Mayfair Insurance Company Zambia Limited
Annual report
for the year ended 31 December 2019

Contents

The Directors submit their report together with the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs and performance of Mayfair Insurance Company Zambia Limited (the "Company").

Principal activities

The principal activity of the Company is the provision of non-life insurance services to both corporate and individual clients under the Zambia Insurance Act 1997. There has been no significant changes in the Company's business during the year.

Share capital and beneficial owner(s)

The authorised share capital of the Company remained unchanged at 15,000,000 ordinary shares of K1 each. The issued and fully paid-up share capital remained unchanged at 15,000,000 ordinary shares of K1 each.

The Company shareholding and beneficial ownership is represented as follows:

Name of shareholder	Percentage of shareholding	Beneficial Owner(s)
Anjay Vithalbhai Patel	15.0%	Anjay Vithalbhai Patel
Vishal Rajinder Kumar Patel	5.0%	Vishal Rajinder Kumar Patel
Andrea Limited	20.0%	Andrea Limited
Mayfair Insurance Company Limited	40.0%	Mayfair Insurance Company Limited
Muhwai Limited	10.0%	Muhwai Limited
R&R Investment Limited	10.0%	R&R Investment Limited

There were no changes in the beneficial owner during the year.

Significant events during the year

There were no significant events during the year.

Results and dividends

The Company's results are set out below. The profit for the year has been added to retained earning.

	2019 K	2018 K
Gross written premiums	268,597,042	171,215,484
Profit for the year	10,183,051	7,095,426

During the year a dividend amounting to K 2.5 million was paid (2018: Nil).

Directors

The directors who held office during the year and to the date of this report were:

Ms. Valerie Susan Sesia	Chairperson
Mr. Hashit Patel	Managing Director
Mr. Gideon Maurice Phiri	Non-Executive Director
Mr. Hemantkumar Patel	Non-Executive Director
Mr. Anjay Vithalbhai Patel	Non-Executive Director
Mr. Ramesh Patel	Non-Executive Director
Mr. Vishal Rajinder Kumar Patel	Non-Executive Director
Ms. Abigail Lungowe Chimuka	Non-Executive Director
Mr. Daniel Thomas Rea	Non-Executive Director
Mr. Jeneil Ramesh Patel	Non-Executive Director

During the year, the total directors' remuneration was K 916,601 (2018: K 291,256) for services rendered as directors.

Interests register information

During the year, the Company officers (directors, company secretary or executive officers of the Company) did not declare any interest in the Company's transactions and business.

The interests' register, as required by the Companies Act, 2017 of Zambia, that should contain particulars of the interests declared, is available for inspection at the Company's registered office.

Average number of employees and remuneration

The total remuneration of employees during the year amounted to K 10,801,329 (2018: K 6,738,663) and the average number of employees was less than 100 (2018: less than 100).

The Company has policies and procedures to safeguard the occupational health, safety, and welfare of its employees.

Gifts and donations

During the year the Company made donations of K 146,511 (2018: K 11,322) to charitable organisations and events.

Research and development

The Company did not incur any costs on research and development during the year (2018: Nil).

Exports

The Company did not export anything (2018: K Nil) during the year.

Property and equipment

The Company purchased property and equipment amounting to K 447,789 (2018: K 1,653,823) during the year. In the opinion of the Directors, the carrying value of property and equipment is not less than their recoverable value.

Events after the reporting period

Late in 2019, news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organization. In the first few months of 2020 the virus had spread globally, and its negative impact has gained momentum. Management considers this outbreak to be a non-adjusting post balance sheet event. While this is still an evolving situation at the time of issuing these annual financial statements, to date there has been no discernible impact on the Company's operations however, the future effects cannot be predicted.

Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

The Directors are not aware of any other material event which occurred after the reporting date and up to the date of this report which would require adjustment or disclosure in these annual financial statements.

Company Auditor and remuneration

The auditor, PricewaterhouseCoopers Zambia, has indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the next annual general meeting.

The Auditor remuneration for the year was K 481,777 as regards audit services rendered to the Company.

Signed on behalf of the Board of Directors:

Valerie Sesia
Chairperson

Hashit Patel
Managing Director

16 March 2020

The Companies Act, 2017 of Zambia requires the Directors to prepare annual financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Directors are further required to ensure the Company adheres to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia and the Insurance Act, 1997 of Zambia (as amended).

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of annual financial statements, and for such internal controls as the Directors determine necessary to enable the preparation of annual financial statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the annual financial statements set out on pages 12 to 51 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with IFRS, as issued by the IASB, the requirements of the Companies Act, 2017 of Zambia and the Insurance Act, 1997 of Zambia (as amended). The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of these annual financial statements.

Signed on behalf of the Board of Directors:

Valerie Sesia
Chairperson

Hashit Patel
Managing Director

16 March 2020

Independent auditor's report

To the Shareholders of Mayfair Insurance Company Zambia Limited

Report on the audit of the annual financial statements

Our opinion

In our opinion, the annual financial statements give a true and fair view of the financial position of Mayfair Insurance Company Zambia Limited (the "Company") as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia and the Insurance Act, 1997 of Zambia (as amended).

What we have audited

Mayfair Insurance Company Zambia Limited's annual financial statements are set out on pages 12 to 51 and comprise:

- the statement of financial position as at 31 December 2019;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the annual financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *"Auditor's responsibilities for the audit of the annual financial statements"* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent auditor's report (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the Company's annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities Management estimates a reserve for claims Incurred But Not Reported ("IBNR") as a percentage of Gross Written Premiums Written ("GWP") during the year. Applying a percentage to GWP as an approach to estimating IBNR may not adequately reflect the variability of loss experience associated with the classes of business underwritten. For this reason, our assessment of the adequacy of the IBNR involves the use of a complex run-off analysis whose principal assumption is that the Company's future claims development will follow a similar pattern to past claims experience.	We performed an assessment to determine the adequacy of management's estimate by performing the following procedures: • We involved an actuarial expert who assessed the adequacy of the reserve by performing a run-off analysis of the Company's historical loss experience. This entails performing an actual against expected analysis to test the adequacy of historical reserves by comparing the reserves held at a given point in time against subsequent claim payments and amounts still outstanding at year-end; • We considered the historical claims data is a key input to these estimates, we performed testing over claims case estimates and settlements by examining the supporting information contained in claim files; and • We agreed data used in the liability adequacy test to prior year audited financial statements and current year audit work papers.

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Independent auditor's report (continued)

Other information

The Directors are responsible for the other information. The other information comprises the Company's Annual Report but does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the annual financial statements

The Directors are responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRS as issued by the IASB and the requirements of the Companies Act, 2017 of Zambia and the Insurance Act,1997 of Zambia (as amended), and for such internal control as the Directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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Independent auditor's report (continued)

Auditor's responsibilities for the audit of the annual financial statements (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report (continued)

Report on other legal and regulatory requirements

The Companies Act, 2017 of Zambia

The Companies Act, 2017 of Zambia requires that in carrying out our audit of Mayfair Insurance Company Zambia Limited, we report on whether:

i. as required by section 259 (3)(a), there is a relationship, interest or debt which, ourselves, as the Company Auditor, have in the Company;

ii. as required by section 259 (3)(b), there are serious breaches by the Company's Directors, of corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia; and

iii. in accordance with section 250 (2), as regards loans made to a Company Officer (a director, company secretary or executive officer of a company), the Company does not state the:

- particulars of any relevant loan made during the financial year to which the accounts apply, including any loan which was repaid during that year; or
- amount of any relevant loan, whenever made, which remained outstanding at the end of the financial year.

In respect of the foregoing requirements, we have no matters to report.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

16 April 2020

Martin Bamukunde
Practicing Certificate Number: AUD/A009933
Associate Director signing on behalf of the firm

Statement of profit or loss and other comprehensive income

	Note	Year ended 31 December 2019 K	2018 K
Gross written premiums	5	268,597,042	171,215,484
Reinsurance premiums ceded	6	(225,699,399)	(124,229,336)
Net premium written		42,897,643	46,986,148
Change in unearned premiums	23	(69,379,932)	(12,467,949)
Reinsurer share of change in unearned premiums		71,472,773	5,698,555
		2,092,841	(6,769,394)
Investment income	7	4,569,003	2,470,446
Gain revaluation of property	15	190,857	1,152,305
Grant income	25	1,926,433	1,613,782
Net commission income	9	22,801,559	13,522,720
Other income	11	1,712,318	196,620
		31,200,170	18,955,873
Gross claims paid	8	(127,056,581)	(81,271,080)
Insurance claims recoverable from reinsurers		105,510,227	68,640,902
Change in insurance contract liabilities		(7,837,210)	(11,668,689)
Net claims incurred		(29,383,564)	(24,298,867)
Administrative and other expenses	10	(30,053,659)	(22,148,482)
Impairment charge	16	119,926	(1,937,895)
Results from operating activities		16,873,357	10,787,383
Finance costs	28	(498,343)	-
Profit before tax		16,375,014	10,787,383
Income tax charge	12.1	(6,191,963)	(3,691,957)
Profit for the year		10,183,051	7,095,426
Other comprehensive income		-	-
Total comprehensive income for the year		10,183,051	7,095,426

The notes on pages 16 to 51 are an integral part of these annual financial statements.

Statement of financial position

	Note	As at 31 December 2019 K	2018 K
ASSETS			
Property and equipment	13	2,147,382	2,284,213
Intangible assets	14	3,137,320	4,103,189
Investment property	15	12,735,000	12,476,030
Right-of-use assets	28	3,210,900	-
Deferred income tax asset	12.4	2,306,595	1,275,379
Other receivables	19	231,179	583,825
Insurance premium receivables	16	40,330,080	48,270,047
Reinsurers share of technical provisions and reserves	17	292,908,474	124,264,603
Deferred acquisition costs	18	19,028,137	4,289,470
Investment in debt instruments	21	40,716,502	-
Cash and cash equivalents	20	55,069,227	50,547,814
Total assets		471,820,796	248,094,570
EQUITY			
Share capital	26	15,000,000	15,000,000
Retained earnings		17,810,063	10,153,156
Total equity		32,810,063	25,153,156
LIABILITIES			
Current income tax liabilities	12.3	1,871,300	3,398,685
Other payables	24	45,972,288	5,037,966
Insurance contract liabilities	22	176,020,049	71,011,741
Payables arising out of reinsurance arrangements		38,046,376	47,534,226
Deferred commission liabilities		22,374,714	14,771,440
Unearned premium reserves	23	150,321,236	80,941,304
Deferred grant	25	619,619	246,052
Lease liabilities	28	3,785,151	-
Total liabilities		439,010,733	222,941,414
Total equity and liabilities		471,820,796	248,094,570

The notes on pages 16 to 51 are an integral part of these annual financial statements.

The annual financial statements on pages 12 to 51 were approved and authorised for issue by the board of directors on 16 March 2020 and were signed on its behalf by:

Valerie Sesia
Chairperson

Hashit Patel
Managing Director

Statement of changes in equity

	Share capital K	Retained earnings K	Total equity K
Balance at 1 January 2018	15,000,000	3,057,730	18,057,730
Profit for the year	-	7,095,426	7,095,426
	-	7,095,426	7,095,426
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	7,095,426	7,095,426
Balance at 31 December 2018	15,000,000	10,153,156	25,153,156
At 1 January 2019	15,000,000	10,153,156	25,153,156
Profit for the year	-	10,183,051	10,183,051
	-	10,183,051	10,183,051
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	10,183,051	10,183,051
Transactions with owners in their capacity as owners:			
Dividends	-	(2,526,144)	(2,526,144)
	-	(2,526,144)	(2,526,144)
Balance at 31 December 2019	15,000,000	17,810,063	32,810,063

The notes on pages 16 to 51 are an integral part of these annual financial statements.

Statement of cash flows

	Note	Year ended 31 December 2019 K	2018 K
Cash flows from operating activities			
Cash (used)/generated from operations	27	52,987,310	(31,058,383)
Interest paid		(498,343)	-
Income tax paid	12.3	(8,750,564)	(1,132,142)
Net cash inflow/(used) in operating activities		43,738,403	(32,190,525)
Cash flows from investing activities			
Purchase of property and equipment	13	(447,789)	(1,653,823)
Purchase of intangible assets	14	(7,984)	(3,876,653)
Purchase of investment property	15	(68,113)	(90,125)
Investment in debt instruments	21	(40,716,502)	-
Proceeds from sale of property and equipment		30,000	35,002
Interest received	7	4,569,003	2,470,446
Net cash outflow from investing activities		(36,641,385)	(3,115,153)
Cash flows from financing activities			
Grant income	25	2,300,000	988,800
Principal elements of lease payments		(904,765)	-
Dividends paid		(2,526,144)	-
Net cash used in financing activities		(1,130,909)	988,800
Net increase/(decrease) in cash and cash equivalents		5,966,109	(34,316,878)
Cash and cash equivalents at the beginning of the year		50,547,814	84,702,072
Effects of foreign currency transactions		(1,444,696)	162,620
Cash and cash equivalents at end of the year	20	55,069,227	50,547,814

The notes on pages 16 to 51 are an integral part of these annual financial statements.

Notes to the annual financial statements

1 General information

Mayfair Insurance Company Zambia Limited ("the Company") deals with general insurance business and is incorporated in Zambia under the Companies Act as a private limited Company. The Company is domiciled in Zambia and the address of its registered office is Plot No.1194, Lunzua Road, Rhodes Park, Lusaka, Zambia.

2 Summary of significant accounting policies

Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The measurement basis applied is the historical cost basis, except for land and buildings, which have been measured at fair value.

The annual financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the annual financial statements.

The annual financial statements have been prepared in accordance with the going concern principle under the historical cost concept. The annual financial statements are presented in Zambian Kwacha.

The preparation of annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the annual financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's annual financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements, are disclosed in Note 4.

2.2 Changes in accounting policy and disclosures

i) New standards, amendments, interpretations adopted by the Company

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of adopting the following standards:

- IFRS 16 Leases
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- IFRIC 23 Interpretation 23 Uncertainty over Income Tax Treatments.

The impact of the adoption of IFRS 16, Leases standard and the new accounting policies are disclosed in note 2.3. The other new accounting standards effective for reporting periods beginning on or after 1 January 2019 did not have any impact on the Company's accounting policies and did not require retrospective adjustments to the annual financial statements.

Notes to the annual financial statements (continued)

2.2 Changes in accounting policy and disclosures (continued)

ii) New Standards, amendments, interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. Management have not performed the likely impact of these standards on the current or future reporting periods and on foreseeable future transactions.

Standard	Effective date	Summary of standard
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

Notes to the annual financial statements (continued)

2 Summary of significant accounting policies (continued)

i) New Standards, amendments, interpretations issued but not yet effective (continued)

Standard	Effective date	Summary of standard
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	Annual periods beginning on or after 1 January 2020.	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: •use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; •clarify the explanation of the definition of material; and •incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."
Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform.	Annual periods beginning on or after 1 January 2020 (early adoption is permitted) (Published September 2019).	These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. The standard was effective for accounting periods beginning on or after 1 January 2018. The Company has opted to apply the exemption within IFRS 9 that allows insurance companies to differ the adoption of IFRS 9 until such a time when they adopt IFRS 17. Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will: • Give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and • Give companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2022. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39.

2 Summary of significant accounting policies (continued)

2.3 Transition disclosures

2.3.1 IFRS 16 Leases - impact of adoption

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements.

IFRS 16 introduced a single, on-statement of financial position accounting model for lessees. As a result, the company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the Company recognised a depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognised an operating lease expense for these leases. Cash generated from operations increased as lease costs are no longer included in this category. Interest paid increased, as it includes the interest portion of the lease liability payments and the capital portion of lease liability repayments is included in cash used in financing activities. Lessor accounting remains similar to previous accounting policies.

As indicated above, the Company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. The new accounting policies are disclosed in note 2.4 below.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10.5%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This did not result in any measurement adjustments.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

• relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
• accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
• excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
• using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a lease.

Notes to the annual financial statements (continued)

2 Summary of significant accounting policies (continued)

2.3 Transition disclosures (continued)

2.3.1 IFRS 16 Leases - impact of adoption (continued)

(ii) Measurement of lease liabilities

Discounted using the lessee's incremental borrowing rate of at the date of initial application	2019 K
Lease liability recognised as at 1 January 2019	4,150,675
Maturity of lease liability:	
Current lease liability	929,151
Non-current lease liability	3,221,524
	4,150,675
Lease liability recognised as at 1 January 2019	

(iii) Measurement of rights-of-use assets

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

(iv) Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

Impact of assets, liabilities and	**As at 31 December 2018**	**IFRS 16 Adjustments**	**As at 1 January 2019**
	K	**K**	**K**
Assets			
Right-of-use-assets	-	4,150,675	4,150,675
Liabilities			
Current lease liability	-	929,151	929,151
Non-current lease liability	-	3,221,524	3,221,524
	-	4,150,675	4,150,675
Retained earnings	10,153,156	-	10,153,156

(v) Lessor accounting

The Company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

Notes to the annual financial statements (continued)

2 Summary of significant accounting policies (continued)

2.4 Leases

As explained in note 2.3 above, the Company has changed its accounting policy for leases where the Company is the lessee following the adoption of IFRS 16 leases.

i) The Company's leasing activities and how these are accounted for

The Company leases office space and rental contracts are typically made for fixed periods varying between 2 to 5 years but may have renewal periods as described below.

From 1 January 2019, at inception of a contract, the Company assessed whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Company recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and for short-term leases, i.e. leases that at commencement date have lease terms of 12 months or less. The Company defines low-value leases as leases of assets for which the value of the underlying asset when it is new is US$5,000 or less and is not considered fundamental to its operations. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of office space were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Lease liabilities include the net present value of the following lease payments:

•Fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments specific to the lease, e.g. term, country, currency and security.

2 Summary of significant accounting policies (continued)

2.4 Leases (continued)

i) The Company's leasing activities and how these are accounted for (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are initially measured at cost comprising the following:
- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs

The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

ii) Renewal and termination options

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Company's business planning cycle of three to five years and history of terminating/not renewing leases.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

A number of leases entitle both the Company and the lessor to terminate the lease without a termination penalty. In determining whether the Company has an economic incentive to not exercise the termination option, the Company considers the broader economics of the contract and not only contractual termination payments.

Notes to the annual financial statements (continued)

2 Summary of significant accounting policies (continued)

2.4 Leases (continued)

iii) Subsequent measurement of right of use

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

Leases policy prior to 1 January 2019

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Zambian Kwacha (K) which is the Company's functional currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

2.6 Financial instruments

2.6.1 Financial assets

a) *Classification*

All financial assets of the Company are classified as loans and receivables, based on the purpose for which the financial assets were acquired. The Directors determine the classification of the financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

2 Summary of significant accounting policies (continued)

2.6 Financial instruments

2.6.1 Financial assets

b) *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

c) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

d) *Impairment*

(i) Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or Company of financial assets is impaired. A financial asset or a Company of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

ii) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Company of financial assets is impaired.

2 Summary of significant accounting policies (continued)

2.6 Financial instruments

2.6.1 Financial assets

d) *Impairment (continued)*

ii) Assets classified as available for sale (continued)

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through profit or loss.

2.7 Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below.

Premium income for general business is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less unearned premiums. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date which relate to the unexpired terms of policies in force at the reporting date, and are calculated using the 24th method. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Commissions receivable are recognised as income in the period in which they are earned.

Investment income is stated net of investment expenses. Interest income for all interest bearing financial instruments is recognised using the effective interest method. Dividends income on available for sale equities is recognised as income in the period in which the right to receive payment is established. Rental income from operating leases is recognised on a straight line basis over the term of the lease.

Reinsurance

The Company assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as income in the same manner as they would be if the reinsurance were considered direct business. Premiums ceded and claims reimbursed are presented on a gross basis in profit and loss and statement of financial position as appropriate.

2 Summary of significant accounting policies (continued)

2.7 Revenue recognition (continued)

Reinsurance (continued)

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recognised in the profit or loss.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. The Company also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party

2.8 Investment property

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, determined periodically by external independent valuers. Fair value is based on open market basis determined using the highest and best use valuation model.

Investment properties are not subject to depreciation. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

2.9 Claims incurred

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims provisions represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims provisions are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR") at the reporting date based on the Company's experience but subject to the minimum percentage set by the Commissioner of Insurance. Outstanding claims are not discounted.

Notes to the annual financial statements (continued)

2 Summary of significant accounting policies (continued)

2.10 Commissions payable and deferred acquisition costs

A proportion of commission payable is deferred and amortised over the period in which the related premiums are earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

2.11 Insurance contract liabilities

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims and therefore the ultimate cost of this category of claims cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract at which time it is recognised as premium income.

2.12 Finance cost

Interest paid is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

2.13 Employee benefits

A)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.
B)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.

Notes to the annual financial statements (continued)

2 Summary of significant accounting policies (continued)

2.14 Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined using the indirect method. Profit before tax is therefore adjusted by non-cash items, such as depreciation of property and equipment and amortisation of intangible assets. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.

In the statement of cash flows, cash and cash equivalents includes cash in hand and current accounts held with banks. The cash flows from investing and financing activities are determined using the direct method.

2.15 Cash and cash equivalents

Cash balance shown in the statement of financial position include cash at bank and short term fixed deposits held with financial institutions.

2.16 Leases - prior to 1 January 2019

Leases are classified as either finance or operating leases. The Company has no finance lease, but is the lessee under an operating lease arrangement.

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.17 Property and equipment

All categories of property, plant and equipment are stated initially at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

2 Summary of significant accounting policies (continued)

2.17 Property and equipment (continued)

Depreciation is calculated to write off the cost of item of property and equipment 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:

Asset category	**Useful life (Years)**
Leasehold improvements	50 years
Partitioning	12.5%
Motor vehicles	5 years
Furniture, fittings and equipment	8 years
Computer hardware	3 years

The annual depreciation on the revaluation surplus element of property and equipment is transferred from the revaluation surplus to retained earnings net of the resultant deferred tax.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve, all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

2.18 Insurance and other receivables

The Company's products are classified at inception as insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to make significant additional benefits in any scenario, excluding scenarios that lack commercial substance.

2 Summary of significant accounting policies (continued)

2.18 Insurance and other receivables (continued)

Insurance and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Insurance receivables are stated after the deduction of amounts which, in the opinion of the Directors, are required for specific provision. Specific provisions are made against identified doubtful insurance receivables.

2.19 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities

2.20 Unearned premiums

Unearned premiums relate to the unexpired risks under policies in force. Unearned premiums are calculated on a time basis using the 24th method in respect of all classes of business.

2.22 Reinsurance and other payables

Reinsurance and other payables are initially measured at fair value, and are subsequently measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2 Summary of significant accounting policies (continued)

2.21 Bank borrowings and overdrafts

Interest bearing and overdrafts and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the terms of the borrowings in accordance with Company's accounting policy for borrowing costs.

2.23 Outstanding claims

Outstanding claims, net of reinsurance recoveries, include claims reported but unpaid, and claims incurred but not reported at the reporting date . Any differences between the original claim provision and subsequent re-estimates or settlements are reflected in the underwriting results for the year.

2.24 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows. When some or all of the economic benefits required to settle a provision are expected to be recorded from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivables can be measured reliably.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date .

2.25 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (continued)

2.26 Current and deferred income taxation

a) Current income tax

The tax expense for the period comprises current income and deferred taxes. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

b) Deferred income tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.27 Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

2.28 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

2.29 Dividends

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

Notes to the annual financial statements (continued)

2.30 Intangible assets

(i) Recognition and measurement

The Company's intangible assets comprise computer software. Intangible assets acquired separately are recognised at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only if it meets the following criteria:

a) It is probable that the expected future economic benefits that are attributable to the assets to the assets will flow to the entity and
b) The cost of the assets can be measured reliably

(iii) Amortisation

Amortisation is charged on a straight-line basis over their estimated useful lives (3% per annum) from the date that it is available for use. Amortisation methods, useful lives and residual values are reviewed at the reporting date and adjusted if appropriate. The effects of any changes in estimates are accounted for on a prospective basis. Software is amortised over three years.

(iv) Derecognition

An intangible asset is derecognised on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal.

The gain/loss arising from the de-recognition of the intangible is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

Notes to the annual financial statements (continued)

3 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Company does not hedge any of its risk exposures.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Management of Insurance and financial risk

The Company's activities expose it to a variety of risks. The Company classifies the various risks it is exposed to into insurance risk and financial risk. Financial risks include credit risk, liquidity risk and market risk which includes the effect of changes in equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets, identification and management of risks. It seeks to minimise potential adverse effects on its financial performance by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

(i) Insurance risk

Insurance risk in the Company arises from:

(a) Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations
(b) Unexpected claims arising from a single source;
(c) Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
(d) Inadequate reinsurance protection or other risk transfer techniques; and
(e) Inadequate reserves

Core insurance risk

This risk is managed through:

- Diversification across a large portfolio of insurance contracts;
- Careful selection guided by a conservative underwriting philosophy;
- Continuous monitoring of the business performance per class and per client and corrective action taken as deemed appropriate;
- A minimum of one review of each policy at renewal to determine whether the risk remains within the acceptable criteria;
- Having a business acceptance criteria which is reviewed from time to time based on the experience and other developments; and
- Having a mechanism of identifying, quantifying and accumulating exposures to contain them within the set underwriting limits.

Reinsurance planning

Reinsurance purchases are reviewed annually to verify that the levels of protection being sought reflect developments in exposure and risk appetite of the Company. The bases of these purchases is underpinned by the Company's experience, financial modelling by and exposure of the reinsurance broker. Reinsurance is placed with providers who meet the Company's counter-party security requirements.

Notes to the annual financial statements (continued)

3 Financial risk management (continued)

Claims reserving

The Company's reserving policy is guided by the prudence concept. Estimates are made of the estimated cost of settling a claim based on the best available information upon registration of a claim, and this is updated as and when additional information is obtained and annual reviews done to ensure that the reserves are adequate. Management is regularly provided with claims settlement reports to inform on the reserving performance.

Short-term insurance contracts

The Company engages in short term insurance contracts and funds the insurance liabilities using a portfolio of financial assets. An analysis of the Company's financial assets and its short term insurance liabilities is

31 December 2019	**Carrying amount K**	**Less than 1 year K**	**Above 1 year K**
Receivable arising out of direct insurance arrangements	40,330,080	40,330,080	-
Cash and cash equivalents	55,069,227	55,069,227	-
	95,399,307	95,399,307	-
Short term insurance liabilities			
Outstanding claims provisions	176,020,049	176,020,049	-
Payables arising out of reinsurance arrangements	38,046,376	38,046,376	-
Less reinsurers share of technical provisions and reserves	155,999,378	155,999,378	-
Total	370,065,803	370,065,803	-
Difference in contractual cash flows	(274,666,496)	(274,666,496)	-
31 December 2018			
Receivable arising out of direct insurance arrangements	48,270,047	48,270,047	-
Cash and cash equivalents	50,547,814	50,547,814	-
	98,817,861	98,817,861	-
Short term insurance liabilities			
Outstanding claims provisions	71,011,741	71,011,741	-
Payables arising out of reinsurance arrangements	47,534,226	47,534,226	-
Less reinsurers share of technical provisions and reserves	(58,828,280)	(58,828,280)	-
Total	59,717,687	59,717,687	-
Difference in contractual cash flows	39,100,174	39,100,174	-

(a) 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 and investments in debt instruments. 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.

Notes to the annual financial statements (continued)

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. A change in the value of any such foreign currency could have an effect on the Company's cash flow and future profits. The Company is exposed to exchange rate risk to the extent of balances and transactions.

Foreign currency denominated balances - USD	**2019** **K**	**2018** **K**
Cash and cash equivalents	31,407,309	16,690,443
Insurance premium receivables	28,736,075	-
Investment in debt instruments	2,381,390	-
Lease liabilities	(3,785,151)	-
Reinsurance payables	(54,133,563)	(6,533,754)
Reinsurance receivables	19,462,744	-
	24,068,804	10,156,689

Sensitivity analysis for foreign exchange risk

Foreign exchange risks arise from future commercial transactions and recognised assets and liabilities. The Company makes payments and receipts primarily in Zambian Kwacha. The Company is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Kwacha.

Impact on profit or loss and equity after tax	**2019** **K**	**2018** **K**
10% increase in exchange rates	1,564,472	660,185
10% decrease in exchange rates	(1,564,472)	(660,185)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. The Company is not exposed to cash flow interest rate risk as it has no borrowings nor assets with variable rates as at the reporting period.

(iii) Price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is not exposed to price risk as it nit not have any investments exposed to price risk.

3 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the Company by failing to discharge a contractual obligation. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- Net exposure limits are set for each counterparty or group of counterparties i.e. limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held.
- Reinsurance is placed with counterparties that have a good credit rating.
- Ongoing monitoring by the management credit committee.

The exposure to individual counterparties is also managed through other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Directors include details of provisions for impairment on receivables and subsequent write offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

The table below shows the carrying amounts of financial assets bearing credit risk:

31 December 2019	Fully performing	Past due but not impaired	Impaired	Total
Receivable arising out of direct insurance arrangements	36,201,011	4,129,069	2,552,915	42,882,995
Other receivables	231,179	-	-	231,179
Investment in debt instruments	40,716,502	-	-	40,716,502
Cash and cash equivalents	55,069,227	-	-	55,069,227
	132,217,919	4,129,069	2,552,915	138,899,903
31 December 2018				
Receivable arising out of direct insurance arrangements	42,092,166	3,505,040	2,672,841	48,270,047
Other receivables	583,825	-	-	583,825
Cash and cash equivalents	50,547,814	-	-	50,547,814
	93,223,805	3,505,040	2,672,841	99,401,686

Notes to the annual financial statements (continued)

3 Financial risk management (continued)

c) 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.

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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 2019	Less than 1 year K	Total K
Payables arising from reinsurance arrangements	38,046,376	38,046,376
Outstanding claims provisions	176,020,049	176,020,049
	176,020,049	176,020,049
31 December 2018		
Payables arising from reinsurance arrangements	47,534,226	47,534,226
Outstanding claims provisions	71,011,741	71,011,741
	118,545,967	118,545,967

iii) Capital management

'The Company's objectives in managing its capital are:

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

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

Notes to the annual financial statements (continued)

3 Financial risk management (continued)

iii) Capital management (continued)

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

Insurance entities in Zambia are governed by the Insurance Act of 1997 and as such are subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. General Insurance companies operating in Zambia are required to meet the minimum paid up capital of K 10 million. The company has K 15 million paid up capital and thus have met the requirement.

Below is a summary of the solvency of the Company:

	2019 K	2018 K
Admitted assets	172,476,658	121,509,089
Admitted liabilities	127,074,122	94,387,340
Margin	45,402,536	27,121,749
Solvency margin	**35.7%**	**28.7%**

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the

a) *The ultimate liability arising from claims made under insurance contracts*

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the statement of financial position date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position liability.
All contracts are subject to a liability adequacy test, which reflects management's best current estimate of future cash flows. The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Notes to the annual financial statements (continued)

4 Critical accounting estimates, judgements and errors (Continued)

a) *The ultimate liability arising from claims made under insurance contracts (continued)*

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking

b) *Impairment losses on receivables*

The Company reviews its portfolio to assess impairment at least on a monthly 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

c) *Current income and deferred tax*

The Company is subject to income taxes under the Zambian tax legislation only. This does not require much judgement in terms of provision for income taxes but a certain level of judgement is required for recognition of the deferred tax assets. Management is required to assess the ability of the Company to generate future taxable economic earnings that will utilise the deferred tax assets. Assumptions over the generation of future taxable profits depends on management's estimates of future cash flows. This estimate of future taxable

The income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Zambia, where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts

d) *Valuation of investment property*

The Company reviews the fair value of its investment property at the end of each reporting date. An independent valuation of the Company's investment property to determine its fair value is carried out by an independent valuer at each reporting dater.

The fair value of the property is determined by using the open mark value approach to valuation.

e) *Fair value of financial instruments*

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models

5 Gross written premium

	2019 K	2018 K
By class of business:		
Fire	96,677,931	10,080,394
Motor	27,625,157	20,484,000
Engineering	3,535,675	2,009,031
Accident	774,239	802,657
Marine	9,166,700	7,082,108
Liability	1,921,086	2,040,599
Agriculture and other	126,393,639	127,261,302
Other	2,502,615	1,455,393
	268,597,042	**171,215,484**

6 Reinsurance premiums ceded

Fire	96,639,362	9,600,168
Motor	2,999,785	1,050,523
Engineering	2,928,880	1,346,209
Accident	547,531	399,043
Marine	6,091,900	4,287,615
Liability	859,533	874,188
Agriculture and other	115,632,408	106,671,590
	225,699,399	124,229,336

7 Investment income

Interest income on fixed deposits	4,569,003	2,470,446

8 Gross claims paid

Claims by principal class of business:

Fire	1,592,674	1,639,627
Marine	3,303,926	1,286,078
Motor vehicles	16,059,484	7,225,617
Agriculture	103,613,026	70,494,225
Other	2,487,471	625,533
	127,056,581	81,271,080

9 Net commission income

Gross direct commission	27,213,617	9,089,796
Gross reinsurance commission	(42,879,783)	(20,556,731)
Less: change in unearned commission reserve	(7,135,393)	(2,055,785)
	(22,801,559)	(13,522,720)

10 Operating expenses

		2019 K	2018 K
Employee cost	Note 10.1	10,801,329	6,738,663
Depreciation	Note 13	525,020	430,558
Amortisation	Note 14	98,806	83,899
Depreciation on right of use assets	Note 28	939,776	-
Directors fees		916,001	291,256
Board meeting expenses		325,749	187,536
Auditors fees		481,777	420,000
Travel expenses		595,482	569,262
Repairs and maintenance expenses		1,557,777	1,296,392
PIA levies		789,090	829,475
Rent, rates and parking		792,391	1,278,787
Group life assurance		380,336	345,890
Consultancy fees		3,562,441	783,249
Printing and stationery		1,595,166	1,786,735
Subscriptions		165,973	79,952
Advertising costs		1,500,835	1,263,830
Legal fees		35,689	26,015
Grant expenses		1,926,433	1,613,782
Agriculture travelling expenses		25,060	174,242
Other expenses		3,038,528	3,948,959
		30,053,659	22,148,482

10.1 Employee cost

	2019 K	2018 K
Salaries and benefits	10,436,672	5,896,433
Other staff costs	69,394	555,037
Defined contribution retirement schemes:		
- NAPSA	295,263	287,193
	10,801,329	6,738,663

11 Other (expense)/income

	2019 K	2018 K
Exchange gains	5,780,671	1,960,002
Profit on disposal of fixed assets and other income	267,622	34,000
Exchange loss	(4,335,975)	(1,797,382)
	1,712,318	196,620

12 Current income tax and deferred tax

12.1 Current income tax

	2019 K	2018 K
Income tax	7,223,179	4,251,287
Deferred income tax (credit)/charge to profit or loss	(1,031,216)	(559,330)
Total tax charge to profit or loss	6,191,963	3,691,957

12 Current income tax and deferred tax

12.2 Reconciliation of effective tax rate

	2019 K	2018 K
Loss before tax	16,375,014	10,787,383
Tax calculated at a tax rate of 35%	5,731,255	3,775,584
Tax effect of:		
Expenses not deductible for tax purposes	465,768	(92,558)
(Over)/under provision	(5,060)	8,931
	6,191,963	3,691,957

12.3 Current income tax asset

	2019 K	2018 K
At start of year	3,398,685	279,540
Charge for the year	7,223,179	4,251,287
Payment during the year	(8,750,564)	(1,132,142)
At end of year	1,871,300	3,398,685

12 Current income tax and deferred tax (continued)

12.4 Deferred income tax

Deferred taxes are calculated on all temporary differences using the liability method and an effective tax rate of 35%. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The analysis of deferred tax (assets) and deferred tax liabilities is as follows:

	2019 K	2018 K
Deferred tax assets:		
-Deferred tax assets to be settled after more than 12 months	(4,693,957)	(1,784,497)
Deferred tax liabilities:		
-Deferred tax liabilities to be settled after more than 12 months	2,387,362	509,118
Deferred tax assets - net	(2,306,595)	(1,275,379)

Year ended 31 Dec 2019	At start of year K	Charged/ (credited) to profit or loss K	At end of year K
Deferred tax liabilities			
Property and equipment	452,201	305,702	757,903
Right of use asset	-	1,123,815	1,123,815
Unrealised exchange gains	56,917	448,727	505,644
	509,118	1,878,244	2,387,362
Deferred tax assets			
Impairment losses	(940,509)	46,988	(893,521)
Lease liabilities	-	(1,324,803)	(1,324,803)
Gratuity provision	-	(245,538)	(245,538)
IBNR provision	(843,988)	(1,386,107)	(2,230,095)
	(1,784,497)	(2,909,460)	(4,693,957)
Net deferred tax asset	(1,275,379)	(1,031,216)	(2,306,595)
Year ended 31 Dec 2018			
Deferred tax liabilities			
Property and equipment	154,632	297,569	452,201
Unrealised exchange gains	61,055	(4,138)	56,917
	215,687	293,431	509,118
Deferred tax assets			
Impairment losses	(612,245)	(328,264)	(940,509)
Unrealised exchange losses	(319,491)	319,491	-
IBNR provision	-	(843,988)	(843,988)
	(931,736)	(852,761)	(1,784,497)
Net deferred tax asset	(716,049)	(559,330)	(1,275,379)

13 Property and equipment

	Leasehold improvements K	Office equipment K	Telephone equipment K	Furniture and fittings K	Computer hardware K	Motor vehicles K	Total K
Cost:							
As at 1 January 2019	645,416	169,312	39,165	941,572	425,954	1,371,713	3,593,132
Additions	13,500	271,599	-	22,220	140,470	-	447,789
Revaluation surplus	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(29,800)	(29,800)
As at 31 December 2019	658,916	440,911	39,165	963,792	566,424	1,341,913	4,011,121
Accumulated Depreciation							
As at 1 January 2019	105,217	95,510	26,683	282,911	270,236	528,362	1,308,919
Depreciation for the year	77,818	24,226	3,121	106,627	72,357	240,871	525,020
Disposals	-	-	-	-	-	29,800	29,800
	183,035	119,736	29,804	389,538	342,593	799,033	1,863,739
Net book value							
At 31 December 2019	475,881	321,175	9,361	574,254	223,831	542,880	2,147,382
As at 1 January 2018	189,795	153,218	37,625	470,194	322,014	766,463	1,939,309
Additions	455,621	16,094	1,540	471,378	103,940	605,250	1,653,823
As at 31 December 2018	645,416	169,312	39,165	941,572	425,954	1,371,713	3,593,132
Accumulated Depreciation							
As at 1 January 2018	62,665	83,780	22,937	206,826	215,132	287,021	878,361
Depreciation for the year	42,552	11,730	3,746	76,085	55,104	241,341	430,558
	105,217	95,510	26,683	282,911	270,236	528,362	1,308,919
Net book value							
At 31 December 2018	540,199	73,802	12,482	658,661	155,718	843,351	2,284,213

14 Intangible assets - computer software

	2019 K	2018 K
Cost		
At start of year	4,201,091	324,438
Write off of cost	(875,047)	-
Additions	7,984	3,876,653
At end of year	3,334,028	4,201,091
Amortisation		
At start of year	97,902	14,003
Charge for the year	98,806	83,899
At end of year	196,708	97,902
Net book value	3,137,320	4,103,189

15 Investment property

	2019 K	2018 K
At start of year	12,476,030	11,233,600
Additions	68,113	90,125
Fair value gain	190,857	1,152,305
At end of year	12,735,000	12,476,030

Investment property comprises land and building in the Longacres area of Lusaka. The land was purchased by the Company as part of an 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 in December 2019. 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 property was valued at US$ 1,125,000.

ii) Valuation techniques

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

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

Other factors that are considered include:

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

15 Investment property (continued)

Details of the fair value hierarchy of the Company's Investment property held at fair value as at 31 December 2017 are as follows:

	Level 1 K	Level 2 K	Level 3 K	Total K
31 December 2019	-	-	12,735,000	12,735,000
31 December 2018	-	-	12,476,030	12,476,030

16 Insurance premium receivables

	2019 K	2018 K
Brokers and agents balances	42,882,995	50,942,888
Less: provision for impairment	(2,552,915)	(2,672,841)
	40,330,080	48,270,047
Movement in impairment loss:		
As at start of year	(2,672,841)	(734,946)
Charge for the year	119,926	(1,937,895)
At end of year	(2,552,915)	(2,672,841)

The carrying amount of premium receivable approximate to their fair value.

17 Reinsurers share of technical provisions and reserves

Reinsurers' share of			
- unearned premiums		136,909,096	65,436,323
- notified claims (note 21)	Note 22	122,144,468	40,193,730
- claims incurred but not reported	Note 22	33,854,910	18,634,550
		292,908,474	124,264,603

18 Deferred acquisition costs

At start of year	4,289,470	9,089,796
Recognised during the year	14,738,667	(4,800,326)
At end of year	19,028,137	4,289,470

19 Other receivable

Sundry receivables - security deposit, staff advances and others	231,179	583,825

20 Cash and cash equivalents

Cash at bank and in hand	2,086,927	4,002,602
Fixed term deposits	52,982,300	46,545,212
	55,069,227	50,547,814

The fixed deposits are placed with financial institutions and have a tenor of 90 days or less from commencement date.

21 Investment in debt instruments

	2019 K	2018 K
Treasury bills	21,481,192	-
Fixed term deposits	19,235,310	-
	40,716,502	-

The treasury bills held and fixed deposits placed with financial institutions have a tenor of more than 90 days from commencement date.

22 Insurance contract liabilities

	2019 K	2018 K
Claims incurred and claim handling expenses	135,730,493	45,329,419
Claims incurred but not reported	40,289,556	25,682,322
	176,020,049	71,011,741

31 December 2019	**Gross outstanding** K	**Reinsurance share** K	**Net** K
At start of year			
Notified claims	45,329,419	(40,193,730)	5,135,689
Incurred but not reported (IBNR)	25,682,322	(18,634,550)	7,047,772
	71,011,741	(58,828,280)	12,183,461
At end of year			
Notified claims	135,730,493	(122,144,468)	13,586,025
Incurred but not reported (IBNR)	40,289,556	(33,854,910)	6,434,646
	176,020,049	(155,999,378)	20,020,671
31 December 2018			
At start of year			
Notified claims	55,809,789	(50,367,892)	106,177,681
Incurred but not reported (IBNR)	18,083,365	(13,401,987)	31,485,352
	73,893,154	(63,769,879)	137,663,033
At end of year			
Notified claims	45,329,419	(40,193,730)	5,135,689
Incurred but not reported (IBNR)	25,682,322	(18,634,550)	7,047,772
	71,011,741	(58,828,280)	12,183,461

23 Unearned premiums reserve

	2019 K	2018 K
At start of year	80,941,304	68,473,355
Increase during the year	69,379,932	12,467,949
At end of year	150,321,236	80,941,304

24 Other payables

	2019 K	2018 K
Accrual for computer software	2,034,131	2,732,915
Advance premium	42,850,769	-
Insurance premium levy	(87,738)	1,568,671
Accruals and other liabilities	1,175,126	736,380
	45,972,288	5,037,966

25 Deferred grant

	2019 K	2018 K
As at start of year	246,052	871,034
Received during the year	2,300,000	988,800
Income recognised during the year	(1,926,433)	(1,613,782)
At end of year	619,619	246,052

26 Share capital

	No. of shares	K
Authorised:		
At start of year and end of year	15,000,000	15,000,000
Issued and fully paid:		
At start of year and end of year	15,000,000	15,000,000

The total authorised and issued number of ordinary shares is 15,000,0000 with a par value of K 1 per share. All issued shares are fully paid.

27 Cash generated from operating activities

27.1 Reconciliation of cash generated from operations

	2019 K	2018 K
Profit before income tax	16,375,014	10,787,383
Adjustment for non cash items:		
Depreciation	525,020	429,557
Amortisation of intangible asset	98,806	83,899
Depreciation on right of use assets	939,776	-
Fair value gain on investment properties	(190,857)	(1,152,305)
Exchange gains/(losses)	1,444,696	(162,620)
Profit on disposal of property and equipment	(267,622)	(34,000)
Interest received	(4,569,003)	(2,470,446)
Interest expense	498,343	-
Exchange differences on leases	539,241	-
Other adjustments	1,172,268	-
Grant income	(1,926,433)	(1,613,782)
Changes in working capital:		
- receivables arising out of direct insurance arrangements	7,939,967	(40,205,780)
- reinsurers share of technical provisions and reserves	(168,643,871)	(756,956)
- unearned commission	(14,738,667)	(2,055,785)
- other receivables	352,646	840,351
- outstanding claims provisions	105,008,308	(2,836,413)
- unearned premiums reserve	69,379,932	(10,532,051)
- payables arising out of reinsurance arrangements	(9,487,850)	5,345,168
- deferred reinsurance commission	7,603,274	9,569,603
- other payables	40,934,322	3,705,794
Net cash generated/(used) in operations	52,987,310	(31,058,383)

28 Leases

This note provides information for leases where the Company is a lessee.

(i) Amounts recognised in the statement of financial position

Right-of-use assets	**31 December K**	**1 January K**
Office building	3,210,900	4,150,675
Lease liabilities		
Current	1,021,437	929,151
Non- current	2,763,714	3,221,524
	3,785,151	4,150,675

(ii) Amounts recognised in the statement of profit or loss	**2019 K**	**2018 K**
Depreciation charge of right-of-use assets		
Office building	939,776	-
Interest expense on lease liabilities	498,343	-
Expense relating to leases of low-value assets that	253,151	-
Exchange differences on leases	539,241	-
		-
	1,290,735	-
Total expenses for the year	2,230,511	-

29 Related parties

The ultimate parent and ultimate controlling entity of the Company is Mayfair Insurance Company Limited incorporated in Kenya. There are other companies that are related to the company through common shareholdings or common directorships.

A number of transactions were entered into with related parties in the normal course of business. These are disclosed below:

i) Key management compensation	**2019 K**	**2018 K**
Salaries	5,864,250	1,353,871
ii) Directors remuneration		
Director fees	916,001	291,256

30 Contingent liabilities and commitments

In common with the insurance industry in general, the Company is subject to litigation arising in the normal course of insurance business. The Directors are of the opinion that any outstanding litigation as at 31 December 2019 will not have a material effect on the financial position or profit since adequate provisions for claims have been made as far as the Directors believes the claims will be payable (2018: Nil).

30 Contingent liabilities and commitments (continued)

The Company is also subject to insurance solvency regulations in respect of its insurance and investment contracts, and has complied with all these regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

31 Subsequent events

Late in 2019, news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organization. In the first few months of 2020 the virus had spread globally, and its negative impact has gained momentum. Management considers this outbreak to be a non-adjusting post balance sheet event. While this is still an evolving situation at the time of issuing these annual financial statements, to date there has been no discernible impact on the Company's operations however, the future effects cannot be predicted.

Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

The Directors are not aware of any other material event which occurred after the reporting date and up to the date of this report which would require adjustment or disclosure in these annual financial statements.

32 Temporary exemption from applying IFRS 9

The Company has opted to apply the temporary exemption from the application of IFRS as its activities are predominantly connect with insurance. The exemption is based on meeting the criteria set out in IFRS 4 as shown below:

i) the Company has not previously applied IFRS 9;
ii) the Company does not hold any investment contracts;
iii) the Company's activities are predominantly related to insurance as its total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year are shown below:

Predominance ratio calculation:	**2019** **K**	**2018** **K**
Liabilities related to insurance activities	386,762,375	214,258,711
Other connected liabilities	48,463,207	8,682,703
	435,225,582	222,941,414
Total liabilities	439,010,733	222,941,414
Ratio	99%	100%

There has been no change in the Company's insurance activities that warrants a reassessment of the above information
The amendment to IFRS 4 Insurance contracts requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that solely payments of principal and interest ("SPPI") another financial assets separately.

The Company has assessed that only cash and cash equivalents and investments in debt instruments have contractual cash flows that meet the SPPI criteria.

The Company has no financial assets whose contractual cash flows that do not represent the solely payments of principal and interest

The Company does not currently use the option of IAS 39 to designate the financial assets at fair value.

The carrying amount of cash and cash equivalents and investments in debt instruments are shown in the annual financial statements is a reasonable approximation of their fair value.

Mayfair Insurance Company Zambia Limited
Appendix I
Solvency margin calculation

Admitted Assets		2019 K		2018 K
Property & Equipment		2,147,382		2,284,213
Right-of-use assets		3,210,900		-
Intangible assets		3,137,320		4,103,189
Investment property		12,735,000		12,476,030
Gross insurance receivables	42,882,995		50,942,888	
Less: insurance receivables over 60 Days	(6,681,984)		(3,718,340)	
Net insurance receivables		36,201,011		47,224,548
Other receivables (UPR on RI, Salvages Recoveries)		231,179		583,825
Deferred acquisition costs		19,028,137		4,289,470
Investment in debt instruments		40,716,502		-
Cash and Cash Equivalents		55,069,227		50,547,814
Total		172,476,658		121,509,089

Admitted Liabilities	2019 K	2018 K
Outstanding claims	13,586,025	5,135,689
Incurred but not reported (IBNR)	6,434,646	7,047,772
Insurance funds - unearned premium reserve	13,412,140	15,504,980
Insurance funds - unearned commission reserve	3,346,577	10,481,970
Reinsurance payables	38,046,376	47,534,226
Current income tax payable	1,871,300	3,398,685
Lease liabilities	3,785,151	-
Other Payables/Provisions	46,591,907	5,284,018
Total	127,074,122	94,387,340
Margin	45,402,536	27,121,749
Solvency margin	**35.7%**	**28.7%**

The statutory requirement by Pension and Insurance Authority for the solvency ratio is 10%. The company's solvency margin is above the requirement therefore in compliance with the requirement.