circumstances and events

The Directors are not aware of any material fact, circumstances or event which has occurred between the accounting date and the date of this report which might influence a reassessment of the Company's position for the results of its operations.



By order of the Board

Mayfair Insurance Company Zambia Limited

Directors' responsibilities in respect of the preparation of financial statements

The Company's directors are responsible for the preparation and fair presentation of the financial statements of Mayfair Insurance Company Zambia Limited, comprising the statement of financial position as at 31 December 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of Zambia and the Insurance Act of Zambia. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework (as described above).

Approval of the financial statements

The financial statements of Mayfair Insurance Company Zambia Limited, as identified in the first paragraph, were approved by the Board of Directors on26 March..... 2015 and signed on its behalf by:

.....
Chairman

.....
Director



KPMG Chartered Accountants

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Addis Ababa Roundabout
Rhodes Park, Lusaka
P.O. Box 31282
Lusaka, Zambia

Telephone +260 211 372 900
Website www.kpmg.com

**Independent auditor's report to the
Members of Mayfair Insurance
Company Zambia Limited**

Report on the financial statements

We have audited the financial statements of Mayfair Insurance Company Zambia Limited ("the Company"), which comprise the statement of financial position as at 31 December 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 7 to 44.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the Insurance Act of Zambia and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mayfair Insurance Company Zambia Limited as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the Insurance Act of Zambia.

Other matter

The supplementary schedules set out on page 45 - 46 do not form part of the financial statements and are presented as additional information. We have not audited these schedules and accordingly, we do not express an opinion on them.

Report on other legal and regulatory requirements

In accordance with Section 173 (3) of the Companies Act of Zambia, we report that, in our opinion, the required accounting records, other records and registers have been properly kept in accordance with the Act.

KPMG Chartered Accountants 31 March 2015
Lusaka, Zambia

Maaya Chipwayambokoma
Partner

M/PC 0000648

Mayfair Insurance Company Zambia Limited


Statement of financial position

as at 31 December 2014

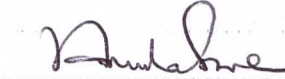
In Zambian Kwacha

	Note	2014	2013
Non-current assets			
Property and equipment	12	6,695,943	659,945
Intangible assets	13	67,936	66,070
Deferred tax assets	11	290,134	-
Total non-current assets		7,054,013	726,015
Current assets			
Trade and other receivables	14	6,267,737	5,303,591
Re-insurers share of unearned premium reserves	20	10,085,175	8,463,111
Insurance receivables	16	190,637	401,499
Cash and cash equivalents	17	10,363,955	6,725,956
Total current assets		26,907,504	20,894,157
Total assets		33,961,517	21,620,172
Equity			
Share capital	18	4,837,000	4,837,000
Funds awaiting allotment of shares		3,031,108	-
Accumulated losses		(1,271,928)	(2,255,584)
Total equity		6,596,180	2,581,416
Non-current liabilities			
Insurance funds - unearned premium reserve	19	16,671,562	13,797,005
Total non-current liabilities		16,671,562	13,797,005
Current liabilities			
Re-insurance payables	21	3,672,687	2,102,220
Trade and other payables	22	5,581,309	3,139,531
Amounts due to related parties	23	1,266,000	-
Current tax liability	10	173,779	-
Total current liabilities		10,693,775	5,241,751
Total liabilities		27,365,337	19,038,756
Total equity and liabilities		33,961,517	21,620,172

These financial statements were approved by the board of directors on 26/3/15 and signed on its behalf by:



 Chairman



 Director

The notes on pages 11 to 44 form an integral part of these financial statements.

Mayfair Insurance Company Zambia Limited

Statement of profit or loss and other comprehensive income for the year ended 31 December 2014

In *Zambian Kwacha*

	Note	2014	2013
Gross written premium	5(a)	30,521,442	23,781,521
Written premiums ceded to reinsurers	5(b)	<u>(15,230,473)</u>	<u>(12,493,344)</u>
Net premiums written		15,290,969	11,288,177
Change in gross provision for unearned premium	19	(2,874,557)	(7,989,605)
Reinsurers share of change in provision for unearned premiums	20	<u>1,622,064</u>	<u>6,603,675</u>
Change in net provision for unearned premiums		<u>(1,252,493)</u>	<u>(1,385,930)</u>
Net earned premiums		14,038,476	9,902,247
Investment income		378,608	280,550
Other expenses	7.1	<u>(48,578)</u>	<u>(15,221)</u>
Revenue		<u>14,368,506</u>	<u>10,167,576</u>
Insurance claims	7.2	(12,092,408)	(5,074,714)
Insurance claims recoverable from reinsurers		<u>8,605,774</u>	<u>2,133,915</u>
Net insurance claims		<u>(3,486,634)</u>	<u>(2,940,799)</u>
Outstanding (loss)/gain and IBNR adjustment (expenses)/refund		(1,304,195)	259,088
Administrative expenses	6(a)	(8,035,286)	(5,816,585)
Net commissions	7.3	<u>(239,480)</u>	<u>(717,562)</u>
		<u>(9,578,961)</u>	<u>(6,275,059)</u>
Results from operating activities		1,302,911	951,718
Net financing income	9	<u>26,710</u>	<u>12,189</u>
Profit before tax		1,329,621	963,907
Tax expense	10	<u>(345,965)</u>	-
Profit for the year		<u>983,656</u>	<u>963,907</u>

There were no items of other comprehensive income during the year.

The notes on pages 11 to 44 form an integral part of these financial statements.

Mayfair Insurance Company Zambia Limited

Statement of changes in equity for the year ended 31 December 2014

In Zambian Kwacha

	Share capital	Funds awaiting allotment of shares	Accumulated losses	Total
Balance at 1 January 2013	4,837,000	-	(3,219,491)	1,617,509
Total comprehensive income for the period				
Profit for the year	-	-	963,907	963,907
Balance at 31 December 2013	<u>4,837,000</u>	<u>-</u>	<u>(2,255,584)</u>	<u>2,581,416</u>
Balance at 1 January 2014	4,837,000	-	(2,255,584)	2,581,416
Total comprehensive income for the period				
Profit for the year	-	-	983,656	983,656
Transactions with owners of the Company contributions and distributions				
Funds awaiting allotment of shares	-	3,031,108	-	3,031,108
Balance at 31 December 2014	<u>4,837,000</u>	<u>3,031,108</u>	<u>(1,271,928)</u>	<u>6,596,180</u>

Accumulated losses

Accumulated losses are the brought forward recognised income net of expenses of the Company plus the current period profit attributed to shareholders.

Funds awaiting allotment of shares

Funds awaiting allotment of shares refers to funds received but awaiting the increase in the authorised share capital to be approved by Patents and Companies Registration Agency (PACRA).

The notes on pages 11 to 44 form an integral part of these financial statements.

Mayfair Insurance Company Zambia Limited

Statement of cash flows

for the year ended 31 December 2014

In Zambian Kwacha

	Note	2014	2013
Cash flows from operating activities			
Profit for the year		983,656	963,907
<i>Adjustments for:</i>			
Depreciation	6(a)	214,215	175,372
Amortisation	6(a)	2,151	1,605
Interest received		(378,608)	(280,550)
Net financing income	9	(26,710)	(12,189)
Loss on disposal of property and equipment	7.1	32,161	-
Tax expense	10	345,965	-
		<u>1,172,830</u>	<u>848,145</u>
Changes in:			
Trade and other receivables		(964,146)	(2,851,755)
Insurance receivables		210,862	(48,182)
Reinsurers share of unearned premium reserves		(1,622,064)	(6,603,675)
Insurance funds-unearned premium reserves		2,874,557	7,989,605
Reinsurance payable		1,570,467	1,435,432
Trade and other payables		2,441,778	1,316,351
Tax paid	10	(462,320)	-
Net cash from operating activities		<u>5,221,964</u>	<u>2,085,921</u>
Cash flows from investing activities			
Proceeds on disposal of property and equipment		16,000	-
Interest received		378,608	280,550
Acquisition of intangible assets	13	(4,017)	(17,639)
Acquisition of property and equipment	12	(6,298,374)	(97,306)
Net cash (used in)/ generated from investing activities		<u>(5,907,783)</u>	<u>165,605</u>
Cash flows from financing activities			
Funds received awaiting allotment of shares	18	3,031,108	-
Loan from related party	23	1,266,000	-
Net cash generated from financing activities		<u>4,297,108</u>	<u>-</u>
Net increase in cash and cash equivalents		3,611,289	2,251,526
Cash and cash equivalents at 1 January		6,725,956	4,462,241
Effect of exchange rate fluctuations on cash balances held		26,710	12,189
Cash and cash equivalents at 31 December	17	<u>10,363,955</u>	<u>6,725,956</u>

The notes on pages 11 to 44 form an integral part of these financial statements.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements

for the year ended 31 December 2014

1 Reporting entity

Mayfair Insurance Company Zambia Limited (the "Company") is domiciled in Zambia. The address of the Company's registered office is Plot No. 1278 Lubuto Road, Rhodes Park, Lusaka, Zambia.

The Company is primarily involved in the provision of non-life insurance services to both corporate and individual clients.

2 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act and the Insurance Act of Zambia. They were authorised for issue by the Company's Board of Directors on ...26 March 2015

Details of the Company's accounting policies are included in note 28 and 29.

3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha ("Kwacha"), which is the Company's functional currency.

Where appropriate, comparative figures have been restated/reclassified to afford a meaningful comparison with the current year.

4 Use of estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2014 is included in the following notes:

- Note 11 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.
- Note 24 – impairment test: key assumptions underlying recoverable amounts.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements

for the year ended 31 December 2014

4 Use of estimates (continued)

(b) 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 judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from claims made under 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.

Impairment losses on receivables

The Company reviews its portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of debtors before the decrease can be identified with individual debtors. This evidence may include observable data that there has been an adverse change in the payment status of borrowers in a Company, or national or local economic conditions that correlate with defaults on assets in the Company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Incurred but not reported

The Company's estimates for reported and unreported losses and establishing resulting provisions and related re-insurance recoverable are continually reviewed and updated, and adjustments resulting from this review are reflected in profit and loss. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

Impairment of assets other than receivables

The carrying amounts of the Company's assets other than receivables are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. This estimation requires significant judgement. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount exceeds the recoverable amount.

Income taxes

The tax charged to the accounts is subject to agreement with Zambia Revenue Authority. When the final tax outcome upon agreement of assessments differs from the amounts initially recorded, such differences are adjusted in subsequent periods.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements

for the year ended 31 December 2014

4 Use of estimates (continued)

(c) Measurement of fair value

A number of the Company's accounting policies and disclosure require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following note:

- Note 29 (o) – financial instruments.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

In *Zambian Kwacha*

5(a) Gross written premium

See accounting policy in note 29(a)

	2014	2013
Fire	2,415,037	2,306,971
Motor	9,756,467	7,460,306
Engineering	2,259,375	1,438,676
Accident	1,661,878	119,478
Marine	1,149,616	808,406
Liability	1,054,480	1,011,273
Agriculture	12,224,589	10,636,411
	<u>30,521,442</u>	<u>23,781,521</u>

5(b) Written premiums ceded to reinsurers

See accounting policy in note 29(i)

Fire	1,142,162	1,187,738
Motor	199,588	227,516
Engineering	1,882,525	654,985
Accident	1,339,782	89,102
Marine	566,007	310,096
Liability	296,428	434,787
Agriculture	9,803,981	9,589,120
	<u>15,230,473</u>	<u>12,493,344</u>

6(a) Administrative expenses

Movement in allowance for impairment (see note 24(xiii))	437,301	311,563
Depreciation (see note 12)	214,215	175,372
Amortisation (see note 13)	2,151	1,605
Directors' fees	155,390	69,260
Auditor's fees	130,782	144,752
Personnel expenses (see note 8)	3,415,440	2,497,401
Other costs (see note 6(b))	3,392,272	2,415,880
Consultancy fees	43,563	10,500
Pensions and Insurance Authority levy	244,172	190,252
	<u>8,035,286</u>	<u>5,816,585</u>

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

In Zambian Kwacha

6 (b) Administrative expenses

	2014	2013
Bank charges	147,897	94,704
General expenses	13,825	73,192
Repair and maintenance of motor vehicle	101,406	24,094
Office upkeep and maintenance	18,580	8,185
Printing and stationery	623,337	263,622
Travel allowance expenses	162,700	118,540
Courier and postage expenses	47,562	14,059
Overseas travelling expenses	130,780	19,075
Local travelling expenses	89,363	100,483
Fuel expense	100,841	59,088
Motor vehicle hire	28,085	14,475
Entertainment expenses	2,166	7,686
Telephone and internet expenses	111,228	105,633
Marketing, advertising and publicity expenses	268,927	236,516
Assessment fees	-	17,750
Office rent expense	428,640	302,544
Office repairs and maintenance	36,313	6,597
House rent expense	117,826	103,500
Computer repair and maintenance	17,606	6,268
Subscriptions	48,888	38,931
Education expenses	114,243	100,291
Legal fees	-	8,388
Insurance expenses	22,388	14,040
Donations	28,548	6,611
Board meeting expenses	24,623	12,404
Directors travelling expenses	56,176	80,130
Insurance licences and permits	11,066	21,670
Service charges	61,831	50,637
Group life assurance	35,408	26,197
Agriculture travelling expenses	31,601	19,840
Kitwe office expenses	31,238	105,552
Tender fees	-	6,440
Leave pay	170,189	122,512
Esure lease payments	100,396	68,593
Gratuity expenses	167,178	151,235
Workers Compensation Fund	9,900	-
Debt collection fees	-	1,760
POS charges	2,620	1,578
Workshop expenses	17,807	3,060
Boarder offices expenses	590	-
Internship expenses	10,500	-
	<u>3,392,272</u>	<u>2,415,880</u>

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

In Zambian Kwacha

7.1 Other expenses

	2014	2013
Yellow cards	16,417	15,221
Loss on disposal	32,161	-
	<u>48,578</u>	<u>15,221</u>

7.2 Insurance claims

See accounting policies in notes 29(g) and 29 (h)

Fire and industrial	7,176	249,313
Marine - goods in transit	435,672	196,308
Motor vehicles - private	3,016,894	2,249,944
Motor vehicles - commercial	644,789	1,947,230
Theft - cash in transit	389,500	17,221
Theft - burglary all risks	30,641	67,668
Miscellaneous - crops	7,424,273	341,311
Miscellaneous - livestock	129,712	72,400
Miscellaneous - any other	187,646	74,947
	<u>12,266,303</u>	<u>5,216,342</u>
Claims recoveries	(173,895)	(141,628)
	<u>12,092,408</u>	<u>5,074,714</u>

7.3 Net commission

Direct commission	3,173,831	2,511,016
Re-insurance commission	(2,934,351)	(1,793,454)
	<u>239,480</u>	<u>717,562</u>

8 Personnel expenses

See accounting policy in note 29(l)

Salaries, wages and allowances	3,163,031	2,361,545
Compulsory social security contributions	111,372	67,435
Other staff costs	141,037	68,421
	<u>3,415,440</u>	<u>2,497,401</u>

9 Net financing income

Finance income

Exchange gains	59,900	16,064
	<u>59,900</u>	<u>16,064</u>

Finance costs

Exchange loss	(33,190)	(3,875)
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Net financing income	<u>26,710</u>	<u>12,189</u>
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Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

In Zambian Kwacha

10 Income taxes

See accounting policy in note 29(t)

	2014	2013
Income tax expense in the income statement		
Current tax expense	636,099	-
Unrecognised deferred tax asset in prior year	(262,301)	-
Deferred tax expense	(27,833)	-
Income tax expense	345,965	-
Reconciliation of effective tax rate		
Profit before taxation	1,329,621	963,907
Income tax using the Company's domestic tax rate	35% 465,367	35% 337,368
Non-deductible expenses	11% 142,899	17% 165,906
Unrecognised deferred tax asset in prior year	(20) (262,301)	-
Deferred tax movement not recognised	0% -	(52)% (503,274)
Total income tax expense	26% 345,965	-
Tax liability		
Opening balance	-	-
Charge for the year	636,099	-
Taxes paid during the year	(462,320)	-
Current tax liability	173,779	-

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

In *Zambian Kwacha*

11 Deferred taxation

In the opinion of the directors the deferred tax assets are recoverable. The utilisation of the deferred tax assets is dependent on future taxable profits being in excess of profits arising from the reversal of existing taxable temporary differences. Management is confident that the Company will have taxable profits against which any deferred tax asset will be utilised. As at 31 December 2013, the Company did not recognise the deferred tax asset.

(a) Recognised deferred assets and liabilities

	2014			2013		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	-	113,847	113,847	-	-	-
Unrealised exchange gain	-	20,965	20,965	-	-	-
Unrealised exchange losses	(11,617)	-	(11,617)	-	-	-
Impairment	(413,329)	-	(413,329)	-	-	-
	<u>(424,946)</u>	<u>134,812</u>	<u>(290,134)</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Unrecognised deferred assets and liabilities

	2014			2013		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	-	-	-	-	98,685	98,685
Unrealised exchange gain	-	-	-	-	5,622	5,622
Unrealised exchange losses	-	-	-	(1,356)	-	(1,356)
Impairment	-	-	-	(109,047)	-	(109,047)
Tax losses	-	-	-	(256,205)	-	(256,205)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(366,608)</u>	<u>104,307</u>	<u>(262,301)</u>

(c) Movement in unrecognised and recognised temporary differences

	Balance	Unrecognised in	Balance	Recognised in	Balance
	1 January 2013	profit or loss	31 December 2013	profit or loss	31 December 2014
Temporary differences on fixed assets	73,740	24,945	98,685	15,162	113,847
Unrealised exchange loss	(27,681)	26,325	(1,356)	(10,261)	(11,617)
Unrealised exchange gain	19,684	(14,062)	5,622	15,343	20,965
Impairment loss	-	(109,047)	(109,047)	(304,282)	(413,329)
Tax losses	(831,318)	575,113	(256,205)	256,205	-
	<u>(765,575)</u>	<u>503,274</u>	<u>(262,301)</u>	<u>(27,833)</u>	<u>(290,134)</u>

Mayfair Insurance Company Zambia Limited

Notes to the financial statements (continued)
for the year ended 31 December 2014
In Zambian Kwacha

12 Property and equipment

See accounting policy in note 29(j)

	Leasehold improvements	Office equipment	Telephone equipment	Furniture and fittings	Computer hardware	Motor vehicle	Commercial buildings	Land	Total
Cost or valuation									
Balance at 1 January 2013	38,560	69,182	14,197	123,851	118,282	583,045	-	-	947,117
Additions	-	7,175	4,999	33,265	22,067	29,800	-	-	97,306
Balance at 31 December 2013	38,560	76,357	19,196	157,116	140,349	612,845	-	-	1,044,423
Balance at 1 January 2014	38,560	76,357	19,196	157,116	140,349	612,845	-	-	1,044,423
Additions	-	7,455	5,500	73,923	20,376	294,620	1,040,143	4,856,357	6,298,374
Disposals	-	-	-	-	-	(70,480)	-	-	(70,480)
Balance at 31 December 2014	38,560	83,812	24,696	231,039	160,725	836,985	1,040,143	4,856,357	7,272,317
Accumulated depreciation									
Balance at 1 January 2013	10,266	22,927	4,218	37,473	86,089	48,133	-	-	209,106
Depreciation for the year	4,820	9,031	1,775	17,128	23,029	119,589	-	-	175,372
Balance at 31 December 2013	15,086	31,958	5,993	54,601	109,118	167,722	-	-	384,478
Balance at 1 January 2014	15,086	31,958	5,993	54,601	109,118	167,722	-	-	384,478
Depreciation for the year	4,820	10,021	2,972	22,259	18,962	148,247	6,934	-	214,215
Disposals	-	-	-	-	-	(22,319)	-	-	(22,319)
Balance at 31 December 2014	19,906	41,979	8,965	76,860	128,080	293,650	6,934	-	576,374
Carrying amounts									
At 31 December 2013	23,474	44,399	13,203	102,515	31,231	445,123	-	-	659,945
At 31 December 2014	18,654	41,833	15,731	154,179	32,645	543,335	1,033,209	4,856,357	6,695,943

A schedule listing the properties as required by section 193 and 14 second schedule of the Companies Act of Zambia is available for inspection by members or their duly authorised representatives at the registered offices of the Company. Included in cost of computer hardware are fully depreciated assets amounting to K 101,875 (2013: K 64,144).

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

In Zambian Kwacha

13 Intangible asset

See accounting policy in note 29(k)

	Computer software
<i>Cost</i>	
At 1 January 2013	53,491
Acquisitions	17,639
At 31 December 2013	<u>71,130</u>
At 1 January 2014	71,130
Acquisitions	4,017
At 31 December 2014	<u>75,147</u>
<i>Amortisation</i>	
At 1 January 2013	3,455
Charge for the year	1,605
At 31 December 2013	<u>5,060</u>
At 1 January 2014	5,060
Charge for the year	2,151
At 31 December 2014	<u>7,211</u>
<i>Carrying amount</i>	
At 31 December 2014	<u>67,936</u>
At 31 December 2013	<u>66,070</u>

In the opinion of the directors, computer software is not impaired.

14 Trade and other receivables

See accounting policy in note 29(o)

	2014	2013
Brokers and agents balances (see note 15)	6,017,005	5,175,356
Other receivables	226,558	93,381
Prepayments	24,174	34,854
	<u>6,267,737</u>	<u>5,303,591</u>

15 Brokers and agents balances

Brokers and agents balances	7,244,257	6,305,195
Commission payable	(84,733)	(414,038)
	<u>7,159,524</u>	<u>5,891,157</u>
Less: provision for impairment (see note 24(xiii))	(1,142,519)	(715,801)
	<u>6,017,005</u>	<u>5,175,356</u>

16 Insurance receivables

See accounting policy in note 29(i)

Reinsurers premiums receivable	229,056	429,335
Less: provision for impairment	(38,419)	(27,836)
	<u>190,637</u>	<u>401,499</u>

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

In *Zambian Kwacha*

17 Cash and cash equivalents

See accounting policy in note 29(o)

	2014	2013
Cash and bank balances	3,859,866	1,711,227
Short term deposits	6,504,089	5,014,729
	<u>10,363,955</u>	<u>6,725,956</u>

18 Share capital

See accounting policy in note 29(p)

Authorised share capital of 5 million (2013: 5 million) shares of K1 each

5,000,000	5,000,000
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Issued share capital

In issue at 1 January and 31 December

4,837,000	4,837,000
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Funds awaiting allotment of shares

3,031,108	-
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Rights of ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and to vote at meetings of the Company.

Funds awaiting allotment of shares

On 19 September 2014, the shareholders approved the proposed increase in the authorised share capital of 10,000,000 ordinary shares at an exercise price of K1 per share. Of this amount K3, 031,108 is awaiting allotment of shares after the increase in the authorised share capital is approved by Patents and Companies Registration Agency (PACRA) (2013: nil).

19 Insurance funds - unearned premium reserve

See accounting policy in note 29(c)

Balance at 1 January	13,797,005	5,807,400
Movement	2,874,557	7,989,605
Balance at 31 December	<u>16,671,562</u>	<u>13,797,005</u>

20 Reinsurers share of unearned premium reserve

See accounting policy in note 29(c)

Balance at 1 January	8,463,111	1,859,436
Movement	1,622,064	6,603,675
Balance at 31 December	<u>10,085,175</u>	<u>8,463,111</u>

21 Re-insurance payables

See accounting policy in note 29(i)

Amounts payable to re-insurance companies	3,672,687	2,102,220
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Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*

for the year ended 31 December 2014

In *Zambian Kwacha*

22 Trade and other payables

See accounting policy in note 29(h & r)

	2014	2013
Accruals	3,225,137	2,087,553
Outstanding claims	1,657,130	544,796
Incurred but not reported	699,042	507,182
	<u>5,581,309</u>	<u>3,139,531</u>

Included in accruals is 2014 4th quarter VAT of K1.9 million (2013: K1.7 million).

23 Related party transactions

(a) *Identity of related parties*

The Company has a related party relationship with its holding company, group companies, directors and key management staff.

(b) *Amounts due to related parties*

	2014	2013
EPCO Builders Zambia Limited (see note 22)	<u>1,266,000</u>	-

The loan was obtained from the related party to purchase land and building during the year. The loan is unsecured, interest free and repayment terms had not been fixed as at the reporting date.

(c) *Transactions with key management personnel and directors*

i) *Key management personnel compensation*

	2014	2013
Salaries and allowances	1,326,132	1,123,016
Pension contributions	28,512	22,002
	<u>1,354,644</u>	<u>1,145,018</u>

ii) *Directors' remuneration*

Directors' fees	<u>155,390</u>	<u>69,260</u>
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The terms and conditions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

In *Zambian Kwacha*

24 Financial instruments – fair values and risk management

a) Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

		2014		2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value					
Cash and cash equivalents	17	10,363,955	10,363,955	6,725,956	6,725,956
Insurance receivables	16	190,637	190,637	401,499	401,499
Re-insurance share of unearned premium reserves	20	10,085,175	10,085,175	6,725,956	6,725,956
Trade and other receivables	14	6,267,737	6,267,737	5,303,591	5,303,591
		<u>26,907,504</u>	<u>26,907,504</u>	<u>19,157,002</u>	<u>19,157,002</u>
Financial liabilities measured at fair value					
Trade and other payables	22	(6,847,309)	(6,847,309)	(3,139,531)	(3,139,531)
Re-insurance payables	21	(3,672,687)	(3,672,687)	(2,102,220)	(2,102,220)
		<u>(10,519,996)</u>	<u>(10,519,996)</u>	<u>(5,241,751)</u>	<u>(5,241,751)</u>

The carrying amounts equate fair value due to the low impact of discounting.

b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk

i) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

In Zambian Kwacha

24 Financial instruments – fair values and risk management *(continued)*

b) Financial risk management *(continued)*

ii) Credit risk

Insurance and re-insurance

Management has a policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on significant customers requiring credit over a certain amount. The Company conducts business with reputable and financially sound re-insurers to minimise losses arising from defaulting debtors. Reputable financial institutions are used for investing and cash handling purposes. No collateral is required in respect of financial assets.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position under the Insurance Act.

Re-insurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Company remains liable for the payment to the policy holder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

iii) Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of investments.

Liquidity management is directed towards ensuring that all the Company's operations can meet their funding needs, whether this is to replace existing funding as it matures, or is withdrawn.

iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is exposed to interest rate risk to the extent of the balance of the current accounts and on its cash and cash equivalents. Interest rate risk management activities are conducted in the context of the Company's sensitivity to interest rate changes. Debt financing and investment decisions are supposed to be approved by the Audit Committee before the transaction takes place.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

24 Financial instruments – fair values and risk management *(continued)*

b) Financial risk management *(continued)*

v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

vi) Insurance risk

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, financial or other perils that may arise from an insurable event. As such, the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Company also has exposure to market risk through its insurance and investment activities.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of re-insurance and monitoring of emerging issues.

The Company uses several methods to assess and monitor insurance risk exposures both for individual types of risk insured and overall risks. These methods include internal risk measurement, sensitivity analysis, scenario analysis, stress testing etc.

Insurance risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, and re-insurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

24 Financial instruments – fair values and risk management *(continued)*

b) Financial risk management *(continued)*

vii) *Re-insurance risk*

The Company cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, Company risks or defined blocks of business, on a coinsurance, yearly renewable term, excess or catastrophe excess basis. These re-insurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Company's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the re-insurance agreements, the re-insurer agrees to reimburse the ceded amount in the event that the claim is paid. However the Company remains liable to its policy holders with respect to ceded insurance if any re-insurer fails to meet the obligations it assumes.

viii) *Concentration risk*

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk and industry. All risks arise within Zambia and mainly under manufacturing, transport and service industry.

ix) *Capital management*

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as a results from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

In Zambian Kwacha

24 Financial instruments – fair values and risk management *(continued)*

b) Financial risk management *(continued)*

x) Currency risk

The Company incurs currency risk as a result of transactions in US Dollar. The Company ensures that the net exposure is kept to an acceptable level by transacting in foreign currencies at spot rates where necessary to address short term imbalances. The currency risk expressed in Kwacha at 31 December 2014 was as follows:

31 December 2014	Note	US\$ (K equivalent)	K	Total
Assets				
Brokers and agents balances	14	-	7,244,257	7,244,257
Insurance receivables	16	-	190,637	190,637
Cash and cash equivalents	17	<u>2,256,661</u>	<u>8,107,294</u>	<u>10,363,955</u>
		<u>2,256,661</u>	<u>15,542,188</u>	<u>17,798,849</u>
Liabilities				
Re-insurance payables	21	1,187,508	2,485,179	3,672,687
Outstanding claims	22	-	1,657,130	1,657,130
Incurred but not reported	22	-	<u>699,043</u>	<u>699,043</u>
		<u>1,187,508</u>	<u>4,841,352</u>	<u>6,028,860</u>
Net exposure		<u>1,069,153</u>	<u>10,700,836</u>	<u>11,769,989</u>
31 December 2013				
	Note	US\$ (K equivalent)	K	Total
Assets				
Brokers and agents balances	14	-	6,305,195	6,305,195
Insurance receivables	16	-	401,499	401,499
Cash and cash equivalents	17	<u>185,839</u>	<u>6,540,117</u>	<u>6,725,956</u>
		<u>185,839</u>	<u>13,246,811</u>	<u>13,432,650</u>
Liabilities				
Re-insurance payables	21	-	2,102,220	2,102,220
Outstanding claims	22	-	544,796	544,796
Incurred but not reported	22	-	<u>507,182</u>	<u>507,182</u>
		-	<u>3,154,198</u>	<u>3,154,198</u>
Net exposure		<u>185,839</u>	<u>10,092,613</u>	<u>10,278,452</u>

xi) Interest rate risk

The Company is exposed to interest rate risk to the extent of the balance of the current accounts and on its cash and cash equivalents. Interest rate risk management activities are conducted in the context of the Company's sensitivity to interest rate changes. Debt financing and investment decisions are approved by the Board before the transaction takes place.

At the reporting date, the Company had no fixed tenure investments or borrowings.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

In Zambian Kwacha

24 Financial instruments – fair values and risk management *(continued)*

b) Financial risk management *(continued)*

xii) Credit risk

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

	Note	2014	2013
Re-insurers share of insurance liabilities	20	10,085,175	8,463,111
Brokers and agents receivables	14	6,017,005	5,175,356
Prepayments	14	24,174	34,854
Other receivables	14	226,558	93,381
Cash and cash equivalents	17	10,363,955	6,725,956
		<u>26,716,867</u>	<u>20,492,658</u>

Management has a policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on significant customers requiring credit over a certain amount. The Company conducts business with reputable and financially sound re-insurers to minimise losses arising from defaulting debtors. Reputable financial institutions are used for investing and cash handling purposes. No collateral is required in respect of financial assets.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position under the Insurance Act.

Re-insurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Company remains liable for the payment to the policy holder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The carrying amount of financial assets represents the maximum credit exposure.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

In Zambian Kwacha

24 Financial instruments – fair values and risk management *(continued)*

b) Financial risk management *(continued)*

xiii) Impairment losses

The aging of trade receivables at the reporting date was:

	2014		2013			
	Gross	Impairment	Net	Gross	Impairment	Net
Past due 0 – 30 days	2,756,244	-	2,756,244	2,695,137	-	2,695,137
Past due 31 – 60 days	2,571,980	-	2,571,980	1,989,308	-	1,989,308
Past due 61 – 90 days	426,554	-	426,554	706,548	-	706,548
Past due 91 – 180 days	1,489,479	1,142,519	346,960	914,202	715,801	198,401
	<u>7,244,257</u>	<u>1,142,519</u>	<u>6,101,738</u>	<u>6,305,195</u>	<u>715,801</u>	<u>5,589,394</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2014	2013
Balance at 1 January	715,801	430,506
Movement in provision	<u>426,718</u>	<u>285,295</u>
Balance at 31 December	<u>1,142,519</u>	<u>715,801</u>

The aging of insurance receivables at the reporting date was:

	2014		2013			
	Gross	Impairment	Net	Gross	Impairment	Net
Past due 0 – 30 days	124,627	-	124,627	85,957	-	85,957
Past due 31 – 60 days	66,010	-	66,010	315,542	-	315,542
Past due over 180 days	38,419	38,419	-	27,836	27,836	-
	<u>229,056</u>	<u>38,419</u>	<u>190,637</u>	<u>429,335</u>	<u>27,836</u>	<u>401,499</u>

The movement in the allowance for impairment in respect of insurance receivables during the year was as follows:

	2014	2013
Balance at 1 January	27,836	1,568
Movement in provision	<u>10,583</u>	<u>26,268</u>
Balance at 31 December	<u>38,419</u>	<u>27,836</u>

None of the receivables are secured, the Company believes that no impairment allowance is necessary in respect of trade receivables not past due by up to 90 days.

Total impairment losses in profit or loss

Trade receivables	426,718	285,295
Insurance receivables	<u>10,583</u>	<u>26,268</u>
	<u>437,301</u>	<u>311,563</u>

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*

for the year ended 31 December 2014

In *Zambian Kwacha*

24 Financial instruments – fair values and risk management *(continued)*

b) Financial risk management *(continued)*

i) Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of investments.

Liquidity management is directed towards ensuring that all the Company's operations can meet their funding needs, whether this is to replace existing funding as it matures, or is withdrawn.

The following table provides an analysis of the liabilities of the Company into relevant maturity groupings based on the remaining periods to repayment:

31 December 2014

Non-derivative financial liabilities

		Carrying amount	Contractual cash flows	6 months or less
Re-insurance payables	21	3,672,687	3,672,687	3,672,687
Trade and other payables	22	6,847,309	6,847,309	6,847,309
Total		10,519,996	10,519,996	10,519,996

31 December 2013

Non-derivative financial liabilities

		Carrying amount	Contractual cash flows	6 months or less
Re-insurance payables	21	2,102,220	2,102,220	2,102,220
Trade and other payables	22	3,139,531	3,139,531	3,139,531
Total		5,241,751	5,241,751	5,241,751

25 Contingent liabilities

There were no material contingent liabilities as at 31 December 2014 (2013: nil).

26 Subsequent events

There were no material post balance sheet events that would require disclosure in, or adjustment of, these financial statements as at 31 December 2014 (2013: nil).

27 Comparative figures

No comparative figures have been reclassified or restated.

28 Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies as set out in note 29 to all periods presented in these financial statements.

The Company has considered the following new standards. There is no significant impact in the current or prior periods, with the exceptions of additional disclosures.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

28 Changes in accounting policies *(continued)*

- Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32); and
- Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (IAS 36).

The nature and the effects of the changes are explained below.

(i) *Offsetting financial assets and financial liabilities*

The amendments clarify when an entity can offset financial assets and financial liabilities. There is no impact in the current year as a result of the adoption.

(ii) *Recoverable amount disclosures for non-financial assets*

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarifies the disclosures required, and introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amounts (based on fair value less costs of disposal) is determined using a present value technique. The effect as a result of the adoption is not significant for the current year.

29 Significant accounting policies

Except for the changes explained in note 28, the Company has consistently applied the following accounting policies to all periods presented in these financial statements. Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

- (a) Premium recognition
- (b) Finance income and expenses
- (c) Provision for unearned premium - insurance funds
- (d) Unearned premium provision
- (e) Classification of contracts
- (f) Deferred acquisition costs
- (g) Claims
- (h) Outstanding claims
- (i) Re-insurance
- (j) Property and equipment
- (k) Intangible assets
- (l) Employee benefits
- (m) Dividend distribution
- (n) Foreign currency transactions
- (o) Financial instruments
- (p) Share capital
- (q) Salvage and subrogation reimbursements
- (r) Provision
- (s) Impairment
- (t) Income tax

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

29 Significant accounting policies *(continued)*

(a) *Premium recognition*

The underwriting results are determined on an annual basis. Premiums written are accounted for in the year in which the risks are assumed. Revenue is recognised when a debit note is signed by the insurer.

Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods.

(b) *Finance income and finance cost*

The Company's finance income and finance costs include:

- interest income
- interest expense
- the foreign currency gain or loss on financial assets and financial liabilities

Interest income or expense is recognised using the effective interest method.

(c) *Provision for unearned premiums - insurance funds*

At the end of each year a proportion of the net premiums is provided for to cover portions of risk which have not expired at the reporting date. These are shown in the statement of financial position as Insurance Funds. The provision has been based on S33 of the Insurance Act 1997 (as amended), which requires an insurer transacting general insurance business to set aside reserves for unearned premium, using the 24th method or fifty per centum of the net premium income in respect of all classes of business, whichever is higher, or any other method approved by the Registrar of Pensions and Insurance in writing. The basis used in these financial statements is the 24th method, as authorised by the Registrar of Pensions and Insurance.

(d) *Unearned premium provision*

The provision for unearned premiums comprises the proportion of premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the 24th method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

e) *Classification of contracts*

Contracts under which the Company accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policy holder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

29 Significant accounting policies *(continued)*

(e) Classification of contracts (continued)

Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may allow transfer of some financial risk. Once a contract is classified as an Insurance Contract, it remains classified as an Insurance contract until all rights and obligations are extinguished or expire.

(f) Deferred acquisition costs

Policy acquisition costs are expensed in proportion to the gross written premium per class of business over the total gross written premium.

(g) Claims

Claims incurred in respect of general business consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprise provision for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends.

Whilst the Directors consider that the gross provisions for claims and the related re-insurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used and the estimates made are reviewed regularly.

(h) Outstanding claims

Full provision is made for the estimated cost of all claims notified but not settled at the balance sheet date, less re-insurance recoveries, using the best information available at that time. Provision is also made for the cost of claims incurred but not reported until after the balance sheet date. Any differences between these provisions and subsequent provisions or payments are charged or credited to the underwriting account in the year in which they are determined.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

29 Significant accounting policies *(continued)*

(i) *Re-insurance*

Amounts recoverable under re-insurance contracts are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

The Company cedes re-insurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risk. Re-insurance arrangements do not relieve the Company from its direct obligations to its policy holders.

Premiums ceded and benefits reimbursed are presented in the statement of comprehensive income and statement of financial position on a gross basis.

(j) *Property and equipment*

i) *Recognition and measurement*

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

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

iii) *Depreciation*

Depreciation is calculated to write off the cost of item of property and plant less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment are as follows:

▪ Land	Indefinite
▪ Buildings	50 years
▪ Leasehold improvements	8 years
▪ Computer equipment	3 years
▪ Furniture and equipment	8 years
▪ Motor vehicle	5 years

Depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

29 Significant accounting policies *(continued)*

(k) Intangible assets

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

The estimated useful lives of intangible assets is 33 years.

Amortisation methods, useful lives and residual value are reviewed at each reporting date and adjusted if appropriate.

(l) Employee benefits

i. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Defined contribution plan

The Company contributes to the statutory pension scheme in Zambia, namely National Pension Scheme Authority (“NAPSA”) a defined contribution scheme for its eligible employees. Membership is compulsory and monthly contributions by both employer and employee are made. Obligations for contributions to defined contributions plans are expensed as the related service is provided.

(m) Dividend distribution

Unpaid dividends are recognised as a liability in the financial statements in the period in which they are approved by the shareholder.

(n) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. None-monetary items that are measured based on historical cost in a foreign currency are not translated.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

29 Significant accounting policies *(continued)*

(o) *Financial instruments*

The Company classifies non-derivative financial assets into the following categories; financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

i) *Non-derivative financial assets and financial liabilities – recognition and derecognition*

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ii) *Non-derivative financial assets – measurement*

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designed as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes fixed deposits which have a maturity period of less than twelve months.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements (*continued*)
for the year ended 31 December 2014

29 Significant accounting policies (*continued*)

(o) *Financial instruments (continued)*

i) *Non-derivative financial liabilities – measurement*

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(p) *Share capital*

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity net of any tax effects, are recognised as a deduction from equity.

Prepaid capital contributions

Funds received for which there is no possibility of repayment and where the Company's obligation is to deliver only a fixed number of shares are credited to a separate category of equity.

(q) *Salvage and subrogation reimbursements*

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (i.e. salvaged). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Income from salvage is recognised as part of other income when:

- The entity has transferred to the buyer the significant risks and rewards of ownership.
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor-effective control.
- It is probable that the economic benefits associated with the transaction will flow to the entity.
- When the costs to be incurred in respect of the salvage can be measured reliably.
- The income from the salvage can be measured reliably.

(r) *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

29 Significant accounting policies *(continued)*

(s) Impairment

i) Non derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowings or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measureable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Company considers evidence of impairment of these assets at both an individually assets and a collectively level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

29 Significant accounting policies *(continued)*

(s) Impairment (continued)

ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, investments and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGUs exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

29 Significant accounting policies *(continued)*

(t) **Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on taxable income or loss for the year and any adjustments to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

30 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those that may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2015	<p><i>Defined Benefit Plans: Employee Contributions</i> (Amendments to IAS 19)</p>	<p>The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:</p> <ul style="list-style-type: none"> ☐ set out in the formal terms of the plan; ☐ linked to service; and ☐ independent of the number of years of service. <p>When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The Company's defined benefit plan meets these requirements and consequently the Company intends to apply this amendment and will recognise the contributions as reduction of the service costs in the period in which the related service is rendered.</p> <p>The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted.</p>

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

30 New standards and interpretations not yet adopted *(continued)*

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2016	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> (Amendments to IAS 16 and IAS 38)	<p>The amendments to IAS 16 <i>Property, Plant and Equipment</i> explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.</p> <p>The amendments to IAS 38 <i>Intangible Assets</i> introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.</p> <p>The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.</p>

Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2014

30 New standards and interpretations not yet adopted *(continued)*

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2017	IFRS 15 <i>Revenue from Contracts with Customers</i>	<p>This standard replaces IAS 11 <i>Construction Contracts</i>, IAS 18 <i>Revenue</i>, IFRIC 13 <i>Customer Loyalty Programmes</i>, IFRIC 15 <i>Agreements for the Construction of Real Estate</i>, IFRIC 18 <i>Transfer of Assets from Customers</i> and SIC-31 <i>Revenue – Barter of Transactions Involving Advertising Services</i>.</p> <p>The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.</p> <p>This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS.</p>

Mayfair Insurance Company Zambia Limited

Notes to the financial statements (*continued*)
for the year ended 31 December 2014

30 New standards and interpretations not yet adopted (*continued*)

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2018	IFRS 9 Financial Instruments	<p>On 24 July 2014, the IASB issued the final IFRS 9 <i>Financial Instruments</i> Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Company.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.</p>

Mayfair Insurance Company Zambia Limited

Revenue account

for the year ended 31 December 2014

In Zambian Kwacha

	2014	2013
Gross written premium	30,521,442	23,781,521
Less: Re-insurance premium	<u>(15,230,473)</u>	<u>(12,493,344)</u>
Net written premiums	<u>15,290,969</u>	<u>11,288,177</u>
Net underwriting expenses		
Net commissions	239,480	717,562
Net claims paid	3,486,634	2,940,799
Administrative expenses	7,818,920	5,639,608
Unearned premium reserve	1,252,493	1,385,930
Incurred but not reported	699,043	507,182
Outstanding loss adjustments	1,657,130	544,796
Claims outstanding brought forward	(1,051,978)	(1,311,066)
Underwriting exchange gains	(26,710)	(12,189)
Investment and other income	(330,030)	(265,329)
Depreciation	<u>216,366</u>	<u>176,977</u>
	<u>13,961,348</u>	<u>10,324,270</u>
Underwriting profit	<u>1,329,621</u>	<u>963,907</u>

Mayfair Insurance Company Zambia Limited

Solvency margin computation

as at 31 December 2014

In Zambian Kwacha

	2014	2013
Admitted assets		
Property and equipment	6,695,943	659,945
Trade receivables (gross)	6,458,374	5,705,093
Less: trade receivables over 60 days	1,981,459	1,648,586
Trade receivables (net)	4,476,915	4,056,507
Other receivables	9,911,280	8,604,739
Cash, cash equivalents and investments	<u>10,363,955</u>	<u>6,725,956</u>
Total	<u>31,448,093</u>	<u>20,047,147</u>
Admitted liabilities		
Outstanding losses	1,657,130	544,796
Unearned premium reserve	16,671,562	13,797,005
Less unearned premium reserves on debtors over 60 days and less than 12 months	1,287,948	1,071,581
Unearned premium reserve net	15,383,614	12,725,425
Incurred but not reported	699,043	507,182
Re-insurance payables	3,672,687	2,102,220
Current tax liability	173,779	-
Other payables	<u>4,491,137</u>	<u>2,087,553</u>
Total	<u>26,077,390</u>	<u>17,967,176</u>
Margin	21%	12%

The statutory requirement by Pension and Insurance Authority for the solvency ratio is 10%.