

Mayfair Insurance Company Zambia Limited

Financial statements  
*for the year ended 31 December 2015*

# Mayfair Insurance Company Zambia Limited

## Financial statements *for the year ended 31 December 2015*

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# Mayfair Insurance Company Zambia Limited

## Chairman's report *for the year ended 31 December 2015*

### **Overview**

It is with great pleasure that I present the Company's annual report and financial statements for the year ended 31 December 2015.

Despite the challenges that have continued in regard to increased and intense competition, the Company has delivered favourable results in its sixth year of operation with 41% growth in written premiums.

Following the 5 year strategy realignment meeting to re-position the Company's service and product delivery held in December 2015, the organisation has re-defined its business philosophy to meet the ever changing business environment.

### **Economic environment**

The Country's economy slumped in its growth pattern, averaging 5% GDP growth. The economy which recently saw growth being driven by agriculture, manufacturing, construction, energy, transport, communication and the financial sector was affected by increased power load shedding and low copper prices which have continued to affect productivity in the various sectors of the economy.

Inflation increased to double digits closing around 21% in December, thereby negatively affecting economic confidence in the investment arena with lending rates reaching 22%.

The Country experienced a lot of pressure on the general level of prices emanating from the depreciation of the Kwacha, especially during the last quarter of the year. The nominal exchange rate (Kwacha versus the US Dollar) was volatile and depreciated by an annual average rate of approximately 74% in 2015.

### **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 have also strengthened the formulating and monitoring policies for its three sub committees; namely Audit, Risk and Compliance, Human Resource and Investment Committees so as to attain best practice strategic guidance and oversight.

### **Company performance**

The Company's performance in 2015 was very impressive, recording another double digit growth. This growth is both above market performance and inflation recorded.

# Mayfair Insurance Company Zambia Limited

## Chairman's report *(continued)* *for the year ended 31 December 2015*

The Company has positively continued to respond and comply with major policy changes such as quarterly accounting for VAT which came into effect from 1 January 2013 following submissions made by the industry players and also on quarterly reporting to PIA on its financial performance which came into effect from 1 January 2014.

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.

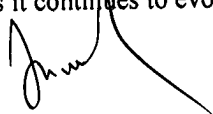
It is therefore with deep gratitude and appreciation that I thank my fellow directors for their insight, guidance and support, management for the way in which they turned the many challenges faced to the Company's advantage, and every member of staff for their dedication and unquestionable hard work.

### **Outlook for the year 2016**

Although 2016 is expected to be another challenging year, the Company has re-positioned itself to exploit the available opportunities through its innovative business strategies. Provision of quality services and products as the case has been in previous years will remain the hallmark of the Company's existence.

The 2015 book of business recorded acceptances of larger risks and it's the intention of the Company to nurture and grow them in 2016.

Despite the projected reduced GDP growth of about 4% in 2016, the Company will remain resilient as it continues to evolve in achieving the set objectives for productivity.



**Joe Okwach**  
**Board Chairman**

# Mayfair Insurance Company Zambia Limited

Directors' report  
for the year ended 31 December 2015

## 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 2015 authorised capital of the Company was K15,000,000 (2014: K5,000,000), issued and fully paid capital of the Company was K7,500,000 (2014: K4,837,000) divided into 7,500,000 (2014: 4,837,000) ordinary shares of K1 each as disclosed in note 19 of the financial statements.

## Operating results

	2015 K	2014 K
Gross written premium	<u>43,096,931</u>	<u>30,521,442</u>
Profit before tax	<u>9,177,154</u>	<u>1,329,621</u>

## Proposed dividend

There was no dividend paid or proposed during the year. (2014: nil).

## Directors

The Directors for the year 2015 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

## Directors' interest in ordinary shares

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

## Loans to Directors

No loans were issued to the directors during the year (2014: Nil).

## Director's fees

Directors fees paid during the year ended 31 December 2015 were K448,176 (2014: K155,390) as disclosed in note 24 c(ii) of the financial statements.

# Mayfair Insurance Company Zambia Limited

Directors' report *(continued)*  
for the year ended 31 December 2015

## Donations and gifts

Mayfair Insurance Company Zambia Limited made donations amounting to K36,611 (2014: K28,548).

## Employees

The average number of people employed by the Company during the year was 54 (2014: 45). The total amount paid to the above employees during the period under review, (in the form of salaries, wages and other allowances) was K5,051,422 (2014: K 3,415,440) as disclosed in note 8 of the financial statements.

The total number of employees were as follows:

January	47	July	49
February	49	August	55
March	51	September	54
April	51	October	55
May	51	November	54
June	51	December	54

## 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.

## Property and equipment

During the year, the Company purchased equipment amounting to K380,902 (2014: K402,234) as disclosed in note 12 of the financial statements.

## Auditors

In accordance with the provision of the Articles of Association of the Company, Messrs KPMG Chartered Accountants 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.

# Mayfair Insurance Company Zambia Limited

Directors' report *(continued)*  
for the year ended 31 December 2015

## **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, Risk and Compliance, 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.

## **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 2015, 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 and the Insurance Act of Zambia. In addition, the directors are responsible for preparing the directors' report.

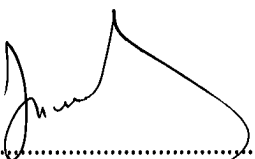
The directors are also responsible for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk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

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 on .....18 March..... 2016 and were signed on its behalf by:

  
.....  
Chairman

  
.....  
Director





**KPMG Chartered Accountants**  
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Addis Ababa Roundabout  
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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 2015, 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 8 to 46.

#### *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 2015, 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 47 - 48 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 2016**

**Maaya Chipwayambokoma**  
*Partner*

**AUD/F000861**

# Mayfair Insurance Company Zambia Limited

## Statement of financial position as at 31 December 2015

In Zambian Kwacha

	Note	2015	2014
<b>Non-current assets</b>			
Property and equipment	12	918,646	6,695,943
Intangible assets	13	65,682	67,936
Current tax asset	10	432,005	-
Deferred tax asset	11	138,589	290,134
Investment property	14	13,006,686	-
<b>Total non-current assets</b>		<b>14,561,608</b>	<b>7,054,013</b>
<b>Current assets</b>			
Cash and cash equivalents	18	16,393,531	10,363,955
Re-insurers share of unearned premium reserves	21	18,260,926	10,085,175
Direct - unearned commission reserve	7.4	2,896,819	-
Trade and other receivables	15	10,340,591	6,267,737
Insurance receivables	17	212,559	190,637
<b>Total current assets</b>		<b>48,104,426</b>	<b>26,907,504</b>
<b>Total assets</b>		<b>62,666,034</b>	<b>33,961,517</b>
<b>Equity</b>			
Share capital	19	7,500,000	4,837,000
Funds awaiting allotment of shares	19	368,108	3,031,108
Retained earnings		7,338,019	(1,271,928)
<b>Total equity</b>		<b>15,206,127</b>	<b>6,596,180</b>
<b>Non-current liabilities</b>			
Insurance funds - unearned premium reserve	20	25,560,373	16,671,562
Reinsurers - unearned commission reserve	7.5	4,179,048	-
<b>Total non-current liabilities</b>		<b>29,739,421</b>	<b>16,671,562</b>
<b>Current liabilities</b>			
Re-insurance payables	22	9,993,147	3,672,687
Trade and other payables	23	7,727,339	5,581,309
Amounts due to related parties	24	-	1,266,000
Current tax liability	10	-	173,779
<b>Total current liabilities</b>		<b>17,720,486</b>	<b>10,693,775</b>
<b>Total liabilities</b>		<b>47,459,907</b>	<b>27,365,337</b>
<b>Total equity and liabilities</b>		<b>62,666,034</b>	<b>33,961,517</b>

These financial statements were approved by the board of directors on 18/03/2016 and signed on its behalf by:

.....  
Chairman

.....  
Director

The notes on pages 12 to 46 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 2015

In Zambian Kwacha

	Note	2015	2014
Gross written premium	5(a)	43,096,931	30,521,442
Written premiums ceded to reinsurers	5(b)	<u>(25,650,199)</u>	<u>(15,230,473)</u>
<b>Net premiums written</b>		<b>17,446,732</b>	<b>15,290,969</b>
Change in gross provision for unearned premium	20	<u>(8,888,811)</u>	<u>(2,874,557)</u>
Reinsurers share of change in provision for unearned premiums	21	<u>8,175,751</u>	<u>1,622,064</u>
<b>Change in net provision for unearned premiums</b>		<b><u>(713,060)</u></b>	<b><u>(1,252,493)</u></b>
<b>Net earned premiums</b>		<b>16,733,672</b>	<b>14,038,476</b>
Investment income		1,187,605	378,608
Gain on revaluation of property		8,383,121	-
Other expenses	7.1	<u>(6,868)</u>	<u>(48,578)</u>
<b>Revenue</b>		<b><u>26,297,529</u></b>	<b><u>14,368,506</u></b>
Insurance claims	7.2	<u>(13,878,039)</u>	<u>(12,092,408)</u>
Insurance claims recoverable from reinsurers		<u>8,500,052</u>	<u>8,605,774</u>
<b>Net insurance claims</b>		<b><u>(5,377,987)</u></b>	<b><u>(3,486,634)</u></b>
Outstanding loss and IBNR adjustment expenses		<u>(1,625,348)</u>	<u>(1,304,195)</u>
Administrative expenses	6(a)	<u>(11,234,353)</u>	<u>(7,597,985)</u>
Recovery/(impairment charge)	25b(iii)	<u>241,162</u>	<u>(437,301)</u>
Net commissions	7.3	<u>520,775</u>	<u>(239,480)</u>
		<b><u>(12,097,764)</u></b>	<b><u>(9,578,961)</u></b>
<b>Results from operating activities</b>		<b>8,821,778</b>	<b>1,302,911</b>
<b>Net financing income</b>	9	<b><u>355,376</u></b>	<b><u>26,710</u></b>
<b>Profit before tax</b>		<b>9,177,154</b>	<b>1,329,621</b>
Tax expense	10	<u>(567,207)</u>	<u>(345,965)</u>
<b>Profit for the year</b>		<b><u>8,609,947</u></b>	<b><u>983,656</u></b>

There were no items of other comprehensive income during the year (2014: Nil)

The notes on pages 12 to 46 form an integral part of these financial statements.

# Mayfair Insurance Company Zambia Limited

## Statement of changes in equity for the year ended 31 December 2015

In Zambian Kwacha

	Share capital	Funds awaiting allotment of shares	Retained earnings	Total
Balance at 1 January 2014	4,837,000	-	(2,255,584)	2,581,416
Profit for the year	-	-	983,656	983,656
<b>Transactions with owners of the Company directly in equity</b>				
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>
<b>Balance at 1 January 2015</b>	<b>4,837,000</b>	<b>3,031,108</b>	<b>(1,271,928)</b>	<b>6,596,180</b>
Profit for the year	-	-	8,609,947	8,609,947
<b>Transactions with owners of the Company recorded directly in equity</b>				
Issued share capital	<u>2,663,000</u>	<u>(2,663,000)</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 December 2015</b>	<b><u>7,500,000</u></b>	<b><u>368,108</u></b>	<b><u>7,338,019</u></b>	<b><u>15,206,127</u></b>

### Retained earnings

Retained earnings 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 12 to 46 form an integral part of these financial statements.

# Mayfair Insurance Company Zambia Limited

## Statement of cash flows for the year ended 31 December 2015

In Zambian Kwacha

	Note	2015	2014
<b>Cash flows from operating activities</b>			
Profit for the year		8,609,947	983,656
<i>Adjustments for:</i>			
Depreciation	6(a)	248,833	214,215
Amortisation	6(a)	2,254	2,151
Interest received		(1,187,605)	(378,608)
Gain on revaluation of property		(8,383,120)	-
Net financing income	9	(355,376)	(26,710)
Loss on disposal of property and equipment	7.1	6,868	32,161
Tax expense	10	567,207	345,965
		<u>(490,992)</u>	<u>1,172,830</u>
<i>Changes in:</i>			
Reinsurers share of unearned premium reserves		(8,175,751)	(1,622,064)
Direct unearned commission reserves		(2,896,819)	-
Trade and other receivables		(4,072,854)	(964,146)
Insurance receivables		(21,922)	210,862
Insurance funds-unearned premium reserves		8,888,811	2,874,557
Reinsurance – unearned commission reserves		4,179,048	-
Reinsurance payable		6,320,460	1,570,467
Trade and other payables		2,146,030	2,441,778
Tax paid	10	(1,021,446)	(462,320)
<b>Net cash from operating activities</b>		<u>4,854,565</u>	<u>5,221,964</u>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of property and equipment		12,932	16,000
Interest received		1,187,605	378,608
Acquisition of intangible assets	13	-	(4,017)
Acquisition of property and equipment	12	(380,902)	(6,298,374)
<b>Net cash generated from/ (used in) investing activities</b>		<u>819,635</u>	<u>(5,907,783)</u>
<b>Cash flows from financing activities</b>			
Funds received awaiting allotment of shares	19	-	3,031,108
Loan from related party	24	-	1,266,000
<b>Net cash generated from financing activities</b>		<u>-</u>	<u>4,297,108</u>
Net increase in cash and cash equivalents		5,674,200	3,611,289
Cash and cash equivalents at 1 January		10,363,955	6,725,956
Effect of exchange rate fluctuations on cash balances held		355,376	26,710
<b>Cash and cash equivalents at 31 December</b>	18	<u>16,393,531</u>	<u>10,363,955</u>

The notes on pages 12 to 46 form an integral part of these financial statements.

# Mayfair Insurance Company Zambia Limited

## Notes to the financial statements

for the year ended 31 December 2015

### 1 Reporting entity

Mayfair Insurance Company Zambia Limited (the "Company") is domiciled in Zambia. 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 18 March 2016

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

### 3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha ("Kwacha"), which is the Company's functional currency. All amounts have been rounded to the nearest kwacha, except otherwise indicated.

### 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 2015 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 23 – incurred but not reported reserve (trade and other payables).
- Note 25 b (iii) – impairment test: key assumptions underlying recoverable amounts.

# Mayfair Insurance Company Zambia Limited

## Notes to the financial statements

for the year ended 31 December 2015

### 4 Use of estimates (continued)

#### (b) Assumptions and estimation (continued)

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 2015

### 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 14 and 25 (a) – financial instruments.



# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In Zambian Kwacha

## 5(a) Gross written premium

*See accounting policy in note 29(a)*

	2015	2014
Fire	3,535,843	2,415,037
Motor	10,970,517	9,756,467
Engineering	933,964	2,259,375
Accident	2,022,032	1,661,878
Marine	876,675	1,149,616
Liability	1,837,038	1,054,480
Agriculture	22,920,862	12,224,589
	<u>43,096,931</u>	<u>30,521,442</u>

## 5(b) Written premiums ceded to reinsurers

*See accounting policy in note 29(i)*

Fire	3,253,638	1,142,162
Motor	469,867	199,588
Engineering	274,651	1,882,525
Accident	1,130,003	1,339,782
Marine	523,070	566,007
Liability	936,642	296,428
Agriculture	19,062,328	9,803,981
	<u>25,650,199</u>	<u>15,230,473</u>

## 6(a) Administrative expenses

Depreciation (see note 12)	248,833	214,215
Amortisation (see note 13)	2,254	2,151
Directors' fees	448,176	155,390
Auditor's fees	189,000	130,782
Personnel expenses (see note 8)	5,051,422	3,415,440
Other costs (see note 6(b))	4,925,392	3,392,272
Consultancy fees	24,500	43,563
Pensions and Insurance Authority levy	344,776	244,172
	<u>11,234,353</u>	<u>7,597,985</u>

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In *Zambian Kwacha*

## 6 (b) Other costs

	2015	2014
Bank charges	150,344	147,897
General expenses	39,591	13,825
Repair and maintenance of motor vehicle	114,058	101,406
Office upkeep and maintenance	34,842	18,580
Printing and stationery	562,697	623,337
Travel allowance expenses	128,479	162,700
Courier and postage expenses	51,889	47,562
Overseas travelling expenses	41,444	130,780
Local travelling expenses	135,219	89,363
Fuel expense	101,721	100,841
Motor vehicle hire	36,399	28,085
Entertainment expenses	-	2,166
Telephone and internet expenses	153,591	111,228
Marketing, advertising and publicity expenses	262,434	268,927
Office rent expense	993,807	428,640
Office repairs and maintenance	43,729	36,313
House rent expense	167,602	117,826
Computer repair and maintenance	28,275	17,606
Subscriptions	65,477	48,888
Education expenses	288,239	114,243
Insurance expenses	64,021	22,388
Donations	36,611	28,548
Board meeting expenses	53,019	24,623
Directors travelling expenses	22,933	56,176
Insurance licences and permits	23,715	11,066
Filing fees	267,500	-
Service charges	110,989	61,831
Group life assurance	27,343	35,408
Agriculture travelling expenses	172,735	31,601
Kitwe office expenses	42,322	31,238
Tender fees	500	-
Leave pay	156,130	170,189
Esure lease payments	153,186	100,396
Gratuity expenses	238,854	167,178
Workers Compensation Fund	13,512	9,900
Debt collection fees	7,500	-
POS charges	3,400	2,620
Workshop expenses	88,385	17,807
Boarder offices expenses	20,900	590
Branch 2 office expenses	18,000	-
Internship expenses	4,000	10,500
	<u>4,925,392</u>	<u>3,392,272</u>

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In *Zambian Kwacha*

## 7.1 Other expenses

	2015	2014
Yellow cards	-	16,417
Loss on disposal	6,868	32,161
	<u>6,868</u>	<u>48,578</u>

## 7.2 Insurance claims

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

Fire and industrial	106,842	7,176
Marine - goods in transit	701,682	435,672
Motor vehicles - private	4,756,852	3,016,894
Motor vehicles - commercial	580,301	644,789
Theft - cash in transit	229,723	389,500
Theft - burglary all risks	150,181	30,641
Miscellaneous - crops	6,943,832	7,424,273
Miscellaneous - livestock	22,560	129,712
Miscellaneous - any other	528,345	187,646
	<u>14,020,318</u>	<u>12,266,303</u>
Claims recoveries	(142,279)	(173,895)
	<u>13,878,039</u>	<u>12,092,408</u>

## 7.3 Net commission

Gross direct commission	4,346,712	3,173,831
Gross re-insurance commission	(6,149,716)	(2,934,351)
Less: Deferred acquisition cost	1,282,229	-
	<u>(520,775)</u>	<u>239,480</u>

## 7.4 Direct - unearned commission reserve

Gross direct commission	4,346,712	3,173,831
Commission charge for the period	(1,449,893)	(3,173,831)
Unearned commission reserve	<u>(2,896,819)</u>	<u>-</u>

## 7.5 Reinsurer - unearned commission

Gross reinsurance commission	6,149,716	2,934,351
Commission charge for the period	(1,973,668)	(2,934,351)
	<u>(4,179,048)</u>	<u>-</u>

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In Zambian Kwacha

## 8 Personnel expenses

See accounting policy in note 29(m)

	2015	2014
Salaries, wages and allowances	4,684,460	3,163,031
Compulsory social security contributions	142,271	111,372
Other staff costs	224,691	141,037
	<u>5,051,422</u>	<u>3,415,440</u>

## 9 Net financing income

### Finance income

Exchange gains

1,738,883	59,900
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### Finance costs

Exchange loss

(1,383,507)	(33,190)
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### Net financing income

<u>355,376</u>	<u>26,710</u>
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## 10 Income taxes

See accounting policy in note 29(v)

### Income tax expense in the income statement

Current tax expense	415,662	636,099
Unrecognised deferred tax asset in prior year	-	(262,301)
Deferred tax expense	151,545	(27,833)
<b>Income tax expense</b>	<u>567,207</u>	<u>345,965</u>

### Reconciliation of effective tax rate

Profit before taxation	<u>9,177,154</u>	<u>1,329,621</u>
Income tax using the Company's domestic tax rate	35% 3,212,004	35% 465,367
Non-deductible expenses	14% (2,647,225)	11% 142,899
Unrecognised deferred tax asset in prior year	-	(20) (262,301)
Deferred tax movement not recognised	-	0% -
Under/(over) provision	<u>2,428</u>	<u>-</u>
<b>Total income tax expense</b>	<u>6% 567,207</u>	<u>26% 345,965</u>

### Tax liability

Opening balance	173,779	-
Charge for the year	415,662	636,099
Taxes paid during the year	<u>(1,021,446)</u>	<u>(462,320)</u>
<b>Current tax (asset) / liability</b>	<u>(432,005)</u>	<u>173,779</u>

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In *Zambian Kwacha*

## 11 Deferred taxation

The directors are confident that future taxable profits will be available against which the deferred tax assets can be utilised. The directors therefore believe that the recognition of the deferred tax asset is appropriate. The following are the deferred tax (assets)/liabilities recognised by the Company.

### (a) Recognised deferred assets and liabilities

	2015			2014		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	-	140,690	140,690	-	113,847	113,847
Unrealised exchange gain	-	608,609	608,609	-	20,965	20,965
Unrealised exchange losses	(484,228)	-	(484,228)	(11,617)	-	(11,617)
Impairment	(328,922)	-	(328,922)	(413,329)	-	(413,329)
Tax losses	(74,738)	-	(74,738)	-	-	-
	<u>(887,888)</u>	<u>749,299</u>	<u>(138,589)</u>	<u>(424,946)</u>	<u>134,812</u>	<u>(290,134)</u>

### (b) Movement in temporary differences during the year

	Balance	Recognised	Balance	Recognised in	Balance
	1 January 2014	in profit or loss	31 December 2014	profit or loss	31 December 2015
Temporary differences on fixed assets	98,685	15,162	113,847	26,843	140,690
Unrealised exchange loss	(1,356)	(10,261)	(11,617)	(472,611)	(484,228)
Unrealised exchange gain	5,622	15,343	20,965	587,644	608,609
Impairment loss	(109,047)	(304,282)	(413,329)	84,407	(328,922)
Tax losses	(256,205)	256,205	-	(74,738)	(74,738)
	<u>(262,301)</u>	<u>(27,833)</u>	<u>(290,134)</u>	<u>151,545</u>	<u>(138,589)</u>

There were no unrecognised deferred tax assets and liabilities during the year (2014: Nil).

## Mayfair Insurance Company Zambia Limited

Notes to the financial statements (continued)  
for the year ended 31 December 2015

In *Zambian Kwacha*

### 12 Property and equipment

See accounting policy in note 29(f)

	Leasehold improvements	Office equipment	Telephone equipment	Furniture and fittings	Computer hardware	Motor vehicle	Land and building	Total
<b>Cost or valuation</b>								
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	5,896,500	6,298,734
Disposals	-	-	-	-	-	(70,480)	-	(70,480)
Balance at 31 December 2014	38,560	83,812	24,696	231,039	160,725	836,985	5,896,500	7,272,317
Balance at 1 January 2015	38,560	83,812	24,696	231,039	160,725	836,985	5,896,500	7,272,317
Additions	-	15,562	12,929	75,715	21,113	255,583	-	380,902
Transfer to investment property	-	-	-	-	-	-	(5,896,500)	(5,896,500)
Disposal	-	-	-	-	-	(22,000)	-	(22,000)
Balance at 31 December 2015	38,560	99,374	37,625	306,754	181,838	1,070,568	-	1,734,719
<b>Accumulated depreciation</b>								
Balance at 1 January 2014	15,086	31,958	5,991	54,601	109,118	167,722	-	384,476
Depreciation for the year	4,820	10,021	2,972	22,259	18,962	148,247	6,934	214,215
Disposals	-	-	-	-	-	(22,317)	-	(22,317)
Balance at 31 December 2014	19,906	41,979	8,963	76,860	128,080	293,652	6,934	576,374
Balance at 1 January 2015	19,906	41,979	8,963	76,860	128,080	293,652	6,934	576,374
Depreciation for the year	4,820	11,447	4,568	33,360	18,888	175,750	-	248,833
Transfer from investment property	-	-	-	-	-	-	(6,934)	(6,934)
Disposals	-	-	-	-	-	(2,200)	-	(2,200)
Balance at 31 December 2015	24,726	53,426	13,531	110,220	146,968	467,202	-	816,073
<b>Carrying amounts</b>								
At 31 December 2014	18,654	41,833	15,733	154,179	32,645	543,333	5,889,566	6,695,943
At 31 December 2015	13,834	45,948	24,094	196,534	34,870	603,366	-	918,646

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 117,312 (2014: K101,875).

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In *Zambian Kwacha*

## 13 Intangible asset

See accounting policy in note 29(k)

	<b>Computer software</b>
<i>Cost</i>	
At 1 January 2014	71,130
Acquisitions	4,017
	<u>75,147</u>
At 31 December 2014	75,147
<b>At 1 January 2015</b>	<b>75,147</b>
Acquisitions	-
	<u>-</u>
<b>At 31 December 2015</b>	<b>75,147</b>
<i>Amortisation</i>	
At 1 January 2014	5,060
Charge for the year	2,151
	<u>7,211</u>
At 31 December 2014	7,211
<b>At 1 January 2015</b>	<b>7,211</b>
Charge for the year	2,254
	<u>2,254</u>
<b>At 31 December 2015</b>	<b>9,465</b>
<i>Carrying amount</i>	
<b>At 31 December 2015</b>	<b>65,682</b>
At 31 December 2014	<u>67,936</u>

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

## 14 Investment properties

	<b>2015</b>	<b>2014</b>
Balance at 1 January	-	-
Transfer from property, plant and equipment- cost	5,896,500	-
Transfer from property, plant and equipment- accumulated depreciation	(6,934)	-
Transfer to EPCO	(1,266,000)	-
Change in fair value	8,383,120	-
	<u>13,006,686</u>	<u>-</u>
Balance at 31 December	13,006,686	-

Investment property comprises land and building in the Longacres area of Lusaka. The land was purchased by the Company as part of a joint venture agreement with EPCO Builders with the intention of constructing a modern office block for commercial purposes that will be leased to third parties and for earning a return on the investment through rental income. Mayfair Insurance Company owns 80% of the property.

### *Measurements of fair values*

#### *i) Fair value hierarchy*

The investment property was revalued by Landworth Property Consultants. The valuers are external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair value of the investment property is categorised into Level 3 of the fair value hierarchy. (see note 4 (c)).

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In Zambian Kwacha

## 14 Investment properties *(continued)*

### ii) Valuation techniques

Market approach model – the land and building have been valued using direct comparison with similar property that have been sold in the area (open market value).

### iii) Valuation inputs

The inputs to the valuation techniques used is the actual selling price of similar properties.

Other factors that are considered include:

- Prevailing market conditions and likely future trends,
- Development potential for each site, and
- Current and expected demand for commercial properties.

## 15 Trade and other receivables

*See accounting policy in note 29(o)*

	2015	2014
Brokers and agents balances (see note 16)	9,711,929	6,017,005
Other receivables	379,261	226,558
Prepayments	249,401	24,174
	<u>10,340,591</u>	<u>6,267,737</u>

## 16 Brokers and agents balances

Brokers and agents balances	14,582,900	7,244,257
Commission payable	<u>(3,931,195)</u>	<u>(84,733)</u>
	10,651,705	7,159,524
Less: provision for impairment (see note 25 b (iii))	<u>(939,776)</u>	<u>(1,142,519)</u>
	<u>9,711,929</u>	<u>6,017,005</u>

## 17 Insurance receivables

*See accounting policy in note 29(i)*

Reinsurers premiums receivable	212,559	229,056
Less: provision for impairment (see note 25 b (iii))	-	<u>(38,419)</u>
	<u>212,559</u>	<u>190,637</u>

## 18 Cash and cash equivalents

*See accounting policy in note 29(o)*

Cash and bank balances	9,783,425	3,859,866
Short term deposits	<u>6,610,106</u>	<u>6,504,089</u>
	<u>16,393,531</u>	<u>10,363,955</u>



# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

*In Zambian Kwacha*

## 19 Share capital

*See accounting policy in note 29(p)*

	2015	2014
Authorised share capital of 15 million (2014: 15 million) shares of K1 each	<u>15,000,000</u>	<u>5,000,000</u>

### *Issued share capital*

In issue at 1 January and 31 December	<u>7,500,000</u>	<u>4,837,000</u>
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Funds awaiting allotment of shares	<u>368,108</u>	<u>3,031,108</u>
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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*

Balance at 1 January	3,031,108	-
Funds awaiting allotment of shares	-	3,031,108
Issued shares	<u>(2,663,000)</u>	-

<b>Balance at 31 December</b>	<u><b>368,108</b></u>	<u><b>3,031,108</b></u>
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On 19 September 2014, Patents and Companies Registration Agency (PACRA) approved shares amounting to K2,663,000 be transferred to share capital.

## 20 Insurance funds - unearned premium reserve

*See accounting policy in note 29(c)*

Balance at 1 January	16,671,562	13,797,005
Movement	<u>8,888,811</u>	<u>2,874,557</u>

<b>Balance at 31 December</b>	<u><b>25,560,373</b></u>	<u><b>16,671,562</b></u>
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## 21 Reinsurers share of unearned premium reserve

*See accounting policy in note 29(c)*

Balance at 1 January	10,085,175	8,463,111
Movement	<u>8,175,751</u>	<u>1,622,064</u>

<b>Balance at 31 December</b>	<u><b>18,260,926</b></u>	<u><b>10,085,175</b></u>
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## 22 Re-insurance payables

*See accounting policy in note 29(i)*

Amounts payable to re-insurance companies	<u>9,993,147</u>	<u>3,672,687</u>
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## 23 Trade and other payables

*See accounting policy in note 29(h & r)*

Accruals	3,745,819	3,225,137
Outstanding claims	2,918,947	1,657,130
Incurred But Not Reported (IBNR) reserve	<u>1,062,573</u>	<u>699,042</u>
	<u><b>7,727,339</b></u>	<u><b>5,581,309</b></u>

Included in accruals is the 2015 fourth quarter VAT payable of K2,966,440 (2014: K1,946,008).

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In Zambian Kwacha

## 24 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

	2015	2014
EPCO Builders Zambia Limited	-	1,266,000

The loan obtained in 2014 for the purchase of land and building was repaid in full.

Balance at 1 January	1,266,000	-
Loan received	-	1,266,000
Loan repayment	(1,266,000)	-
<b>Balance at 31 December</b>	<b>-</b>	<b>1,266,000</b>

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

#### i) Key management personnel compensation

Salaries and allowances	1,697,340	1,326,132
Pension contributions	28,663	28,512
	<b>1,726,003</b>	<b>1,354,644</b>

#### ii) Directors' remuneration

Directors' fees	448,176	155,390
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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.

## 25 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:

		Level 1	Level 2	Level 3	Total fair value	Total carrying amount
<b>31 December 2015</b>	<i>Note</i>					
<b>Assets</b>						
Investment property	14	-	-	13,006,686	13,006,686	13,006,686
<b>31 December 2014</b>	<i>Note</i>					
<b>Assets</b>						
Investment property	14	-	-	-	-	-

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In *Zambian Kwacha*

## 25 Financial instruments – fair values and risk management

### a) Accounting classifications and fair values *(continued)*

#### Financial instruments not measured at fair value *(continued)*

31 December 2015	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
<b>Assets</b>						
Trade and other receivables	15	-	-	-	10,340,591	10,340,591
Cash and cash equivalents	18	-	-	-	16,393,531	16,393,531
Insurance receivables	17	-	-	-	212,559	212,559
Reinsurance share of unearned premium reserve	21	-	-	-	18,260,926	18,260,926
<b>Liabilities</b>						
Trade and other payables	23	-	-	-	(7,727,339)	(7,727,339)
Re-insurance payables	22	-	-	-	(9,993,147)	(9,993,147)
<b>31 December 2014</b>						
	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
<b>Assets</b>						
Trade and other receivables	15	-	-	-	6,267,737	6,267,737
Cash and cash equivalents	18	-	-	-	10,363,955	10,363,955
Insurance receivables	17	-	-	-	190,637	190,637
Reinsurance share of unearned premium reserve	21	-	-	-	10,085,175	10,085,175
<b>Liabilities</b>						
Trade and other payables	23	-	-	-	5,581,309	5,581,309
Re-insurance payables	22	-	-	-	3,672,687	3,672,687

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

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

*In Zambian Kwacha*

## **25 Fair values of financial instruments *(continued)***

### **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.

#### ***ii) Credit risk***

##### *Insurance and re-insurance*

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.

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In *Zambian Kwacha*

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

### b) Financial risk management *(continued)*

#### ii) Credit risk *(continued)*

##### *Insurance and re-insurance (continued)*

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:

	<i>Note</i>	<b>2015</b>	2014
Re-insurers share of insurance liabilities	<i>21</i>	<b>18,260,926</b>	10,085,175
Brokers and agents receivables	<i>15</i>	<b>9,711,929</b>	6,017,005
Other receivables	<i>15</i>	<b>379,261</b>	226,558
		<b><u>28,352,116</u></b>	<u>16,328,738</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 2015

In Zambian Kwacha

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

### b) Financial risk management *(continued)*

#### iii) Impairment losses

The aging of trade receivables at the reporting date was:

	2015	2015	2015	2014	2014	2014
	Gross	Impairment	Net	Gross	Impairment	Net
Past due 0 – 30 days	9,314,249	-	9,314,249	2,756,244	-	2,756,244
Past due 31 – 60 days	3,767,636	-	3,767,636	2,571,980	-	2,571,980
Past due 61 – 90 days	326,535	-	326,535	426,554	-	426,554
Past due 91 – 180 days	<u>1,174,480</u>	<u>(939,776)</u>	<u>234,704</u>	<u>1,489,479</u>	<u>(1,142,519)</u>	<u>346,960</u>
	<u>14,582,900</u>	<u>(939,776)</u>	<u>13,643,124</u>	<u>7,244,257</u>	<u>(1,142,519)</u>	<u>6,101,738</u>

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

	2015	2014
Balance at 1 January	1,142,519	715,801
Movement in provision	<u>(202,743)</u>	<u>426,718</u>
Balance at 31 December	<u>939,776</u>	<u>1,142,519</u>

The aging of insurance receivables at the reporting date was:

	2015	2015	2015	2014	2014	2014
	Gross	Impairment	Net	Gross	Impairment	Net
Past due 0 – 30 days	11,875	-	11,875	124,627	-	124,627
Past due 31 – 60 days	200,684	-	200,684	66,010	-	66,010
Past due over 180 days	-	-	-	38,419	(38,419)	-
	<u>212,559</u>	<u>-</u>	<u>212,559</u>	<u>229,056</u>	<u>(38,419)</u>	<u>190,637</u>

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

	2015	2014
Balance at 1 January	38,419	27,836
Movement in provision	<u>(38,419)</u>	<u>10,583</u>
Balance at 31 December	<u>-</u>	<u>38,419</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 (recovery)/ losses in profit or loss

	2015	2014
Trade receivables	(202,743)	426,718
Insurance receivables	<u>(38,419)</u>	<u>10,583</u>
	<u>(241,162)</u>	<u>437,301</u>

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In *Zambian Kwacha*

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

### b) Financial risk management *(continued)*

#### iii) Impairment losses *(continued)*

#### iv) 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.

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 2015

##### Non-derivative financial liabilities

		Carrying amount	Contractual cash flows	6 months or less
Re-insurance payables	22	9,993,147	9,993,147	9,993,147
Trade and other payables	23	<u>7,727,339</u>	<u>7,727,339</u>	<u>7,727,339</u>
<b>Total</b>		<b><u>17,720,486</u></b>	<b><u>17,720,486</u></b>	<b><u>17,720,486</u></b>

#### 31 December 2014

##### Non-derivative financial liabilities

		Carrying amount	Contractual cash flows	6 months or less
Re-insurance payables	22	3,672,687	3,672,687	3,672,687
Trade and other payables	23	<u>5,581,309</u>	<u>5,581,309</u>	<u>5,581,309</u>
<b>Total</b>		<b><u>9,253,996</u></b>	<b><u>9,253,996</u></b>	<b><u>9,253,996</u></b>

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In *Zambian Kwacha*

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

### b) Financial risk management *(continued)*

#### v) *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.

#### 1) *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 2015 was as follows:

31 December 2015	Note	US\$ (K equivalent)	K	Total
<b>Assets</b>				
Brokers and agents balances	16	-	9,711,929	9,711,929
Insurance receivables	17	-	212,559	212,559
Cash and cash equivalents	18	<u>8,405,803</u>	<u>7,987,728</u>	<u>16,393,531</u>
		<u>8,405,803</u>	<u>17,912,216</u>	<u>26,318,019</u>
<b>Liabilities</b>				
Re-insurance payables	22	4,451,236	5,541,911	9,993,147
Outstanding claims	23	237,300	2,681,647	2,918,947
Incurred but not reported	23	<u>118,923</u>	<u>943,650</u>	<u>1,062,573</u>
		<u>4,807,459</u>	<u>9,167,208</u>	<u>13,974,667</u>
<b>Net exposure</b>		<u>3,598,344</u>	<u>8,745,008</u>	<u>12,343,352</u>



# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

In *Zambian Kwacha*

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

### b) Financial risk management *(continued)*

#### 1) Currency risk *(continued)*

31 December 2014	Note	US\$ K equivalent	K	Total
<b>Assets</b>				
Brokers and agents balances	16	-	6,017,005	6,017,005
Insurance receivables	17	-	190,637	190,637
Cash and cash equivalents	18	2,256,661	8,107,294	10,363,955
		<u>2,256,661</u>	<u>14,314,936</u>	<u>16,571,597</u>
<b>Liabilities</b>				
Re-insurance payables	22	1,187,508	2,485,179	3,672,687
Outstanding claims	23	-	1,657,130	1,657,130
Incurred but not reported	23	-	699,043	699,043
		<u>1,187,508</u>	<u>4,841,352</u>	<u>6,028,860</u>
Net exposure		<u>1,069,153</u>	<u>9,473,584</u>	<u>10,542,737</u>

#### Exchange rate sensitivity

A strengthening (weakening) of the Kwacha by 10 percent, as indicated below against the USD, GBP, Euro, Rupee and ZAR at 31 December 2015 would have increased (decreased) equity and profit or loss by the amounts shown below. This computation is based on the foreign exchange rate variance that the company considered reasonably possible at the reporting date. The computation assumes all the other variables remain constant.

	Strengthening		Weakening	
	Equity	Profit or loss	Equity	Profit or loss
<b>31 December 2015</b>				
USD	359,834	359,834	(359,834)	(359,834)
31 December 2014				
USD	106,915	106,915	(106,915)	(106,915)

#### 2) 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.

#### vi) 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.

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

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

### b) Financial risk management *(continued)*

#### vi) Operational risk *(continued)*

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.

#### vii) 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 2015

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

### **b) Financial risk management *(continued)***

#### **viii) 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.

#### **ix) 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.

#### **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.

## **26 Contingent liabilities**

There were no material contingent liabilities as at 31 December 2015 (2014: nil).

## **27 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 2015 (2014: nil).

## **28 Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for investment property which is carried at revalued amounts.

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

*In Zambian Kwacha*

## **29 Significant accounting policies**

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) Investment property
- (l) Intangible assets
- (m) Employee benefits
- (n) Dividend distribution
- (o) Foreign currency transactions
- (p) Financial instruments
- (q) Share capital
- (r) Salvage and subrogation reimbursements
- (s) Provision
- (t) Impairment
- (u) Income tax

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

## 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 24<sup>th</sup> 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 2015

## 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 2015

## 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 2015

## 29 Significant accounting policies *(continued)*

### *(k) Investment property*

Investment property is initially measured at cost and subsequent at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amounts of the item) is recognised in profit or loss.

### *(l) 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.

### *(m) 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.

### *(n) Dividend distribution*

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

### *(o) 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 2015

## 29 Significant accounting policies *(continued)*

### *(p) 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 2015

## 29 Significant accounting policies (*continued*)

### (q) *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.

### (r) *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.

### (s) *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.

### (t) *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 2015

## 29 Significant accounting policies *(continued)*

### *(u) 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 2015

## 29 Significant accounting policies *(continued)*

### *(u) 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.

### *(v) 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.

# Mayfair Insurance Company Zambia Limited

Notes to the financial statements (continued)  
for the year ended 31 December 2015

## 29 Significant accounting policies (continued)

### (v) Income tax (continued)

#### 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.

## 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 2015, 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 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 2015

## 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 2015

## 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 2015, 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

Notes to the financial statements *(continued)*  
for the year ended 31 December 2015

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

Effective date	Standard, amendment or interpretation	Summary of requirements
1 January 2018	Disclosure initiative <i>(Amendments to IAS 1)</i>	<p>The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to of the order of notes, OCI of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.</p> <p>The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.</p>



# Mayfair Insurance Company Zambia Limited

## Revenue account

for the year ended 31 December 2015

In Zambian Kwacha

	2015	2014
<b>Gross written premium</b>	<b>43,096,931</b>	30,521,442
Less: Re-insurance premium	<u>(25,650,199)</u>	<u>(15,230,473)</u>
<b>Net written premiums</b>	<b><u>17,446,732</u></b>	<b><u>15,290,969</u></b>
<b>Net underwriting expenses</b>		
Net commissions	(1,803,004)	239,480
Unearned commission reserve	1,282,229	-
Net claims paid	5,377,987	3,486,634
Administrative expenses	10,742,104	7,818,920
Unearned premium reserve	713,060	1,252,493
Incurred but not reported	1,062,573	699,043
Outstanding loss adjustments	2,918,947	1,657,130
Claims outstanding brought forward	(2,356,173)	(1,051,978)
Underwriting exchange gains	(355,376)	(26,710)
Gain on revaluation of property	(8,383,121)	-
Investment and other income	(1,180,735)	(330,030)
Depreciation	<u>251,087</u>	<u>216,366</u>
	<b><u>8,269,578</u></b>	<b><u>13,961,348</u></b>
<b>Underwriting profit</b>	<b><u>9,177,154</u></b>	<b><u>1,329,621</u></b>

## Mayfair Insurance Company Zambia Limited

### Solvency margin computation

as at 31 December 2015

In Zambian Kwacha

	2015	2014
<b>Admitted assets</b>		
Property and equipment	918,646	6,695,943
Investment property	13,006,686	-
Trade receivables (gross)	10,553,149	6,458,374
Less: trade receivables over 60 days	1,501,014	1,981,459
Trade receivables (net)	9,052,135	4,476,915
Other receivables	18,541,794	9,911,280
Gross unearned commission reserves	2,896,819	
Cash, cash equivalents and investments	16,393,531	10,363,955
<b>Total</b>	<b>60,809,611</b>	<b>31,448,093</b>
<b>Admitted liabilities</b>		
Outstanding losses	2,918,948	1,657,130
Unearned premium reserve	25,560,373	16,671,562
Less unearned premium reserves on debtors over 60 days and less than 12 months	975,659	1,287,948
Unearned premium reserve net	24,584,714	15,383,614
Incurred but not reported	1,062,573	699,043
Re-insurance payables	9,993,147	3,672,687
Reinsures-Unearned Commission Reserve	4,179,048	
Current tax liability	(432,005)	173,779
Other payables	3,745,819	4,491,137
<b>Total</b>	<b>46,052,244</b>	<b>26,077,390</b>
Margin	<b>32%</b>	<b>21%</b>

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