MAYFAIR
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Financial statements

2020

Welcome to our Financial Statements.

Mayfair

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Corporate Information

Country of incorporation and domicile	Uganda
Directors	Vinay Dawda Manish Hasmukh Dawda Anjay Vithalbhai Patel Vishal Rajinder Kumar Patel Rudra Deva BS Ramesh Babu Mitul Jobanputra Candy Wekesa Okoboi Miriam Ekirapa Musaali
Registered Office	2B, 2nd Floor, Plot 9, Yusuf Lule Road PO Box 34447, Kampala, Uganda
Auditors	Grant Thornton Certified Public Accountants PO Box 7158, Kampala, Uganda
Lead bankers	KCB Bank Uganda Limited PO Box 7399 Kampala, Uganda
Secretary	AF Mpanga and Co. Advocates PO Box 1520, Kampala, Uganda
Tax reference number	10139558550

Directors' Report

The directors have pleasure in submitting their report on the state of affairs of Mayfair Insurance Company Uganda Limited ("the Company") for the year ended December 31, 2020.

1. Nature of Business

The Company is engaged in the business of underwriting all classes of non-life insurance risks as defined by the Insurance Act, 2017 and operates principally in Uganda.

There have been no material changes to the nature of the Company's business from the prior year.

2. Review of financial results

The financial statements have been prepared in accordance with International Financial Reporting Standards and in a manner required by the Companies Act, 2012 and Insurance Act, 2017. The accounting policies have been applied consistently to all the periods presented in the accompanying financial statements.

Full details of the financial position, results of operations and cash flows of the Company are set out in the accompanying financial statements.

3. Share capital

Authorised share capital	**2020 USh'000**	2019 USh'000	**2020**	2019
			Number of shares	
Ordinary shares of USh 37,220 each			**200,000**	200,000
Issued				
Ordinary shares of USh 37,220 each	**7,444,000**	7,444,000	**200,000**	200,000

4. Dividends

The Company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the Board may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board may pass on the payment of dividends.

The board do not recommend the declaration of a dividend for the year.

5. Contingency reserves

In respect of general business, an amount of USh 206,640 thousand (2019: USh 102,031 thousand) has been transferred to a contingency reserve in accordance with the Insurance Act, 2017.

6. Solvency

The Insurance Act, 2017, requires that each insurance Company's total admitted assets should exceed the total admitted liabilities by an amount above 15% of premium income net of reinsurance cessions. The Company's admitted assets exceed the total admitted liabilities by USh 2.15 billion (2019: USh 2.75 billion) above 15% of premium income net of reinsurance cessions.

7. Directorate

The directors in office at the date of this report are as follows:

Name and nationality	Designation
Vinay Dawda (Ugandan)	Chairman
Manish Hasmukh Dawda (Kenyan)	Director
Anjay Vithalbhai Patel (British)	Director
Vishal Rajinder Kumar Patel (Kenyan)	Director
Rudra Deva (Indian)	Managing Director
B.S. Ramesh Babu (Indian)	Director
Mitul Jobanputra (British)	Director
Candy Wekesa Okoboi (Ugandan)	Director
Miriam Ekirapa Musaali (Ugandan)	Director (Appointed on September 23, 2020)

7. Impact of COVID 19 and events after the reporting period

The spread of COVID-19 has severely impacted businesses around the globe. The Government of Uganda announced on March 18, 2020 a nationwide lockdown with immediate effect. Like many other countries, there has been severe disruption to regular business operation due to lock downs, disruptions in transportation, supply chain, travel restrictions, quarantines, social distancing and other emergency measures in Uganda.

The Company has made an assessment of its liquidity position for the future short term period and has critically assessed the assumptions used, recoverability and carrying values of its assets comprising of property and equipment and liabilities as at reporting date, and has concluded that no material adjustments are required in the financial statements.

The management has taken into account all the possible impacts of events that could arise from the outbreak of COVID-19 pandemic, in the preparation of the financial statements including the entity's ability to continue as a going concern. The impact assessment of COVID-19 is a continuing process, given the uncertainties associated with its nature and duration and the Company will continue to monitor all material changes to the entity's internal and external environment.

With exception of the unlikely future impact of COVID 19 on the overall operations of the company that remains uncertain, the Directors are not aware of any material event which occurred after the reporting date and up to the date of this report which requires adjustments to or disclosures in the accompanying financial statements.

8. Auditor

Grant Thornton Certified Public Accountants have expressed their willingness to continue as auditors of the Company in accordance with Section 167(2) of the Companies Act, 2012.

Directors' Report

9. Secretary

The Company secretary is AF Mpanga Advocates, whose registered office is at PO Box 1520, Kampala, Uganda.

The financial statements set out on pages 10 to 40, which have been prepared on the going concern basis were approved by the Board on 10th March-2021.

Company Secretary

Date: 30th March 2021
Place: Kampala, Uganda

BOWMANS
AF MPANGA
ADVOCATES, TRADEMARKS & PATENT
AGENTS AND LEGAL CONSULTANTS
4th FLOOR DFCU TOWERS
KYADONDO ROAD NAKASERO KAMPALA
P O BOX 1520 KAMPALA

Directors' Report

The directors are required in terms of the Companies Act, 2012 and the Insurance Act, 2017 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Company as at the end of the financial period and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

The financial statements set out on pages 10 to 40, which have been prepared on the going concern basis, were approved by the board on 19th March-2021 and were signed on its behalf by:

Director

Date: 30th March-2021

Place: Kampala, Uganda

Director

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Independent Auditor's Report

To the members of Mayfair Insurance Company Uganda Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mayfair Insurance Company Uganda Limited ("the Company") set out on pages 10 to 40, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the seven months period then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of Mayfair Insurance Company Uganda Limited as at 31 December 2020, and its financial performance and cash flows for the seven months period then ended in accordance with International Financial Reporting Standards, the requirements of the Companies Act, 2012 and the Insurance Act, 2017.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Uganda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Uganda. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined the matter described below to be the key audit matter to be communicated in our report

Key audit matter	How addressed
Premium income and receivables Significant judgment is involved in premium revenue recognition, determination of unearned premiums and estimation of provisions for uncollected premium receivables.	Our audit procedures in this area included, among others: ▪ Evaluation and testing of key controls over the processes designed to record and monitor premium income and insurance and reinsurance receivables; ▪ Testing subsequent clearance for a sample of debtors as at period end to enable us to assess the recoverability ▪ Testing of the receivables where no movement in receivables, tracing back to supporting documentation; ▪ Assessing the adequacy of the Company's disclosures to the financial statements.

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Anil Patel (Indian), Jasmine Shah (Indian), Nilesh Patel (Indian), Yuonusu Musoke (Ugandan), Uday Bhalara (Indian)

Independent Auditor's Report *(continued)*

Key audit matter	How addressed
Valuation of outstanding claims As at December 31, 2020, The Company has gross outstanding claims and claims incurred but not reported (IBNR) amounting to USh 2,237,222 thousand. Significant judgement is required by the management in determining outstanding liabilities towards insurance claims from its customers. Since the amount outstanding is material and significant judgements are required, for the purposes of our audit, we identified valuation of insurance claim liabilities as key audit matter.	Our audit procedures in this area included, among others: • Obtained outstanding claim schedule and verified with amounts reflected in financial statements. • Used statistical sampling tool and selected sample of outstanding claims and verified following: ✓ Whether premium has been paid by the customer. ✓ Amount of claim not in excess of the policy amount; ✓ Confirmed the amount with report submitted by Loss Assessors and Insurance Surveyors report. ✓ Verified that the Company engaged Loss Assessors & Insurance Surveyors who have the required qualifications and are licensed by IRA; and ✓ We verified that in case of any reinsurance arrangements, the claims outstanding have been only booked in respect of Company's share and balance debited to reinsurance companies as per the treaty.

Other Information

The directors are responsible for the other information on pages 2 to 5. Other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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.
- 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 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 financial statements, including the disclosures, and whether the 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Report on other legal and regulatory requirements

As required by the Companies Act, 2012, we report to you, based on our audit that:

a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
b) In our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
c) The Company's statement of financial position and statement of profit or loss and other comprehensive income agree with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Yuonusu Musoke - P0453.

Yuonusu Musoke
P0453

Grant Thornton

Grant Thornton
Certified Public Accountants

Date: March 30, 2021
Place: Kampala, Uganda

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Statement of profit or loss and other comprehensive income

	Note(s)	2020 USh'000	2019 USh'000
Gross earned premium	3	9,804,743	3,667,198
Less: reinsurance premium ceded		(5,849,782)	(2,007,910)
Less: Net claims incurred	4	(1,560,904)	(588,983)
Income net of claims		2,394,057	1,070,305
Investment income	5	606,660	357,713
Commissions earned		1,865,471	387,806
Other income	6	17,607	6,031
Net income		4,883,795	1,821,855
Administrative expenses	7	(3,319,334)	(2,655,052)
Finance income and costs - net		2,775	(130,793)
Commission expenses		(2,318,649)	(534,261)
Loss before tax		(751,413)	(1,498,251)
Tax	21	(55,501)	(8,712)
Loss for the year		(806,914)	(1,506,963)
Other comprehensive income		-	-
Total comprehensive loss for the year		(806,914)	(1,506,963)

The notes on pages 14 to 40 are an integral part of the financial statements.

Statement of financial position

	Notes	2020 USh'000	2019 USh'000
Assets			
Property, equipment and right of use asset	10	**1,102,079**	545,907
Intangible assets	11	**602,421**	931,821
Receivables arising out of direct insurance arrangements	12	**3,044,013**	912,865
Reinsurer's share of technical provisions and reserves	13	**2,966,897**	1,014,301
Investment in government securities	14	**2,657,880**	2,528,780
Deferred acquisition costs	15	**700,350**	371,947
Other receivables	16	**324,586**	82,663
Fixed deposits	17	**3,827,776**	3,198,748
Cash in hand and at bank	18	**123,667**	272,375
Total assets		**15,349,669**	9,859,407
Equity and liabilities			
Share capital	19	**7,444,000**	7,444,000
Other reserves	20	**310,167**	103,527
Accumulated losses		**(3,278,088)**	(2,264,534)
Total equity		**4,476,079**	5,282,993
Liabilities			
Outstanding claims provision	22	**2,237,222**	661,528
Provision for unearned premium	23	**3,829,319**	2,194,359
Deferred reinsurance commissions	24	**549,004**	216,811
Other payables	25	**3,279,287**	1,265,172
Lease liability	26	**978,758**	238,544
Total liabilities		**10,873,590**	4,576,414
Total equity and liabilities		**15,349,669**	9,859,407

The financial statements on pages 10 to 40 were approved for issue by the Board of Directors on 19th March - 2021 and signed on its behalf by:

Director **Director**

The notes on pages 14 to 40 are an integral part of the financial statements.

Statement of changes in equity

	Share capital	Share application money	Other reserves	Accumulated losses	Total equity
	USh'000	USh'000	USh'000	USh'000	USh'000
Balance at 1 January 2019	5,210,800	2,233,200	748	(654,792)	6,789,956
Comprehensive loss for the year					
Loss for the year	-	-	-	(1,506,963)	(1,506,963)
Other comprehensive income	-	-	-	-	-
Transfer to contingency reserve	-	-	102,779	(102,779)	-
Contributions by owners					
Transfer to share capital	2,233,200	(2,233,200)	-	-	-
Balance at 31 December 2019	**7,444,000**	**-**	**103,527**	**(2,264,534)**	**5,282,993**
Balance at 1 January 2020	7,444,000	-	103,527	(2,264,534)	5,282,993
Comprehensive loss for the year					
Loss for the year	-	-	-	(806,914)	(806,914)
Other comprehensive income	-	-	-	-	-
Transfer to contingency reserve	-	-	206,640	(206,640)	-
Balance at 31 December 2020	**7,444,000**	**-**	**310,167**	**(3,278,088)**	**4,476,079**

The notes on pages 14 to 40 are an integral part of the financial statements

Statement of Cash flows

	2020	2019
	USh'000	USh'000
Operating activities		
Loss before tax	**(751,413)**	(1,498,251)
Adjustments for:		
Depreciation	**359,319**	227,806
Amortization of intangible assets	**329,400**	165,878
Changes in working capital:		
-receivables arising out of direct insurance	**(2,131,148)**	(873,606)
- reinsurer's share of technical provisions and reserves	**(1,952,596)**	(1,011,691)
- deferred acquisition cost	**(328,403)**	(366,483)
-other receivables	**(241,923)**	98,700
- outstanding claims provisions	**1,575,694**	658,723
- unearned premiums reserve	**1,634,960**	2,160,620
- Payables arising out of reinsurance arrangement	**332,193**	216,088
- other payables	**2,014,115**	1,122,276
	840,198	900,060
Withholding tax paid	**(55,501)**	(8,712)
Net cash flows generated from operations	**784,697**	891,348
Investing activities		
Purchase of property and equipment	**29,445**	(14,784)
Purchase of software	**-**	(1,092,006)
Movement in government securities	**(129,100)**	(2,159,759)
Movement in fixed deposits	**(629,028)**	(3,116,627)
Net cash flows used in investing activities	**(728,683)**	(6,383,176)
Financing activities		
Payment of lease liabilities	**(204,722)**	(143,567)
Net cash flows used in financing activities	**(204,722)**	(143,567)
Net change in cash and cash equivalents	**(148,708)**	(5,635,395)
Cash and cash equivalents at 1 January	**272,375**	5,907,770
Cash and cash equivalents at 31 December	**123,667**	272,375

The notes on pages 14 to 40 are an integral part of the financial statements.

Corporate information

Mayfair Insurance Company Uganda Limited ("the Company") is a private limited Company incorporated and domiciled in Uganda. The Company was incorporated on 14 June 2019 and was granted license from the Insurance Regulatory Authority on 13th November 2019.

The Company is engaged in the business of underwriting all classes of non-life insurance risks as defined by the Insurance Act, 2017.

The Registered office of the Company is PO Box 34447, Kampala, Uganda.

1. Significant accounting policies

1.0 Preparation of Financial Statements

The financial statements have been prepared on the going concern basis, in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 2012 and the Insurance Act, 2017.

The financial statements have been prepared on going concern basis, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Uganda Shilling (USh), which is the Company's functional currency. All financial information has been rounded to the nearest thousand, unless otherwise indicated.

These accounting policies have been applied consistently throughout the current period and all prior period presented.

1.1. Significant judgments and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Lease classification

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). In addition, significant estimates were used in the determination of incremental borrowing rates used in the respective economic environment for the purposes of determining the right of use assets and the corresponding finance lease liability.

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 liability.

1 Significant accounting policies *(continued)*

1.1. Significant judgments and sources of estimation uncertainty (continued)

Premium receivables

Receivables are recognised at fair value and subsequently measured at amortised cost. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows. The amount of the provision is recognised in the profit and loss account.

Provision for unearned premium and claims

Unearned premium reserves are calculated at 1/365th method of net written premium for all classes.

Provision for claims is calculated on case to case basis by approximation on the basis experience of the management. Such provisions are periodically revisited till their settlement in case there is any subsequent document that warrants adjustment of provision. Guidance is also taken from the Company's legal departments in relation to the reserves to be maintained on claims that entail a legal case. Provisions for claims incurred but not reported ("IBNR") is calculated at 15% of the claims outstanding at the end of the year as provided under the Insurance Act, 2017.

The adequacy of provision for claims is evaluated each year using standard actuarial techniques, historical experience and expectation of future events that are believed to be reasonable under prevailing circumstances. In addition, IBNR reserves are set to recognize the estimated costs of losses that could have occurred, but which have not yet been notified to the Company.

Claim liabilities

Critical estimates are made by the directors in determining Claim liabilities in respect of the policies issued under the insurance business. These include:
- Basic reserve equal to the unearned portion of the annual or single premium;
- Reserve for Incurred But Not Reported (IBNR) claims; and
- Deductions from the liabilities for the portion of business that has been reinsured.

Measurement of fair value

A number of the Company's policies and disclosures require the measurement of fair values, for both financial and nonfinancial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. The Company's finance team is responsible for monitoring the fair valuation of assets and liabilities and reports directly to the finance manager.

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information such as broker quotes or pricing services is used to measure fair values, then the team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Managing Director and the Board.

1 Significant accounting policies *(continued)*

1.1. Significant judgments and sources of estimation uncertainty (continued)

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Impairment testing

The Company reviews its non-financial assets to assess the likelihood of impairment on an annual basis. In determining whether such assets are impaired, the management makes judgements as to whether there are any conditions that indicate potential impairment of such assets.

Deferred acquisition costs

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

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Lives of items of property, plant and equipment

Estimates are made by the directors in determining depreciation rates for property and equipment.

1 Significant accounting policies *(continued)*

1.2. Underwriting Results

The underwriting results for general business are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

a) Premiums written relates to risks assumed during the year and include estimates of premiums due but not yet received, less an allowance for cancellations. Premium earned relates to premiums written as adjusted to exclude the premium relating to the period that falls out of the current reporting period.

b) Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for loss occurring contracts.

c) 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 statement of financial position date, and are calculated based on the net premiums relating to the unexpired term of the policies as at the statement of financial position date. The Company uses the 1/365th rule to compute unearned premium based on the net premiums written. In cases, where the calculated unearned premium reserve using 1/365th method is lower than the 40% of the net premium written as required by the Insurance Act, 2017, then the Company adopts the statutory method as per the above section.

d) 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 year or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the statement of financial position date, but not settled at that date. Outstanding claims 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"). The claims incurred but not reported by the statement of financial position date are estimated to be 15% of the total outstanding reported claims. Outstanding claims are not discounted.

e) Operating expenses, reinsurance expenses and commission are allocated to the relevant revenue accounts as incurred in the management of each class of business. Commission is shown net of commission receive d in respect of reinsurance business ceded.

f) Payables and receivables arising out of reinsurance arrangements represent liabilities resulting from unsettled cessions and amounts due from re-insurers resulting from their share of the ceded risks.

g) The contingency reserve is set up under the Insurance Act, 2017. The reserve is provided for at the greater of 2% of the gross premium income and 15% of net profit each year effective from 1996 and is required to accumulate until it reaches the greater of either minimum paid-up capital or fifty percent of the net premiums written.

h) The capital base growth fund is set up under the Insurance Act, 2017. The reserve is provided at 5% of the profits after tax to facilitate capital base growth of the Company.

1 Significant accounting policies *(continued)*

1.3. Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one period.

An item of property and equipment is recognised as an asset 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.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write down the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Company. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

Depreciation is calculated on a reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Leasehold improvements	12.5%
Motor vehicles	25%
Furniture, fittings and equipment	12.5%
Computer hardware	30%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1 Significant accounting policies *(continued)*

1.4. Intangible assets

Intangible assets represent computer software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the useful economic life from the date it is available for use, currently at 30% and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at each financial period end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense is recognised in profit or loss. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

1.5. Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other operating expenses.

1 Significant accounting policies *(continued)*

1.5. Financial instruments (continued)

Subsequent measurement of financial assets

Financial assets at amortised cost.

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows • the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

a) they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
b) the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

1 Significant accounting policies *(continued)*

1.5. Financial instruments (continued)

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings and insurance and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

1.6. Tax

Taxation expense is the aggregate of the charge to the statement of profit or loss and other comprehensive income in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Income Tax Act.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

1.7. Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the Consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of comprehensive income.

1.8. Insurance payables

Insurance contract liabilities

Non-life 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, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date 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.

1 Significant accounting policies *(continued)*

Provision for unearned premium

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 and is recognised as premium income.

1.9. Liability adequacy test

At each reporting date, the adequacy of the insurance liability is assessed. If that assessment shows the carrying amounts of its insurance liabilities (as measured under the FSV basis) is inadequate in light of the estimated future cash flows (based on the best estimate underlying the FSV basis) but excluding compulsory margins as well as any additional discretionary margins, the deficiency is recognised in profit and loss.

1.10. Deferred acquisition costs (DAC)

Direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums.

All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, DAC for general insurance are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset. The amortisation is recorded in the statement of comprehensive income.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value an impairment loss is recognised in the statement of comprehensive income. DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognised when the related contracts are either settled or disposed of.

1.11. Leases

Company as lessee
For any new contracts entered into on or after 1 January 2020, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

a. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
b. the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
c. the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

1. Significant accounting policies *(continued)*

1.11. Leases (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Company is a lessee, except for short-term leases of Year or less, or leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense (note) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Financial Statements

1. Significant accounting policies *(continued)*

1.11. Leases (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the
Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) fixed lease payments, including in-substance fixed payments, less any lease incentives;
b) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
c) the amount expected to be payable by the Company under residual value guarantees;
d) the exercise price of purchase options, if the Company is reasonably certain to exercise the option;
e) Lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
f) penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented within property and equipment on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance cost and finance income - net.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

a) there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
b) there has been a change in the assessment of whether the Company will exercise a purchase, termination or
c) extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
d) there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
e) there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
f) a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of use asset or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements

1. Significant accounting policies *(continued)*

1.11. Leases (continued)

Right-of-use assets

Right-of-use assets are presented within property and equipment on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:
a) the initial amount of the corresponding lease liability;
b) any lease payments made at or before the commencement date;
c) any initial direct costs incurred;
d) any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
e) less any lease incentives received.

When the Company incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised in the Statement of Financial Position in note Provisions.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

As an exception, when the underlying assets are land and buildings, the Company adopts the revaluation model consistent with the accounting policy for land and buildings which are owned by the Company. The accounting policy for the revaluation model is explained in the property, equipment and right of use assets accounting policy.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, equipment and right of use assets. Refer to the accounting policy for property, equipment and right of use assets for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset
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1. Significant accounting policies *(continued)*

1.12. Provisions and contingencies

Provisions are recognised when:

a) the Company has a present or constructive obligation as a result of a past event;
b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
c) a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Contingent assets and contingent liabilities are not recognised.

1.13. Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

1.14. Employee benefits

Defined contribution plans

A majority of the Company`s employees are eligible for annual leave and long service awards. The Company also contributes for it employees to the National Social Security Fund (NSSF). Provisions for annual leave and long service rewards and contributions to NSSF are charged to the income statement as incurred. Any differences between the charge to income and NSSF contributions payable is recorded in the balance sheet under other payables, while separate provisions are made for leave pay and long service awards.

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an expense.

1.15. Other revenue

Investment income: Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Commission income: Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Re-insurance Commission: Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

Notes to the Financial Statements

1. Significant accounting policies *(continued)*

1.16. Translation of foreign currencies

A foreign currency transaction is recorded, on initial recognition in Uganda Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

2. New Standards and Interpretations

2.1. Standards and interpretations effective and adopted in the current year

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- Definition of a business - Amendments to IFRS 3
- Presentation of Financial Statements: Disclosure initiative
- Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative

2.2. Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2020 or later periods:

IFRS 17- Insurance contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after January 1, 2021.

The Company does not envisage the adoption of the standard until such time as it becomes applicable to the Company's operations.

The impact of this standard is currently being assessed.

3. Gross earned premium

	2020 USh'000	2019 USh'000
Aviation	**3,123**	1,700
Fire	**2,721,407**	872,412
Motor	**2,405,171**	671,996
Engineering	**799,015**	377,445
Workmen's compensation	**1,121,779**	466,599
Marine	**1,190,292**	550,956
Theft	**868,473**	441,278
Public liability	**203,774**	121,906
Personal accident	**137,635**	86,120
Others	**354,074**	76,786
	9,804,743	3,667,198

4. Net claims incurred

	2020	2019
Motor	**737,389**	224,699
Engineering	**136,784**	77,635
Fire	**82,515**	37,123
Marine	**57,418**	73,482
Theft	**286,753**	42,477
Personal accident	**27,211**	6,967
Workmen's compensation	**232,834**	126,600
	1,560,904	588,983

5. Investment income

	2020	2019
Interest from government securities	**274,718**	129,912
Bank deposit interest	**331,942**	227,801
	606,660	357,713

6. Other income

	2020	2019
Interest income - others	**897**	157
Others	**16,710**	5,874
	17,607	6,031

7. Administrative expenses

	2020 USh'000	2019 USh'000
Staff costs (note 8)	**1,574,767**	1,441,980
Depreciation and amortisation (note 9)	**688,719**	393,684
Business development expenses	**218,407**	-
IT maintenance costs	**144,994**	-
Levy	**128,577**	77,050
Legal and consulting fees	**87,118**	85,648
Auditor's remuneration	**82,185**	37,124
Other expenses	**80,533**	67,451
Travelling	**68,404**	50,707
Telephone and internet	**65,248**	27,457
Licences and insurance	**64,039**	45,494
Utilities	**29,873**	22,694
Printing and Stationery	**27,719**	33,859
Staff welfare	**25,664**	32,790
Bank charges	**18,246**	9,581
Subscriptions	**6,568**	2,931
Repair and maintenance expenditure	**3,747**	4,043
Accommodation and lodging	**3,255**	56,049
Advertising costs	**1,271**	42,691
Impairment allowance	-	212,048
Entertainment	-	6,770
Donation	-	5,001
	3,319,334	2,655,052

8. Staff costs

Staff costs include the following:

- Salaries and wages	**1,263,836**	1,157,091
- Directors remuneration	**186,881**	183,739
- NSSF	**124,050**	101,150
	1,574,767	1,441,980

The number of persons employed by the Company as at 31 December 2020 was 15 (2019: 11 employees).

9. Depreciation and amortisation

	2020	2019
Depreciation	**USh'000**	USh'000
Property, equipment and right of use asset	**359,319**	227,806
Amortisation		
Intangible assets	**329,400**	165,878
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	688,719	393,684
	======	======

10. Property, equipment and right of use asset

	Leasehold improvements	Motor vehicles	Furniture, fittings and equipment	Computer equipment	Right of use asset	Total
Cost	**USh'000**	**USh'000**	**USh'000**	**USh'000**	**USh'000**	**USh'000**
At 1 January 2019	55,600	100,000	153,504	82,403	-	391,507
Additions	-	-	-	8,604	-	8,604
On adoption of IFRS 16	(55,600)	-	-	-	452,454	396,854
Write-off	-	-	(8,563)	-	-	(8,563)
At 31 December 2019	-	100,000	144,941	91,007	452,454	788,402
At 1 January 2020	-	100,000	144,941	91,007	452,454	788,402
Additions	-	-	17,471	11,974	886,046	915,491
At 31 December 2020	-	100,000	162,412	102,981	1,338,500	1,703,893
Depreciation						
At 1 January 2019	1,158	6,250	3,161	4,120	-	14,689
On adoption of IFRS 16	(1,158)	-	-	-	1,158	-
Charge for the year	-	25,000	17,384	26,663	158,759	227,806
At 31 December 2019	-	31,250	20,545	30,783	159,917	242,495
At 1 January 2020	-	31,250	20,545	30,783	159,917	242,495
Charge for the year		25,000	27,290	29,222	277,807	359,319
At 31 December 2020	-	56,250	47,835	60,005	437,724	601,814
Net book value						
At 31 December 2020	**-**	**43,750**	**114,577**	**42,976**	**900,776**	**1,102,079**
At 31 December 2019	-	68,750	124,396	60,224	292,537	545,907

11. Intangible assets

	2020	2019
Software costs	**USh'000**	USh'000
Cost		
At 1 January	**1,097,999**	5,993
Additions	-	1,092,006
At 31 December	**1,097,999**	1,097,999
Amortisation		
At 1 January	**166,178**	300
Charge for the year	**329,400**	165,878
At 31 December	**495,578**	166,178
Net book value	**602,421**	931,821

12. Receivables from direct insurance arrangements

	2020	2019
Receivables from direct insurance arrangements	**3,229,637**	1,098,489
Impairment allowance	**(185,624)**	(185,624)
	3,044,013	912,865

13. Reinsurers' share of technical provisions and reserves

	2020	2019
Reinsurers' share of:		
- unearned premium	**1,787,370**	691,280
- outstanding claims	**1,025,969**	289,472
- claims incurred but not reported	**153,558**	33,549
	2,966,897	1,014,301

Reinsurers' receivables relate to reinsurers share of technical provisions in respect of claims already paid by the Company on contracts that are reinsured and included in receivables arising out of reinsurance arrangements.

14. Investment in government securities

	2020 USh'000	2019 USh'000
Government securities at amortised cost	**2,660,411**	2,531,311
Less: Impairment allowance	**(2,531)**	(2,531)
	2,657,880	2,528,780

Government securities included statutory deposits. The Company maintained a statutory deposit with Bank of Uganda in line with the requirements of the Insurance Act, 2017, which states that every insurer must maintain a security deposit of at least 10% of the prescribed paid up capital of the Company. The deposit made is considered part of the assets in respect of the capital of the insurer and is invested by the central bank in short term investments and securities. Interest and all income accruing from deposit is payable to the insurer. The deposit can be made available if the insurer suffers a substantial loss arising from liability to claimants and the loss is such that it cannot be met with its available resources or in the event of closure or winding up of the insurance business.

15. Deferred acquisition cost

Deferred acquisition costs of USh 371,947 thousand as at 31 December 2020 (2019: USh 5,464 thousand) are direct and indirect costs incurred during the period arising from the writing or renewing of insurance contracts. These costs are deferred to the extent that they are recoverable out of future premiums. Deferred acquisition costs for general insurance are amortised over the period in which the related revenues are earned.

16. Other receivables

	2020 USh'000	2019 USh'000
Staff salary advance	**24,398**	3,110
Prepayments	**51,622**	68,405
VAT receivables	**171,519**	7,780
Sundry debtors	**77,047**	3,368
	324,586	82,663

17. Fixed deposits

	2020 USh'000	2019 USh'000
Fixed deposits at amortised cost	**3,848,704**	3,219,676
Less: Impairment allowance	**(20,928)**	(20,928)
	3,827,776	3,198,748

18. Cash in hand and at bank

	2020 USh'000	2019 USh'000
Cash in hand	11	482
Cash at bank	126,622	274,858
Less: Impairment allowance	(2,966)	(2,966)
	123,667	272,374

19. Share capital

Authorised, allotted and paid-up:		
200,000 ordinary shares of USh 37,220 each	7,444,000	7,444,000

20. Other reserves

The Insurance Act, 2017, requires an annual transfer to contingency reserves equal to 2% of the gross premium income or 15% of the net profit whichever is greater, until the reserve accumulates to the minimum paid-up capital or 50% of the net premiums, whichever is greater.

21. Tax

In the year ended December 31, 2020, the Company has no taxable income. In addition, due to uncertainity on realising future deferred income tax benefit, no deferred tax asset has been recognised. Tax expense for the year relate to withholding tax on interest on government securities which is a final tax.

22. Outstanding claims provision

Outstanding claims provision	1,945,026	575,626
Incurred but not reported claims	292,196	85,902
	2,237,222	661,528

The Company does not have any historical experience to estimate the ultimate cost of claims and the IBNR provision. The estimate of the ultimate cost of claims has been made based on the the regulatory guidelines.

23. Provision for unearned premium

The Company amortises gross premium writing using the 365th method. The provision for unearned premium of USh 3,829,319 thousand represents the unamortised amount as at 31 December 2020 (2019: USh 2,194,359 thousand).

24. Deferred reinsurance commissions

The amount relates commission deferred on account of reinsurance business arrangements amounting to USh 549,004 thousand as at 31 December 2020 (2019: USh 216,811 thousand).

25. Other payables

	2020 USh'000	2019 USh'000
Accruals	164,751	93,047
Insurance payables	1,835,035	-
Provisions	223,387	-
Statutory dues	373,352	218,905
Others	682,762	953,220
	3,279,287	1,265,172

26. Lease liability

At 1 January	238,544	390,674
Payments made during the period	(172,246)	(200,953)
Modification in lease tenor	886,046	-
Interest (expense)/income	16,901	51,336
Finance (income) /costs	9,513	(2,512)
At 31 December	978,758	238,545

27. Related party transactions

The following transactions were carried out with related parties:

Directors' remuneration	186,881	183,739

28. Risk management

Insurance risk

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

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

The underwriting department attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew certain policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment for some or all costs.

Since the insurance industry could result in unpredictable events resulting in huge claims, the Company enters into reinsurance arrangements. The Company's reinsurance arrangements include treaty reinsurance which covers excess of loss, catastrophe coverage and surplus treaties. Facultative reinsurance locally is undertaken with other insurance companies when treaty limits are exhausted. The effect of such reinsurance arrangements is that the Company is able to spread its risks and hence not suffer the entire loss in case of claims.

Claims on insurance contracts are payable on an occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is reported after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR). The management ensures that adequate provisions are made in the financial statements for these amounts.

28. Risk management *(continued)*

Short-term insurance contracts

The Company engages in short-term insurance contracts and funds the insurance liabilities with a portfolio of equity and debt securities exposed to market risk. An analysis of the Company's financial assets and its short- term insurance liabilities is presented below:

	2020	2019
	USh'000	USh'000
Financial assets		
Investments	**6,485,656**	5,727,528
Receivables arising out of reinsurance arrangements	**1,179,527**	948,487
Receivables arising out of insurance arrangements	**3,044,013**	912,865
Cash in hand and at bank	**123,666**	272,375
	10,832,862	7,861,255
Short-term Insurance liabilities Short term contract liabilities	**2,237,222**	661,528
Insurance payables	753,436	406,502
	2,990,658	1,068,030

The Company's activities expose it *to* a variety of insurance and financial risks. Financial risks include credit risk, liquidity risk and market risk which includes the effects of changes in property values, debt and 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.

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.

28. Risk management *(continued)*

Concentration of premium

The table below sets out the concentration of general insurance premium written by type of contract:

	Gross written premium	Premium ceded	Net written premium
Year ended 31 December 2020	**USh'000**	**USh'000**	**USh'000**
Aviation	3,118	0	3,118
Fire Domestic	30,859	10,510	20,349
Fire industrial	2,748,457	2,742,924	5,533
Motor Comprehensive	1,607,235	387,722	1,219,513
Motor - Private	988,263	77,214	911,049
Others	369,511	22,017	22,017
Engineering	833,717	602,221	231,496
Workmen's Compensation	1,163,742	175,064	988,677
Marine	1,332,361	539,395	792,966
Theft	916,632	581,517	335,115
Public liability	197,689	88,592	109,096
Personal accident	140,515	95,580	44,935
	10,332,099	**5,322,756**	**4,683,864**
Year ended 31 December 2019			
Aviation	1,793	1,614	179
Fire Domestic	29,503	10,512	18,991
Fire industrial	1,018,072	654,170	363,902
Motor Comprehensive	1,079,729	15,871	1,063,858
Motor - Private	449,604	11,127	438,477
Bonds	80,832	72,614	8,218
Engineering	417,925	301,060	116,865
Workmen's Compensation	700,019	77,371	622,648
Marine	598,329	306,160	292,169
Theft	495,734	358,937	136,797
Public liability	160,967	63,582	97,385
Personal accident	104,955	63,341	41,614
	5,137,462	**1,936,359**	**3,201,103**

28. Risk management *(continued)*

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risk that the company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Company's financial performance. The Company matches assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The Company has not changed the processes to manage its risks from previous periods. The notes below explain how financial risks are managed by the management.

Credit risk

The Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance programme and amounts due from premium debtors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalisation of annual contracts. 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 provision 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. Where there exists significant exposure to individual policy holders, or homogenous Groups of policyholders, a financial analysis is carried out by the Directors.

The table below summarises key areas where there is a significant concentration of credit risk. The concentration arises as a result of outstanding balances being held by few counter parties:

	2020 USh'000	2019 USh'000
Receivables arising from direct insurance engagements	3,044,013	912,865
Receivables arising out of reinsurance arrangements	1,179,527	948,487
Cash at bank	123,655	272,375
Other receivables	245,686	372,135
Investment	6,485,656	5,727,528

In the opinion of the directors, the carrying amounts of financial assets and liabilities approximate to the fair values. Impairment has made for the portion of the receivable whose recovery is in doubt. The Company has impaired balances relating to customers that have defaulted on their payment plans. Additionally, it makes full provision for customers that are over 1 year under the General Insurance business as this represents the duration of the insurance contracts.

28. Risk management *(continued)*

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Company treasury maintains flexibility in funding by maintaining availability under commited credit lines.

The table below summarises the maturity analysis of financial assets and liabilities:

	Less than 1 year	**2 to 5 years**	**Above 5 years**
31 December 2020			
Insurance contract liabilities	**2,237,222**		
Lease liability	**252,341**	**790,708**	**295,528**
Other payables	**3,279,287**		
31 December 2019			
Insurance contract liabilities	661,528		
Lease liability	127,255	59,251	
Other payables	1,265,172		

Due to the dynamic nature of claims, it is impracticable to assign a maturity analysis and determine when exactly they shall be paid.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern and comply with the regulators' capital requirements while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of issued capital, reserves and retained earnings. Reinsurance is also used as part of capital management.

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

The Company is regulated by the Insurance Regulatory Authority (IRA) and is subject to insurance solvency regulations, which specify the minimum amount and type of capital that the Company should hold in accordance with the statute. The Insurance Act, 2017 requires the following:

a) issued and fully paid-up share capital must be USh 4,000,000,000.
b) a solvency margin in case of non- life insurance business, the admitted assets of the entity shall be greater of the admitted liabilities by minimum of 15% of premium income net of reinsurance sessions.

The Company's share capital and solvency margins are above the minimum limits prescribed in the Insurance Act, 2017.

29. Commitments

The Company had no significant commitments other than lease liability commitments as at 31 December 2020 (2019: USh Nil)

30. Contingencies

In the opinion of management, the Company did not have any significant contingent liabilities as at December 31, 2020 (2019: Nil).

31. Events after the reporting period and impact of COVID 19

The spread of COVID-19 has severely impacted businesses around the globe. The Government of Uganda announced on March 18, 2020 a nationwide lockdown with immediate effect. Like many other countries, there has been severe disruption to regular business operation due to lock downs, disruptions in transportation, supply chain, travel restrictions, quarantines, social distancing and other emergency measures in Uganda.

The Company has made an assessment of its liquidity position for the future short-term period and has critically assessed the assumptions used, recoverability and carrying values of its assets comprising of property and equipment and liabilities as at reporting date, and has concluded that no material adjustments are required in the financial statements.

The management has taken into account all the possible impacts of events that could arise from the outbreak of COVID-19 pandemic, in the preparation of the financial statements including the entity's ability to continue as a going concern. The impact assessment of COVID-19 is a continuing process, given the uncertainties associated with its nature and duration and the Company will continue to monitor all material changes to the entity's internal and external environment.

With exception of the unlikely future impact of COVID 19 on the overall operations of the company that remains uncertain, the Directors are not aware of any material event which occurred after the reporting date and up to the date of this report which requires adjustments to or disclosures in the accompanying financial statements.

32. Comparatives

Previous year's figures have been regrouped/reclassified in order to make them comparable with that of current financial period, wherever necessary.