MAYFAIR
INSURANCE

*You are in safe hands*

# 2023

# Welcome to our Financial Statements.

Mayfair

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MAYFAIR INSURANCE COMPANY UGANDA LIMITED

ANNUAL REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2022

INSURANCE REGULATORY AUTHORITY OF UGANDA
31 MAR 2023
RECEIVED
P. O. BOX 22855, KAMPALA

CONTENTS

## CORPORATE INFORMATION

| | |
|---|---|
| DIRECTORS | **Director**<br>Vinay Dawda*<br>Deva Rudra***<br>Manish Dawda Hasmukh**<br>Anjay Vithalbhai Patel*<br>Kumar Rajinder Vishal**<br>Ramesh Babu Subbaiah Setty Bonthala***<br>Mitul Kishor Jobanputra****<br>Candida Lynn Wekesa Okoboi*<br>Miriam Ekirapa Musaali*<br><br>*Ugandan **Kenyan *** Indian ****Icelander |
| REGISTERED OFFICE | 2B, 2nd Floor<br>Plot 9, Yusuf Lule Road<br>P O Box 34447<br>Kampala, Uganda |
| AUDITOR | KPMG<br>Certified Public Accountants<br>3rd Floor, Rwenzori Courts<br>Plot 2&4A, Nakasero Road<br>P O Box 3509<br>Kampala, Uganda |
| PRINCIPAL BANKERS | KCB Bank Uganda Limited<br>P O Box 7399<br>Kampala, Uganda |
| ACTUARY | Kenbright Actuarial & Financial Services Limited<br>3rd Floor, Trust Tower<br>Kyadondo Road<br>Kampala, Uganda |
| SECRETARY | AF Mpanga and Co. Advocates<br>PO BOX 1520<br>Kampala, Uganda |
| LAWYERS | AF Mpanga and Co. Advocates<br>PO BOX 1520<br>Kampala, Uganda |

## CORPORATE INFORMATION (CONTINUED)

### BOARD COMMITTEES

| Particulars | Audit Committee | Strategy, Human resources, and remuneration | Risk management and Investment |
|---|---|---|---|
| Composition | One INED<br>Two NEDs<br>One ED | One INED<br>One NED<br>One ED | One ED<br>Three NED |
| Responsibilities | Monitoring and strengthening the effectiveness of management information and internal control system.<br>Review of financial information and improving the quality of financial reporting. | Set and review Human resources Policies and approve Senior Management appointments. | Monitoring and management of the balance sheet including investments liquidity risk, maturity risk, interest rate risk, foreign currency risk and compliance with all statutory requirements. |
| Frequency of meetings | Quarterly | Quarterly | Quarterly |
| Chairperson | Mrs. Miriam Musaali | Mr. Vishal Rajinder Kumar Patel | Mr. Ramesh Babu |
| Committee members | Mr. Anjay Patel<br>Mr. Mitul Kishor Jobanputra<br>Mr. Rudra Deva | Mrs. Miriam Musaali<br>Mr. Rudra Deva | Mr. Vinay Dawda<br>Mr. Manish Dawda<br>Mr. Rudra Deva |

NED - Non-Executive Director

ED – Executive Director

INED - Independent Non-Executive Director

### EXECUTIVE MANAGEMENT

| Name | Position |
|---|---|
| Rudra Deva | Managing Director |
| Ambrose Kibuuka | Executive Director |
| Sharifah Nalumansi | Finance and Administration Manager |

## CHAIRPERSON'S STATEMENT

### INTRODUCTION

2022 was a very captivating year as the Company was in its fifth year of full operation. I am pleased to report that the Company continues to post good results, as well as robust earnings and strong liquidity further affirmed by 33% growth in Gross Written premium to 17 billion *(2021: 13 billion)* The above was achieved amidst the economic hardships within the region.

### INSURANCE INDUSTRY OVERVIEW

The Ugandan insurance industry continues to record a positive growth with Gross Written Premium for Life and General business. Overall, the insurance industry achieved a 25% increase in 2022 compared to 2021 and demonstrates the continued commendable performance of the industry and reassurance for future growth according to the consolidated Q4 2022 Industry figures released by the Uganda Insurers Association.

The non-life sector posted an overall increase of 22% at UGX.895Bn in 2022 against UGX.735Bn in 2021 with Medical and 23% with a GWP of UGX.707 billion without medical.

### FINANCIAL PERFORMANCE

The company's Gross Written Premium for all channels of distribution stood at UGX.17.4 billion, representing 79% performance against a target of UGX.22 billion and a growth of 33% over the last year's same period. The company's performance for the year ended 31st December 2022 is as highlighted below;

- 33% growth in Gross Written Premium to Ushs. 17.43 billion as at 31st December 2022 from Ushs.13.05 billion as at 31st December 2021.

- Profit for the period increased to Ushs. 1.13 billion as at 31st December 2022 from Ushs.105 million registered during the same period in 2021.

- Total Assets increased by 34% to Ushs. 31.5 billion as at 31st December 2022 from Ushs. 23.5 billion as at 31st December 2021

- Total Equity Increased by 84% to Ushs. 14.8 billion as at 31st December 2022 from Ushs. 8.1 billion as at 31st December 2021.

- Total Liabilities decreased by 7.8% to Ushs. 16.6 billion as at 31st December 2022 from Ushs. 15.4 billion as at 31st December 2021.

## CHAIRPERSON'S STATEMENT (CONTINUED)

### DIVIDEND

The directors did not recommend a dividend for the year ended 31 December 2022. This is aimed at meeting the Capital and Solvency requirements enlisted in the Capital and Prudential Regulations, 2020. The profit for the year will be retained to help maintain the Capital Adequacy Ratio (CAR) above 200%.

### OUTLOOK

According to the Bank, Uganda's economy is expected to grow by 5% in 2023. GDP in Uganda is expected to reach 42.60 USD billion by the end of 2023, according to Trading Economics.

According to the Bank of Uganda, Real GDP is expected to accelerate to 5.9% as construction work on Lake Albert Oil Project gains momentum and moderating inflation bolster consumer confidence. This growth is expected to accelerate to 6.5% in 2024, demonstrating the strength of the economy in a period of global economic turmoil. Inflation on the other hand is expected to continue to decelerate and return within the BOU's medium-term target Of 5.0%. This will support business conditions and consumer confidence.

The economic outlook going forward is still uncertain though to down-side risks including lower than expected global growth, lower commodity prices, unfavorable weather conditions, a resurgence of supply chain distortions due to potential escalation of geopolitical tensions and risk of higher domestic inflation.

The Government continues to formulate and implement policies to stimulate economic growth and development, but also continues with the long-term investments in improving infrastructure, reliable supply of electricity, oil production, industrialization, and incentivizing agro-processing.

### ACKNOWLEDGEMENT

May I take this opportunity to appreciate the continued support from our clients, brokers and our dedicated agency force, business partners and the Regulator during the year 2022 and re-affirm the Company's commitment to integrity and service excellence.

I must also thank my fellow directors for their insights and counsel, management and staff of the Company for their hard work and commitment for delivering the good results attained in 2022, albeit the highlighted challenges.

CHAIRPERSON

.......................................2023

## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of Mayfair Insurance Company Uganda Limited ("The Company").

### PRINCIPAL ACTIVITIES

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.

### DEVELOPMENTS IN THE BUSINESS

The total gross written premium increased from Ushs 13 billion in 2021 to Ushs 17 billion in 2022 registering an improvement of 33%.

### DIRECTORS' INTERESTS

The following directors held direct interest in the Company's ordinary issued share capital;

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| Director | Number of shares | Percentage | Shareholding Ushs'000 | Number of shares | Percentage | Shareholding Ushs'000 |
| Vinay Dawda | 11,722 | 4.0% | 438,154 | 8,000 | 4.0% | 297,760 |
| Manish Dawda Hasmukh | 13,244 | 4.5% | 492,942 | 9,000 | 4.5% | 334,980 |
| Anjay Vithalbhai Patel | 14,715 | 5.0% | 547,692 | 10,000 | 5.0% | 372,200 |
| Kumar Rajinder Vishal | 14,715 | 5.0% | 547,692 | 10,000 | 5.0% | 372,200 |
| Mitul Kishor Jobanputra | 10,000 | 0.0% | 372,200 | 10,000 | 3.4% | 372,200 |
| | 64,446 | | 2,398,680 | 47,000 | | 1,749,340 |

### RESULTS AND DIVIDEND

The profit after tax for the year amounting to Ushs 1,133 million (2021: Ushs 105 million) has been added to retained earnings.

During the year, there was no interim dividend paid. Further still, the directors do not recommend any dividend for 2022 (2021: Nil).

### TRANSFERS TO RESERVES

An amount of Ushs 349 million (2021: Ushs 261 million) has been transferred to the contingency reserve to comply with Section 47(c) of the old Insurance Act. The old Act is now repealed but nevertheless for prudence purposes, the Company decided to make transfers to the reserve.

### STATUTORY REQUIREMENTS

**Share capital**

Under Section 4 of the Insurance Regulations, 2020 a company issuing short term insurance contracts is required to have a minimum paid up capital of Ushs 6 billion. The Company has met this requirement as at 31 December 2022.

**Issued share capital**

The issued and paid-up share capital is Ushs 10,866 million which is divided into 291,945 ordinary shares of Ushs 37,220 each.

## REPORT OF THE DIRECTORS (CONTINUED)

**Statutory deposits**

**i) Account with a commercial bank**

Under section 38 (1) of the Insurance Act, 2017 Laws of Uganda, every insurer is required to hold an account maintained with a commercial bank approved by the Authority of a sum equal to ten percent of the paid-up capital of the insurer.

**ii) Investment in government securities**

Under section 38 (3) of the Insurance Act, 2017 Laws of Uganda, the deposits made under subsection (1) are required to be invested by the insurer in government securities or any other investment as may be approved by the Authority. The Company has fulfilled this requirement by investing Ushs 11.2 billion (2021: Ushs 6.1 billion) in government securities.

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including underwriting risk, credit risk, debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance.

The Company's risk management policies include the 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 maximize return within an acceptable level of interest rate risk.

### RELATED PARTY TRANSACTIONS

Transactions with related parties during the year were in the normal course of business. Details of transactions and balances with related parties are included in note 32 to the financial statements.

### SOLVENCY

The Capital Adequacy Ratio (CAR) as of 31 December 2022 was 211% (2021: 123%) which was above the required CAR of 200%.

### EMPLOYEE WELFARE

The Company's employment terms are reviewed regularly to ensure that we meet statutory and market conditions. The Company has a medical scheme that caters for medical needs of employees and their immediate dependents.

In order to improve the motivation of employees, the Company provides training and holds regular meetings with employees to elicit their views on the promotion of customer service and working conditions.

### DIRECTORS

The directors who held office during the year and up to date of this report are reported on page 2.

### AUDITOR

The Company's auditor, KPMG, was appointed during the year and being eligible for reappointment has indicated willingness to continue in office in accordance with Section 167(2) of the Companies Act, 2012 Laws of Uganda.

## REPORT OF THE DIRECTORS (CONTINUED)

### EVENTS AFTER THE REPORTING DATE

Events after the reporting date are disclosed under note 33.

### APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue at the meeting of Board of Directors held on ..31...MARCH....... 2023.

By order of the Board

**Director**

Date: ..31...MARCH..... 2023

AF MPANGA ADVOCATES
COMPANY SECRETARY

**AF Mpanga and Co. Advocates**
**Secretary**

Date: ...31...MARCH....... 2023

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Company's directors are responsible for the preparation of financial statements that give a true and fair view of Mayfair Insurance Company Uganda Limited set out on pages 15 to 73 comprising the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards), and in the manner required by the Companies Act, 2012 Laws of Uganda and the Insurance Act, 2017 Laws of Uganda.

The directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

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

The independent auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance and in a manner required by the IFRS Standards, the Insurance Act, 2017 Laws of Uganda and Companies Act 2012, Laws of Uganda.

### Approval of the Financial Statements

The financial statements of the company, as indicated in the first paragraph, were approved and authorised for issue by the Board of Directors on 31 MARCH 2023.

**Director** **Director**

**Date: 31 MARCH 2023**

KPMG
**Certified Public Accountant of Uganda**
3rd Floor, Rwenzori Courts
Plot 2 & 4A, Nakasero Road
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Kampala, Uganda
Reg No. AF0026

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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 15 to 73, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards), and in the manner required the Companies Act, 2012 Laws of Uganda and the Insurance Act, 2017 Laws of Uganda.

#### 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 financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. 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 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

# Independent auditor's report

**To the Members of Mayfair Insurance Company Uganda Limited**

**Report on the Audit of the Financial Statements (Continued)**

**Key Audit Matters (Continued)**

**Insurance contract liabilities**

**Note 3(q) (b)– Critical accounting estimates and judgments**
**Note 2(b) – Changes in accounting estimates**
**Note 6 – Claims incurred**
**Note 19 – Reinsurer's share of insurance contract liabilities**
**Note 29 – Insurance contract liabilities**

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| Insurance contract liabilities constitute of Ushs 6.4 Bn making 39% of the Company's total liabilities. Valuation of these liabilities is highly judgemental and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred but have not yet been reported (IBNR) to the Company.<br><br>The key assumptions that drive the reserving calculations include the use of historical graduate development factors, historical loss ratios, expected inflation impact on claims and past claims expense patterns to estimate IBNR<br><br>Changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to a material impact on the valuation of insurance liabilities.<br><br>The valuation of insurance contract liabilities depends on accurate historical claims data extraction from the information systems and forming judgements over key assumptions based on data extracted such as history claims paid and expenses. Consequently, we determined the valuation of short term insurance contract liabilities to be a key audit matter. | **Our audit procedures in this area included:**<br>— Evaluating key controls around the claims handling and reserve setting processes of the Company. This included assessing the design and implementation and the operating effectiveness of general information technology and application controls over claims handling and reserve setting processes using our internal information technology auditors.<br>— Performing a search for any unrecorded liabilities at the end of the period by evaluating subsequent claims received and claims payments to assess whether they have been recorded in the correct accounting period;<br>— Obtaining a sample of claims reserves and comparing the estimated amount of the reserves to appropriate documentation, such as reports from the Company's loss adjusters;<br>— Re-performing reconciliations between the historical claims data recorded in the financial systems and the data used in the actuarial reserving calculations;<br>— Using our internal actuaries to evaluate the reserving methodology, to challenge assumptions applied such as claim expense patterns and expected inflation by comparing the assumptions to expectations based on the current trends in the market; and<br>— Evaluating the adequacy of financial statements disclosures, including disclosures of key assumptions, judgements and sensitivities in line with the IFRS 4 Insurance Contracts. |

KPMG

# Independent auditor's report

**To the Members of Mayfair Insurance Company Uganda Limited**

**Report on the Audit of the Financial Statements (Continued)**

## Other Information

The Directors are responsible for the other information. The other information comprises the information included in the *Mayfair Insurance Company Uganda Limited Annual Report and Financial Statements for the year ended 31 December 2022* but does not include the financial statements and the auditor's report thereon.

Our opinion on the 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 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.

## Directors' Responsibilities for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards and in the manner required by the Companies Act, 2012 Laws of Uganda and the Insurance Act, 2017 Laws of Uganda, 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 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 the purpose of expressing an opinion on the effectiveness of the Company's internal control.

KPMG

# Independent auditor's report

**To the Members of Mayfair Insurance Company Uganda Limited**

**Report on the Audit of the Financial Statements (Continued)**

## Auditor's responsibilities for the audit of the financial statements (Continued)

- 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.

From the matters communicated with the Directors, 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.

# Independent auditor's report

**To the Members of Mayfair Insurance Company Uganda Limited (Continued)**

## Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2012 Laws of Uganda, we report to you solely, based on our audit of the financial statements, that:

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
iii. The Company's statements of financial position and comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Asad Lukwago – P0365.

**KPMG**

Certified Public Accountants
3rd Floor, Rwenzori courts
Plot 2 & 4A, Nakasero Road
P O Box 3509
Kampala, Uganda

**Date:** 06 April **2023**

**CPA Asad Lukwago**

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

| | Note | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|---|
| **Insurance Revenue** | | | |
| Gross premiums written | 5 | 17,427,521 | 13,054,930 |
| Gross unearned premiums | 5 | (1,164,501) | (957,828) |
| **Gross earned premiums** | | **16,263,020** | **12,097,102** |
| Reinsurance premium ceded | 5 | (8,310,711) | (5,516,699) |
| **Net earned premiums** | | **7,952,309** | **6,580,403** |
| **Insurance Expenses** | | | |
| Claims incurred and policy holders' benefits | 6 | (3,341,592) | (7,485,028) |
| Reinsurance share of policy holders' benefits | 6 | 847,544 | 4,243,053 |
| **Net claims incurred** | | **(2,494,048)** | **(3,241,975)** |
| **Net insurance revenue** | | **5,458,260** | **3,338,428** |
| **Other revenue** | | | |
| Interest income calculated using the effective interest method | 7 | 1,567,713 | 842,224 |
| Commission earned | 8 | 3,014,661 | 2,042,277 |
| Impairment charge | 18 | (323,169) | (5,061) |
| **Net other revenues** | | **4,295,205** | **2,879,440** |
| Operating and other expenses | 10 | (4,832,218) | (3,626,379) |
| Finance expense | 9 | (215,320) | (150,305) |
| Commission expense | 8 | (3,249,165) | (2,243,424) |
| | | **(8,296,703)** | **(6,020,108)** |
| **Profit before tax** | | **1,420,762** | **197,760** |
| Income tax expense | 13 | (287,479) | (92,238) |
| **Profit for the year** | | **1,133,283** | **105,524** |
| **Other comprehensive income:** | | | |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Fair value loss on quoted shares | | - | - |
| Deferred income tax credit on fair value loss | | - | - |
| **Other comprehensive income, net of tax** | | - | - |
| | | - | |
| **Total comprehensive income for the year** | | **1,133,283** | **105,524** |

The notes on pages 19 to 74 are an integral part of these financial statements

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

| | Note | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, equipment, and right-of-use asset | 14 | 794,361 | 842,109 |
| Intangible-assets | 15 | 9,913 | 244,539 |
| Investments at amortized cost | 16 | 15,354,293 | 9,014,028 |
| Insurance receivables | 17 | 6,424,299 | 4,148,314 |
| Reinsurers' share of insurance liabilities | 19 | 6,504,874 | 6,641,596 |
| Deferred acquisition costs | 20 | 1,067,256 | 821,866 |
| Other receivables | 21 | 786,171 | 350,955 |
| Cash in hand and at bank | 22 | 561,662 | 1,442,597 |
| **Total assets** | | **31,502,829** | **23,506,004** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 24 | 10,866,193 | 7,444,000 |
| Share application money | | 5,724,568 | 3,494,845 |
| Contingency reserve | 24 | 919,816 | 571,266 |
| Accumulated losses | | (2,648,931) | (3,433,663) |
| **Total equity** | | **14,861,646** | **8,076,448** |
| **Liabilities** | | | |
| Insurance contract liabilities | 29 | 6,435,532 | 7,033,781 |
| Provision for unearned premium | 30 | 5,951,648 | 4,787,147 |
| Deferred reinsurance commissions | 25 | 719,863 | 623,340 |
| Other payables | 26 | 2,775,040 | 2,206,541 |
| Amounts due to related companies | 32 | 30,391 | - |
| Lease liabilities | 27 | 728,709 | 778,775 |
| **Total liabilities** | | **16,641,183** | **15,429,584** |
| **Total equity and liabilities** | | **31,502,829** | **23,506,004** |

The financial statements on pages 15 to 73 were authorized and approved for issue by the Board of Directors on ...................................... 2023 and signed on its behalf by:

Director

Director

The notes on pages 19 to 73 are an integral part of these financial statement

| | Share capital | Share application money | Contingency reserve | Accumulated losses | Total equity |
|---|---|---|---|---|---|
| | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 |
| Balance as at January, 2022 | 7,440,000 | 3,494,845 | 571,266 | (3,433,691) | 8,076,448 |
| Profit for the year | - | - | - | 1,133,283 | 1,133,283 |
| **Total comprehensive income for the year** | **7,440,000** | **3,494,845** | **571,266** | **(2,300,380)** | **9,209,731** |
| **Transactions with owners of the Company** | | | | | |
| Transfer to contingency reserve | - | - | 348,550 | (348,550) | - |
| Increase in paid-up share capital | 3,422,193 | - | - | - | 3,422,193 |
| Share capital application money received | | 2,229,723 | - | - | 2,229,723 |
| **Total transactions with owners of the Company** | **3,422,193** | **2,229,723** | **348,550** | **(348,550)** | **5,651,916** |
| **Balance as at December, 2022** | **10,866,193** | **5,724,568** | **919,816** | **(2,648,930)** | **14,861,646** |
| Balance as at January, 2021 | 7,440,000 | - | 310,167 | (3,278,088) | 4,476,079 |
| Profit for the year | - | - | - | 105,524 | 105,524 |
| **Total comprehensive loss for the year** | **7,440,000** | - | **310,167** | **(3,172,592)** | **4,581,603** |
| **Transactions with owners of the Company** | | | | | |
| Transfer to contingency reserve | - | - | 261,099 | (261,099) | - |
| Increase in paid-up share capital | - | - | - | - | - |
| Share capital application money received | - | 3,494,845 | - | - | 3,494,845 |
| **Total transactions with owners of the Company** | - | **3,494,845** | **261,099** | **(261,099)** | **3,494,845** |
| **Balance as at December, 2021** | **7,440,000** | **3,494,845** | **571,266** | **(3,433,663)** | **8,076,448** |

The notes on pages 19 to 74 are an integral part of these financial statements

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

| | Note | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | 1,420,762 | 197,734 |
| **Adjustments for:** | | | |
| Depreciation of property, equipment and right-of-use assets | 14 | 205,215 | 191,300 |
| Amortization of intangible assets | 15 | 239,369 | 366, 398 |
| Gain on disposal of assets | | (4,686) | - |
| Interest on lease liabilities | 28 | 76,390 | (32,091) |
| Modifications to right-of-use assets | | - | 115,565 |
| Impairment reversal on investments | | - | (1,449) |
| **Changes in**: | | | |
| Insurance receivables | | (2,275,984) | (1,104,301) |
| Reinsurers' share of technical provisions | | 136,722 | (3,674,699) |
| Investments | | (6,340,266) | (2,526,872) |
| Deferred acquisition costs | | (245,390) | (121,516) |
| Other receivables | | (435,218) | (26,369) |
| Insurance contract liabilities | | (598,249) | 4,796,559 |
| Provision for unearned premium | | 1,164,501 | 957,828 |
| Deferred reinsurance commissions | | 96,524 | 74,336 |
| Amounts due to related companies | | 30,391 | - |
| Other payables | | 568,527 | (1,072,797) |
| **Cash used in operations** | | **(5,961,391)** | **(1,860,374)** |
| Withholding tax paid on governments securities | | (287,479) | (92,238) |
| **Net cash used in operations** | | **(6,248,871)** | **(1,952,612)** |
| **Cash flows from investing activities** | | | |
| Purchase of property and equipment | 14 | (161,647) | (46,895) |
| Proceeds from sale of assets | | 8,865 | - |
| Purchase of intangible assets | 15 | (4,742) | (8,516) |
| **Net cash flows used in investing activities** | | **(157,525)** | **(55,411)** |
| **Cash flows from financing activities** | | | |
| Receipts of share application money | | 2,229,723 | 3,494,845 |
| Lease repayments principal | 28 | (126,456) | (167,892) |
| Proceeds from issues of share capital | | 3,422,193 | - |
| **Net cash generated from financing activities** | | **5,525,460** | **3,326,953** |
| Net change in cash in hand and at bank for the year | | (880,936) | 1,318,930 |
| Cash in hand and at bank at the beginning of the year | | 1,442,597 | 123,667 |
| **Cash in hand and at bank at end of the year** | 22 | **561,662** | **1,442,597** |

The notes on pages 19 to 74 are an integral part of these financial statements.

## 1. Reporting Entity

Mayfair Insurance Company Uganda Limited ("the Company") is a limited liability Company incorporated under the Companies Act of Uganda, 2012 Laws of Uganda and domiciled in Uganda. The principal activity of the Company is to carry on general insurance business as defined in the Insurance Act, 2017 Laws of Uganda.

The incorporation of Mayfair Insurance Company Uganda Limited was in fulfilment of the statutory requirements as stipulated in the Insurance Act, 2017 Laws of Uganda. The Act requirement is that no Company shall carry both long-term insurance business and general insurance business.

### 1.1 Basis of accounting

The significant 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.

### 1.1.1 Basis of presentation and statement of compliance

These financial statements are prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Companies Act, 2012 Laws of Uganda and Insurance Act, 2017 Laws of Uganda

For purposes of reporting under the Companies Act, 2012 Laws of Uganda, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is represented by the statement of comprehensive income.

These financial statements have been prepared under the historical cost convention, except financial assets at fair value through other comprehensive income, which are measured at fair value.

The financial statements are presented in Uganda shillings which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand (Ushs '000), unless otherwise indicated.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented from note 4(g).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates due to the uncertainty about these assumptions and estimates and could require a material adjustment to the carrying amount of the asset or liability affected in the future. See details on the significant estimates in note 3(p).

## 2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (IFRS's)

The Company has consistently applied the accounting policies as set out in note 3 to all the periods presented in these financial statements.

### a) Changes in accounting policies and disclosures

**New standards, amendments, and interpretations**

The following new standards are effective for the year ended 31 December 2022, but they do not have a material effect on the Company's financial statements;

| Standard/Amendment | Effective Date |
|---|---|
| Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16) | 1 January 2022 |
| Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) | 1 January 2022 |
| Annual Improvements to IFRS Standards 2018-2020 | 1 January 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) | 1 January 2022 |
| Reference to Conceptual Framework (Amendments to IFRS 3) | 1 January 2022 |

**Standards issued but not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted.

**Definition of Accounting Estimate – Amendments to IAS 8**

The Company applied *Definition of Accounting Estimate – Amendments to IAS 8* from 1 January 2022.

The current version of IAS 8 does not provide a definition of accounting estimates. Accounting policies, however, are defined. Furthermore, the standard defines the concept of a "change in accounting estimates". A mixture of a definition of one item with a definition of changes in another has resulted in difficulty in drawing the distinction between accounting policies and accounting estimates in many instances. In the amended standard, accounting estimates are now defined as, "monetary amounts in financial statements that are subject to measurement uncertainty".

To clarify the interaction between an accounting policy and an accounting estimate, paragraph 32 of IAS 8 has been amended to state that: "An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such cases, an entity develops an accounting estimate to achieve the objective set out by the accounting policy". Accounting estimates typically involve the use of judgements or assumptions based on the latest available reliable information.

The amended standard explains how entities use measurement techniques and inputs to develop accounting estimates and states that these can include estimation and valuation techniques.

**b) Changes in accounting estimates**

Distinguishing between a change in accounting policy and a change in accounting estimate is, in some cases, quite challenging. To provide additional guidance, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board noted that the previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. The Board concluded that this aspect of the definition is helpful and should be retained. For example, if the applicable standard permits a change between two equally acceptable measurement techniques, that change may result from new information or new developments and is not necessarily the correction of an error.

The early adoption of the amendment resulted in a change in the valuation technique i.e. measurement technique applied to estimate Incurred But Not Reported (IBNR) reserves.

In line with Insurance Group Policy and Section 32(1) of the Insurance (Capital Adequacy and Prudential Requirements) Regulations, 2020 that an insurer engaged in non-life business to undertake the valuation of its technical provisions using actuarial methods, the Company measures its IBNRs using the Chain Ladder and Bornhuetter-Ferguson methods. The requirement meant the Company needed to change the valuation

## 2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (IFRS's) (continued)

### b) Changes in accounting estimates (continued)

technique from 15% of the outstanding claims reserves at the end of the year for IBNR applied in the previous periods to estimating the IBNRs using actuarial methods.

The amendments apply prospectively from 1 January 2022. The details for determination of IBNRs are set out in note 3(b). See also notes 3(q)(b) and 29 for related disclosures on IBNRs.

The following standard is expected to have a material impact on the Company's financial statements in the period of initial application.

**IFRS 17 *Insurance Contracts***

IFRS 17 replaces IFRS 4 *Insurance Contracts* and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

**(i) Identifying contracts in the scope of IFRS 17**

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and investment contracts with DPF.
When identifying contracts in the scope of IFRS 17, in some cases the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

For investment contracts with DPF, under IFRS 4, entities were required to separately identify and classify part of the DPF as equity. Under IFRS 17, entities will have to consider all of the discretionary benefits in the measurement of the liabilities. In addition, these contracts are currently subject to the disclosure requirements of IFRS 7 Financial Instruments: Disclosures and some of the presentation requirements of IAS 32 Financial Instruments: Presentation. On transition to IFRS 17, they will no longer be subject to those requirements because the presentation and disclosure requirements of IFRS 17 will apply to them. The Company does not expect any impact as the Company does not have contracts with DPF.

**(ii) Level of aggregation**

Under IFRS 17, insurance contracts and investment contracts with DPFs are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contract in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e by year of issue) and each annual cohort into three groups:

- Any contracts that are onerous on initial recognition
- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- Any remaining contracts in the annual cohort

- Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policy holders with different characteristics are included in the same group. This is not likely to affect the Company as the current laws and regulations only prescribe the minimum rates and not the maximum rates.

## 2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (IFRS's) (CONTINUED)

**IFRS 17 *Insurance Contracts (Continued)***

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as CSM, against losses on groups of onerous contracts, which are
recognised immediately. Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e. portfolio of contracts level), the level pf aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

**(iii) Contract boundaries**

Under IFRS 17, the measurement of a group of contracts includes all of the future cashflows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts, the IFRS 17 contract boundary requirements will change the scope of cashflows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements under IFRS 17.

**Insurance contracts**

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policy holder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services). A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects those reassessed risks; or
- The Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

**(iii) Measurement – Overview**

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participating features.

Direct participating contracts are contracts that are substantially investment-related service contracts under which an entity would be expected to promise an investment return based on underlying items. These are not expected to affect the Company as it is involved in short term contracts with no direct participating contracts. All the Company's insurance and reinsurance contracts are expected to be classified as contracts with no direct participation features.

## 2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (IFRS's) (CONTINUED)

### IFRS 17 *Insurance Contracts (Continued)*

**Premium Allocation Approach (PAA)**

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria.

The Company expects that it will apply the PAA to almost all its contracts as it is involved in non-life and short-term insurance because the following criteria are expected to be met at inception;

- Insurance contracts and loss-occurring reinsurance contracts: The coverage period of each contract in the group is one or less.
- Risk-attaching reinsurance contracts: The Company expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies described above.

On initial recognition of each group of the Company's insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. The Company will elect to recognise insurance acquisition cash flows as expenses when they are incurred Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided.

The Company expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under IFRS 17, the Company will not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company will recognise a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to the remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted.

The Company will recognise the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

**Impact assessment**
Although the PAA is similar to the Company's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for the short-term contracts;

| Changes from IFRS 4 | Impact on equity on transition to IFRS 17 |
|---|---|
| Under IFRS 17, the Company will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date on which the calms are incurred. The Company does not currently discount such future cash flows | Increase |
| IFRS 17 requires the fulfilment cashflows to include a risk adjustment for non-financial risk. This is not explicitly allowed for currently | Decrease |
| The Company's accounting policy under IFRS 17 to expense eligible insurance acquisition cash flows when they are incurred differs from the current practice under which these amounts are recognised separately as deferred acquisition costs | Decrease |

**(iv) Measurement – Significant judgements and estimates**

**Estimates of future cash flows**

In estimating the future cashflows, the Company will incorporate, in unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. The information includes both internal and external historical date about claims and other experience, updated to reflect current expectations of future events.

**Discount rates**

The Company will generally determine risk-free discount rates using available bank ratings and the central bank yield. The yield curve will be interpolated between the last available market date and an ultimate forward date.

**Risk adjustment for non-financial risk**
Risk adjustments for non-financial risk will be determined to reflect the compensation to the Company would require for bearing non-financial risk and its degree of aversion. The risk adjustments for non-financial risk for liabilities for incurred claims will be determined using a confidence level technique.

**(v) Presentation and disclosure**

IFRS 17 will significantly change how insurance contracts, reinsurance contracts and investment contrasts with DPF are presented and disclosed in the Company's financial statements. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policy holder loans will no longer be presented separately.

Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will be presented in the same line item as the related portfolio of contracts.

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

The separate presentation of underwriting and financial results under IFRS 17 will provide added transparency about the sources of profits and quality of earnings.

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliation of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgments made when applying IFRS 17. There will also be disclosures about the nature and extent of risks from insurance contracts, reinsurance contracts and investment contracts with DPF.

Disclosures will generally be made at a more granular level that under IFRS 4, providing more transparent information for assessing the effects of contracts in the financial statements.

## 2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (IFRS's) (CONTINUED)

**IFRS 17 *Insurance Contracts (Continued)***

**(vi) Transition**

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using either a modified retrospective approach and in cases where the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, considerations will be made for the fair value approach.

**Progress on IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts**

The Company will apply IFRS 17 for the first time on 1 January 2023. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and is expected to have a material impact on the Company's financial statements in the period of initial application.

Whilst the Company has not quantitatively estimated the impact of the adoption of IFRS 17, the following are on-going with regards to IFRS 17 implementation;

- IFRS 17 is being centrally managed at the Group level for efficiency purposes with the Operating Entities forming part of the core implementation.
- The Group/Company continues to refine the new accounting processes and internal controls for applying IFRS 17
- The new accounting policies, assumptions, judgements and estimation techniques will keep evolving until the Company finalises its first financial statements that include the date of initial application.

The following new and amended standards are not expected to have a significant impact on the Company's financial statements;

| Standard/Amendment | Effective Date |
|---|---|
| Deferred Tax related to assets and liabilities arising from a Single Transaction – Amendments to IAs 12 | 1 January 2023 |
| Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 | 1 January 2023 |
| Classification of Liabilities as Current or Non-Current - Amendments to IAS 1[a] | 1 January 2023 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 | Available for optional adoption/effective date deferred indefinitely |
| IFRS 17 – Insurance Contracts | 1 January 2023 |
| Amendments to IFRS17 Insurance Contracts | 1 January 2023 |
| Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17) | 1 January 2023 |
| Deferred Tax related to Asset and Liabilities arising from a Single Transaction (Amendments to IAS 12) | 1 January 2023 |
| Non-current Liabilities with Covenants (Amendments to IAS 1) | 1 January 2024 |

*[a]On 22 June 2021, the IASB tentatively decided to amend IAS 1 to defer the effective date of the 2020 amendments to no earlier than 1 January 2024.*

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Short term insurance contracts

General insurance business which is generally short term in nature relates to all categories of insurance business written by the Company, analysed into several sub classes of business based on the nature of the assumed risk.

Under short-term insurance contracts, premiums are recognised as revenue (earned premiums) proportionately over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as unearned premium liability. Premiums are shown before the deduction of commission. These premiums are earned in subsequent periods in relation to the insurance coverage provided.

Unearned premiums are calculated using the 1/365th of net premiums written method in the year or based on the provisions of the Insurance Act, 2017 Laws of Uganda, whichever is higher.

Commissions are allocated to the profit and loss account as incurred in the management of each class of business.

### (b) Claims and policy benefits payable

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all actual cash payments made during the year for the settlement of claims (paid losses), whether arising from events during that or earlier years.

Reserves are established for the payment of losses and loss adjustment expenses (LAE) on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and reserves for incurred but not reported losses (IBNR).

Outstanding claims commonly known as case reserves represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the balance sheet 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 (case reserves). Case reserves for reported claims are based on estimates of future payments that will be made with respect to these claims, including LAE relating to such claims. These estimates reflect the informed judgment of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These case reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Company has not yet been notified. IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including expenses, necessary to bring claims to final settlement. The Company relies on its past experience, adjusted for current trends and any other relevant factors, in estimating IBNR reserves. In line with Insurance Group, the Company uses Chain Ladder and Bornhuetter-Ferguson methods in determining the IBNRs.

IBNR reserves are estimates based on actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation, and other societal and economic factors. Trends in claim frequency, severity, and time lag in reporting are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically, as additional information becomes available and actual claims are reported.
Outstanding claims (case reserves), IBNRs and related loss adjustment expenses are not discounted as prescribed by the Insurance Regulatory Authority, except when payment amounts are fixed and timing is reasonably determinable.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Commission payable and deferred commission

A proportion of commission is deferred and amortized over the period in which the related premium is earned. Deferred commission represents a portion of acquisition costs that relate to policies that are in force at the year-end. All other costs are recognized as expenses when incurred.

### (d) Reinsurance contracts held

Contracts entered by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

### (e) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss.

### (f) Interest and dividend income

Interest income for all interest-bearing financial instruments, is recognized within 'investment income (note 7) in the statement of comprehensive income using the effective interest rate method.

Dividend income for all fair value through comprehensive income instruments is recognized when the right to receive payment is established.

### (g) Property and equipment

All property and equipment is initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognized 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. All other repairs and maintenance are charged to the statement of comprehensive income account during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write down the cost of each asset, or the revalued amounts, to their residual values over their estimated useful life and recognised in the statement of comprehensive income as an expense, at the following annual rates:

| | % |
|---|---|
| Motor vehicles | 20 |
| Office equipment | 25 |
| Computer & Electronic equipment | 33.3 |
| Furniture and fittings | 10 |
| Right of use assets | Lease term |

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) (i) Property and equipment (Continued)

The assets' residual values, and useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment loss is the difference between the carrying amount and recoverable amount. The recoverable amount is the lower of the value in use or fair value less costs to sell. Impairment losses or impairment reversals are recognised in the statement of comprehensive income as an expense.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

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

### (ii) Intangible assets

Software acquired by the Company is measured at cost less accumulated amortization and any accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development.

The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs and are amortized over its useful life.

Internally developed software is stated at capitalized cost less accumulated amortization and impairment. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortized on a straight-line basis over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is three years.

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

### (h) Leases

At inception of a contract, the Company assesses 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 of time in exchange for consideration – i.e., the customer has the rights to:

- Obtain substantially all of the economic benefits from using the asset; and
- Direct the use of the asset.

**As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of office premises, equipment and outdoor advertising sites, the Company has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Leases (Continued)

lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the 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 using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

— fixed payments, including in-substance fixed payments.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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 recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents right-of-use assets and lease liabilities on the statement of financial position.

**Short-term leases and leases of low-value assets**
The company has elected not to recognize right-of-use assets and lease liabilities for low value leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### (i) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. 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, discounted at the effective interest rate. The amount of the provision is recognized in the profit or loss account.

### (j) Financial Instruments

**Financial assets**

**Date of recognition**

Financial assets and liabilities are initially recognized on the trade date, i.e., the date that the company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Financial Instruments (Continued)

**Financial assets (Continued)**

**Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

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.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value though profit or loss is expensed in profit or loss.

**Measurement categories of financial assets and liabilities**

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- Fair value through other comprehensive income
- Fair value through profit or loss

**Classification and measurement**

This classification depends on whether the financial asset is a debt or equity instrument. The following table shows the classification of the different types of financial assets:

| Classification | Type of financial assets included |
|---|---|
| Amortised cost | Deposits, treasury bills, loan receivables, corporate bonds, government bonds |
| Fair value through profit or loss | Quoted securities, unquoted securities. |
| Fair value through other comprehensive income | Quoted securities, unquoted securities. |

**Financial instruments at amortized cost**

The Company only measures debts instruments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

If either of the two criteria above is not met, the debt instrument is classified as 'fair value through other comprehensive income or fair value through profit or loss. The company has not designated any debt investment as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Financial instruments (Continued)

**Financial assets (Continued)**

A gain or loss on a debt investment that is subsequently measured at amortized cost is recognised in profit or loss when the financial asset is derecognized or impaired and through the amortization process using the effective interest rate method. Interest revenue shall be calculated by using the effective interest method.
An entity shall directly reduce the gross carrying amount of a financial asset when the entity has not reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

**Financial assets through other comprehensive income**

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Impairment gains and losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

For all other equity investments not classified as fair value through profit or loss, the company can make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. Where the company's management has elected to present unrealized and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment.

**Financial assets through profit or loss**
The Company classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which their evidence of a recent pattern of short-term profit is taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss and presented as part of realised gains/losses- net' in the period in which they arise. Interest and dividend income or expense is recorded in profit or loss according to the terms of the contract, or when the right to payment has been established.

**Impairment of financial assets**

**Financial assets carried at amortized cost**
IFRS 9 requires the Company to record an allowance for expected credit losses (ECLs) for all financial assets and other debt financial assets not held at FVTPL. No impairment loss is recognized on equity investments.
The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. The Company measures loss allowances at an amount equal to lifetime ECL.

**Expected Credit Loss Impairment Model**
The Company's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts based on best, optimistic and worst-case scenarios.
The Company adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition:

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Financial instruments (Continued)

**Impairment of financial assets (Continued)**

i) Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
ii) Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
iii) Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include insurance contract liabilities, trade and other payables, amounts due to related parties.

**Derecognition of financial instruments**

**Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired;
- the company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

**Financial liabilities**
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Financial instruments (Continued)

**Financial liabilities (Continued)**

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income and expenses will not be offset in the profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

**Equity movements**

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the company's shareholders. Interim dividends are deducted from equity when they are approved.

Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

**Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization 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 separately identifiable cash flows (cash-generating units).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the Statement of profit or Loss.

When an impairment loss subsequently reverses the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years.

A reversal of the impairment loss is recognised as income immediately unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as an increase in the revaluation reserve.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Financial instruments (Continued)

Below is a summary of the Company's classification of its financial assets and liabilities.

| At 31 December 2022 | At amortized cost Ushs'000 | At FVTPL Ushs'000 | At FVTOCI Ushs'000 | Total Ushs'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Government securities | 12,065,334 | - | - | 12,065,334 |
| Direct insurance arrangement receivables | 6,424,299 | - | - | 4,830,553 |
| Deposits with financial institutions | 3,288,960 | - | - | 3,288,960 |
| Reinsurers' share of insurance liabilities | 6,504,874 | - | - | 6,504,874 |
| Cash and cash equivalents | 561,662 | - | - | 561,662 |
| Other receivables excluding prepayments | 729,568 | - | - | 2,323,314 |
| **Total financial assets** | **29,574,697** | - | - | **29,574,697** |
| **Financial liabilities** | | | | |
| Insurance contract liabilities | 6,435,532 | - | - | 6,435,532 |
| Lease liabilities | 728,709 | - | - | 728,709 |
| Commission payable to agents | 1,211,040 | - | - | 1,211,040 |
| Other payables excluding accruals | 1,272,390 | - | - | 1,272,390 |
| **Total financial liabilities** | **9,647,671** | - | - | **9,647,671** |

| At 31 December 2021 | At amortised cost Ushs'000 | At FVTPL Ushs'000 | At FVTOCI Ushs'000 | Total Ushs'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Government securities | 6,682,925 | - | - | 6,682,925 |
| Direct insurance arrangement receivables | 4,148,314 | - | - | 4,148,314 |
| Deposits with financial institutions | 2,153,196 | - | - | 2,153,196 |
| Reinsurers' share of insurance liabilities | 6,641,596 | - | - | 6,641,596 |
| Cash and cash equivalents | 1,442,598 | - | - | 1,442,598 |
| Other receivables excluding prepayments | 265,424 | - | - | 265,424 |
| **Total financial assets** | **21,334,053** | - | - | **21,334,053** |
| **Financial liabilities** | | | | |
| Insurance contract liabilities | 7,033,781 | - | - | 7,033,781 |
| Lease liabilities | 778,775 | - | - | 778,775 |
| Commission payable to agents | 880,437 | - | - | 880,437 |
| Other payables excluding accruals | 1,183,368 | - | - | 1,183,368 |
| **Total financial liabilities** | **9,876,361** | - | - | **9,876,361** |

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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. The legally enforceable right of set-off must be available today (e.g. not contingent on any future event) and be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy.

**(k) Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on 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 included within borrowings in current liabilities on the balance sheet.

**(l) Translation of foreign currencies**

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

**(m) Taxation**

Income tax expense/ (credit) is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax. Tax is recognized as an expense/ (credit) and included in the profit and loss account, except to the extent that the tax arises from a transaction which is recognized directly in equity.

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

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Company controls the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income 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 income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

Deferred tax related to fair value re-measurement of FVOCI investments, which are charged or credited directly in other comprehensive income, is also credited or charged directly to other comprehensive income and subsequently recognised in the income statement together with the deferred gain or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Employee benefits expense

(i) Retirement benefit obligations

The Company makes contributions to a statutory scheme, the National Social Security Fund (NSSF), which is a defined contribution scheme. Contributions to NSSF are determined by local statute and are shared between employer and employee. The Company's contributions of 10% on employee emoluments are charged to the profit and loss account.

(ii) Other entitlements

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

### (o) Dividends

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

### (p) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

### (q) Critical accounting estimates and judgments

Estimates and judgments 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.

**Critical accounting estimates, assumptions and judgments in applying entities accounting policies**

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 current financial year are addressed below.

### a) Unearned premium reserve (UPR)

The UPR is computed using the 365$^{th}$ method. This method assumes premium are earned evenly throughout the policy period. The reserve is based on the proportion determined as the remaining days to expiry over the policy period in days. See note 31 for further details.

### b) Incurred But Not Reported Reserve (IBNR) reserve

The Company has IBNR reserves as required by IFRS 4, Insurance Contracts.

In line with Insurance Group Policy and Section 32(1) of the Insurance (Capital Adequacy and Prudential Requirements) Regulations, 2020 that an insurer engaged in non-life business to undertake the valuation of its technical provisions using actuarial methods, the Company measures its IBNRs using the Chain Ladder and Bornhuetter-Ferguson methods.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Critical accounting estimates and judgments (Continued)

**Critical accounting estimates, assumptions, and judgments in applying entities accounting policies (Continued)**

**b) Incurred But Not Reported Reserve (IBNR) reserve (Continued)**

The methods assume that recorded loss amounts grow in a stable manner from one development period to the next. The growth pattern of losses over time is used to determine loss development factors ("LDF") that, in turn, are used to project emerged losses to an ultimate basis.

The IBNRs are set by leveraging the use of the above actuarial techniques and informed judgment. A two-stage process exists for the setting of reserves of the reserves:

**Stage one**: These reserves are calculated by local reserving actuaries at the Hub tagged to the Company. The reserves are set based on a thorough analysis of historical data, enhanced by inter-actions with other business functions including underwriting, claims and reinsurance. Actuarial judgment is applied where necessary, especially in cases where data is unreliable, scanty, or unavailable. The judgment of actuaries is based on past experience of the characteristics of each line of business, the current stage of the underwriting cycle, and the external environment in which the Company operates. The reserves are proposed to a local reserve committee, where the rationale of the selections is discussed and subsequently documented. A final decision on the reserve selection is made in the reserve committee.

**Stage two**: The Insurance Group Actuarial function forms an opinion on the adequacy of the reserves proposed by the Company. The Insurance Group Actuarial function challenges the Company' selection through continuous interaction with local teams and quarterly attendance in the local reserve committees. The ability to form a view on reserve adequacy is further enabled by regular reviews of the local reserving practices. Such reviews consist of an evaluation of the reserving process as well as of the appropriateness and consistency of the assumptions, and an analysis of the movements of the reserves. Significant findings from these reviews are communicated in the Insurance Group Reserve Committee to initiate actions where necessary.

The key assumptions that drive the reserving calculations of IBNR include graduate development factors, loss ratios, inflation assumptions and claims expense assumptions. The valuation of insurance contract liabilities depends on accurate data extraction from the information systems and forming judgements over key assumptions based on data extracted. See note 29 for further details.

**c) Property and equipment**

The directors in determining depreciation rates for property and equipment make critical estimates. The rates used are set out in accounting policy 3 (g) above.

**d) Receivables**

The directors in determining the recoverable amount of impaired receivables exercise critical judgment. The carrying amount of impaired receivables is set out in note 4c.

**e) Current and deferred income tax.**

In arriving at the current and deferred income tax charge for the year, the company applies the statutory income tax rate of 30%, and this is adjusted for by non-assessable and non-deductible items. See notes 13 and 28 for further details.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Critical accounting estimates and judgments (continued)

#### f) Impairment provisions on financial assets

The recognition of provisions involves assumptions about the probability, amount and timing of an outflow of resources embodying economic benefits. A provision is recognised to the extent that an outflow of resources embodying economic benefits is probable and a reliable estimate can be made.

**Significant increase of credit risk:** ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

**Establishing groups of assets with similar credit risk characteristics:** When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

**Models and assumptions used:** The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

**Key sources of estimation uncertainty:** The following are key estimations that the Directors have used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- **Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario:** When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- **Probability of default:** PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- **Loss Given Default:** LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that are expected to be received, taking into account cash flows from collateral and integral credit enhancements.

#### g) Leases

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 following factors are normally the most relevant:

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Critical accounting estimates and judgments (continued)

### f) Impairment provisions on financial assets (continued)

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations, the costs and business disruption required to replace the leased asset and the business planning horizon.

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Insurance and reinsurance contracts expose the Company to underwriting risk, which comprises of insurance risk, policy holder behaviour risk and expense risk.
In addition, the Company is exposed to financial and operational risks from insurance and reinsurance contracts and financial instruments. Financial risks include credit risk, liquidity risk and market risk. Market risk comprises currency risk, interest rate risk and other price risk.

This note presents information about the Company's risk exposure, and the Company's objectives, policies and processes for measuring and managing risks and for managing capital.

### (a) Insurance risk

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

*(i) Frequency and severity of claims*

The frequency and severity of claims can be affected by several factors. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy 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 individual 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 of some or all costs (for example, subrogation).

The reinsurance arrangements include excess of loss, surplus treaties and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than predetermined amounts for any one risk in any one year.

*(ii) Concentration of insurance risk*

The concentration of insurance risk before and after reinsurance to the type of risk accepted is summarized below, with reference to earned premiums (gross and net of reinsurance) arising from insurance contracts before adjusting for the movement in unearned premiums.

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (a) Insurance risk (continued)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Gross amount | Net amount | Gross amount | Net amount |
| Type of risk | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 |
| Fire industrial | 4,421,697 | 582,246 | 3,078,527 | 368,747 |
| Motor commercial | 2,983,299 | 2,330,904 | 2,163,142 | 1,784,844 |
| Employer liability | 1,879,052 | 1,423,207 | 1,451,600 | 1,053,928 |
| Marine | 1,837,208 | 169,238 | 2,066,571 | 1,120,448 |
| Motor private | 1,537,824 | 1,382,044 | 1,485,938 | 1,902,472 |
| Theft | 1,418,774 | 639,289 | 1,050,277 | 363,554 |
| Engineering | 1,242,454 | 615,089 | 820,320 | 288,867 |
| Goods in transit | 816,326 | 812,974 | - | - |
| Other risks | 1,290,887 | 513,638 | 938,605 | 282,390 |
| **Total risk** | **17,427,521** | **8,468,629** | **13,054,930** | **7,165,250** |

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Gross amount | Net amount | Gross amount | Net amount |
| Type of risk | % | % | % | % |
| Fire industrial | 25% | 7% | 24% | 5% |
| Motor commercial | 17% | 27% | 17% | 24% |
| Employer liability | 11% | 17% | 11% | 15% |
| Marine | 11% | 2% | 16% | 16% |
| Motor private | 9% | 16% | 11% | 27% |
| Theft | 8% | 8% | 8% | 5% |
| Engineering | 7% | 7% | 6% | 4% |
| Goods in transit | 5% | 10% | 0% | 0% |
| Other risks | 7% | 6% | 7% | 4% |
| **Total risk** | 100.0% | 100% | 100.0% | 100% |

**Sensitivity analysis**

As part of the provisioning process, the Company prepares an analysis of the sensitivity around various scenarios. The analysis provides an indication of the adequacy of the Company's claims estimation process. The following table outlines the results of this analysis.

Given the exposures as indicated in note 4 (ii) with respect to the type of insurance contracts across various lines of business, these contracts are sensitive to the individual large claim events. However, with the reinsurance protection in place, such large events will not have a significant impact on the profit of the Company.

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (b) Insurance risk (continued)

The net impact to profit before taxation as a result of a change in net IBNR by 10% would be as follows:

| | 2022 | 2021 |
|---|---|---|
| | Ushs'000 | Ushs'000 |
| **Type of risk** | | |
| Fire industrial | 12,007 | 130,214 |
| Motor commercial | 84,326 | 72,897 |
| Employer liability | 6,262 | 14,989 |
| Marine | 6,361 | 3,069 |
| Motor private | 40,543 | 53,928 |
| Theft | 15,314 | - |
| Engineering | 4,465 | 96,952 |
| Goods in transit | 2,354 | - |
| Other risks | 82,555 | 6,319 |
| **Total risk** | **254,187** | **378,368** |

### (b) Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets, insurance 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 its insurance and investment contracts. The most important components of this financial risk are credit risk, liquidity risk and interest rate risk. These risks arise from assets and liabilities held, some of which are exposed to general and specific market conditions.

The Company manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

### (c) Credit risk

The Company takes on exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration of the Company's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one policyholder. Such risks are monitored on a continuous basis and subject to annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of the premium debtors and potential debtors to meet their obligations. The Company has a credit control unit fully dedicated to tracking premium debtors, which meets on a weekly basis to review progress and to set new strategies for granting of credit and collection of debt. The Company through its Management Risk Committee appraises risks associated with the different banks and has set risk appetite limits for each bank in order to manage exposure to credit risk. Review to credit risk is done monthly and mitigating measures instituted and that risk related to re-insurance is addressed through using a diverse mix of re-insurers.

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit risk (Continued)

The company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one policy holder or Groups of policy holders. Such risks are monitored on a revolving basis and subject to annual or more frequent review. The exposure to any one policy holder is further restricted by sub-limits. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of premium debtors and potential debtors to meet their obligations.

The Company through its Management Risk process appraises risks associated with the different banks and has set risk appetite limits for each bank in order to manage exposure to credit risk. Review to credit risk is done monthly and mitigating measures instituted.

The table below summarizes the maximum exposure to credit risk before collateral held.

| | 2022 | 2021 |
|---|---|---|
| | Ushs'000 | Ushs'000 |
| Cash and cash equivalents | 561,662 | 1,442,598 |
| Government securities | 12,065,334 | 6,682,925 |
| Deposits with financial institutions | 3,288,960 | 2,153,196 |
| Other receivables (excluding prepayments) | 729,568 | 265,424 |
| Direct insurance arrangement receivables | 6,424,299 | 4,148,314 |
| Reinsurers' share of insurance liabilities | 6,504,874 | 6,641,596 |
| **Total** | **29,574,697** | **21,334,053** |

The above table represents a worst-case scenario of credit risk exposure to the Company at 31 December 2022, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position. As shown above, 22% (2021: 31%) of the total maximum exposure is derived from reinsurers' share of insurance liabilities, 11% (2021: 10%) from deposits with financial institutions, investments held in government securities at 41% (2021: 31%), 18% (2021: 19%) from direct insurance arrangements receivables, and 2% (2021: 7%) from cash and cash equivalents.

**Credit risk management**

The Company takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the Company by failing to pay amounts in full when due. Credit risk is an important risk for the Company's business. Management therefore carefully manages the exposure to credit risk by:

- Developing and maintaining processes for measuring ECL including monitoring of credit risk,incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Company has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting, assessment and measurement process that provide it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL.

The credit quality of financial assets is assessed by reference to external credit ratings if available or internally generated information about counterparty default rates. The Company classifies counterparties without an external credit rating as below:

- Group 1 - new customers/related parties.
- Group 2 - existing customers/related parties with no defaults in the past.
- Group 3 - existing customers/related parties with some defaults in the pas

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit risk (continued)

**Maximum exposure to credit risk before collateral held**

| Assets | External credit rating | Internal Credit rating | ECL | Carrying amount 2022 | Carrying amount 2021 |
|---|---|---|---|---|---|
| | | | Ushs'000 | Ushs'000 | Ushs'000 |
| Cash and cash equivalents (excluding cash in hand) | - | Group 2 | 3,736 | 561,662 | 1,442,597 |
| Government securities | B+ - S&P | A+ | 12,077 | 12,065,334 | 6,682,925 |
| Deposits with financial institutions | - | Group 2 | 21,727 | 3,288,960 | 2,153,196 |
| Direct insurance arrangements receivables | - | Group 3 | 502,738 | 6,424,299 | 4,148,314 |
| **Total** | | | | | |

**Significant increase in credit risk**

The Company monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

The Company analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include qualitative and quantitative reasonable and supportable forward-looking information as shown in the table below:

- The Company generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Company then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

- The Company uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative. The table below summarises per type of asset the range above which an increase in credit quality is determined to be significant, as well as some indicative qualitative indicators assessed.

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit risk (continued)

**Significant increase in credit risk**

| Asset class | Key driver of change in credit quality | Qualitative indicators assessed |
|---|---|---|
| Receivables arising from direct and reinsurance arrangements | Inability to meet agreed instalment plans | Company closure, significant decline in the industry which the client operates, listing on credit reference bureau, inability to service debt, loss of income, among others. |
| Cash at bank and deposits with financial institutions | Downgrade to tier four | Bank closure, bank run, default on debt, credit rating downgrade, material adverse mention or investigation, change in bank tier, negative change in debt ratios, debt covenant breach, regulator actions among others. |
| Government Securities | Failure to meet international and local obligations | Credit rating downgrade, adverse political instability, military coup / attempt / civil turmoil, hyper inflationary trajectory, external war, Significant fall in tax collection rates, Significant natural disaster events, debt restructure, currency devaluation, unemployment rate growth etc. |
| Equities | Default in contractual cash flows | Company closure, default on debt, credit rating downgrade, adverse material mention, change in balance sheet debt composition, debt covenant breach, adverse change in business model, company insolvency among others. |

The Company has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted. The Company performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

**Incorporation of forward-looking information**

The Company uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Company uses external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Company applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome.

**Measurement of ECL**

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit risk (continued)

**Measurement of ECL (continued)**

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information. PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that are expected to be received, taking into account cash flows from any collateral. The LGD models for secured assets consider collateral valuation.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, The Company's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the exposure that are permitted by the current contractual terms. The Company uses EAD models that reflect the characteristics of the portfolios.
The Company measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

**Groupings based on shared risks characteristics**

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- Asset type; and
- Intermediary.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

**Stages of credit quality and expected credit loss measurement**

The Company evaluates financial instruments based on their credit characteristics and assesses any changes in credit risk since origination before grouping them into stages. The groupings are reviewed and updated on a regular basis. The table below shows the staging criteria applied across financial assets.

| Stage 1 | Stage 2 | Stage 3 |
|---|---|---|
| **Performing**<br>No significant change in credit risk since initial recognition. | **Underperforming**<br>Significant increase in Credit risk since initiation. No Objective evidence of impairment | **Non-Performing**<br>Financial instruments that have deteriorated significantly in credit quality since initial recognition. Credit impairment evident |

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit risk (continued)

**Credit risk profile based on provision matrix**

**i) Direct insurance arrangements receivables**

| | 2022<br>Ushs'000 | 2021<br>Ushs'000 |
|---|---|---|
| Stage 1 | 2,794,718 | 975,934 |
| Stage 2 | 2,500,770 | 2,032,175 |
| Stage 3 | 1,631,550 | 1,325,830 |
| **Total direct insurance arrangements receivables** | **6,927,038** | **4,333,939** |
| Less: Expected credit losses | (502,738) | (185,625) |
| **Net carrying amount** | **6,424,300** | **4,148,314** |

| **Loss ratios** | 2022<br>Ushs'000 | 2021<br>Ushs'000 |
|---|---|---|
| Stage 1 | 0% | 0% |
| Stage 2 | 0% | 0% |
| Stage 3 | 30% | 30% |

No collateral is held in respect of the receivables that are past due but not impaired.

Refer to note 18 for the movement in expected credit losses.

**ii) Reinsurance arrangements receivables**

All direct insurance arrangements receivables showing a significant increase in credit risk are considered to be impaired and are carried at their estimated recoverable value. In addition, outstanding policies aging more than 365 days are considered defaulted. The Company uses average historical loss rates to estimate expected credit losses for outstanding policies less than 365 days. Where applicable, to a reasonable extent management will factor in qualitative information and judgement when applying these estimates.

No collateral is held in respect of the receivables that are past due but not impaired. The Company uses the simplified approach with regard to impairment of receivables arising from reinsurance arrangements. Receivables outstanding for more than 365 days are considered to have defaulted. The Company uses average historical loss rates to estimate expected credit losses for outstanding policies less than 365 days. Where applicable, to a reasonable extent management will factor in qualitative information and judgement when applying these estimates.

**iii) Other receivables (excluding prepayments)**

| | 2022<br>Ushs '000 | 2021<br>Ushs '000 |
|---|---|---|
| Stage 1 | 729,568 | 265,424 |
| Stage 2 | - | - |
| Stage 3 | - | - |
| **Total other receivables** | **729,568** | **265,424** |
| Less: Expected credit losses | - | - |
| **Net carrying amount** | **729,568** | **265,424** |

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit risk (continued)

**Credit risk profile based on provision matrix (continued)**

No collateral is held in respect of the receivables that are past due but not impaired.
The Company uses the simplified approach with regard to impairment of other receivables. Where applicable, to a reasonable extent management will factor in qualitative information and judgement when applying these estimates. The amount of expected credit losses estimated for other receivables excluding prepayments were insufficient and therefore not included in the financial statements. Refer to note 18 for the movement in expected credit losses.

**iv) Deposits with financial institutions**

| | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|
| Stage 1 | 3,310,687 | 2,165,912 |
| Stage 2 | - | - |
| Stage 3 | - | - |
| **Total deposits with financial institutions** | **3,310,687** | **2,165,912** |
| Less: Expected credit losses | (21,727) | (12,716) |
| **Net carrying amount** | **3,288,960** | **2,153,196** |

Expected credit losses are computed based on an internal credit rating score dependent on the tier of the bank. Default rates are adjusted for capital adequacy and Liquidity scores. Where applicable, to a reasonable extent management will factor in qualitative information and judgement when applying these estimates. Refer to note 18 for the movement in expected credit losses.

**v) Cash and cash equivalents**

| | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|
| Stage 1 | 565,398 | 1,452,123 |
| Stage 2 | - | - |
| Stage 3 | - | - |
| **Total cash and cash equivalents** | 565,398 | 1,452,123 |
| Less: Expected credit losses | (3,736) | (9,526) |
| **Net carrying amount** | **561,662** | **1,442,597** |

Expected credit losses are computed based on an internal credit rating score dependent on the tier of the bank. Default rates are adjusted for capital adequacy and Liquidity scores. Where applicable, to a reasonable extent management will factor in qualitative information and judgement when applying these estimates. Refer to note 18 for the movement in expected credit losses.

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit risk (continued)

**Credit risk profile based on provision matrix (continued)**

**vi) Government Securities**

| | 2022 | 2021 |
|---|---|---|
| | Ushs'000 | Ushs'000 |
| Stage 1 | 12,077,411 | 6,080,200 |
| Stage 2 | - | - |
| Stage 3 | - | - |
| **Total government securities** | **12,077,411** | **6,080,200** |
| Less: Expected credit losses | (12,077) | (9,244) |
| **Net carrying amount** | **12,065,334** | **6,070,956** |

Securities are clustered dependent on time left to maturity. Probability of default is based on the country sovereign rating. Loss given default is the weighted coupon on the cluster. Refer to note 18 for the movement in expected credit losses.

### (d) Currency Risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The risk is managed by having the level of exposure by currency set by the board.

The Company had the following significant foreign currency positions (with equivalent amounts in Uganda Shillings as shown):

| **At 31 December 2022** | USD | Ushs'000 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 191,888 | 726,047 |
| Deposits with financial institutions | 766,743 | 2,901,125 |
| Direct insurance arrangement receivables | 405,522 | 1,534,374 |
| **Total assets** | **1,364,153** | **5,161,546** |
| **Liabilities** | | |
| **Outstanding claims** | **511,730** | **1,936,233** |
| **At 31 December 2021** | | |
| **Assets** | | |
| Cash and cash equivalents | 49,302 | 176,022 |
| Deposits with financial institutions | - | - |
| Direct insurance arrangement receivables | 324,825 | 1,159,716 |
| **Total assets** | **374,127** | **1,335,738** |
| **Outstanding claims** | **493,697** | **1,762,637** |

At 31 December 2022, if the Shilling had strengthened/weakened by 10% (2021: 10%) against the US dollar with all other variables held constant, pre-tax profit for the year would have been Ushs 2,903 million (2021: Ushs -269 million) higher (lower)/, mainly as a result of US dollar denominated investments, bank balances and premium debtors.

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (e) Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The tables below summarise the Company's exposure to interest rate risks. Included in the table are the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The company only holds government securities which are at fixed rates.

All figures are in thousands of Uganda Shillings. (Ushs '000)

| At 31 December 2022 | Effective interest rate | Up to 1 Month | 1-3 Months | 3-12 Months | Over 1 year | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Government securities | 15% | - | - | - | 12,065,334 | 12,065,334 |
| **Total financial assets** | | | | | | |
| | | - | - | - | **12,065,334** | **12,065,334** |
| **Interest sensitivity gap** | | | | | **12,065,334** | **12,065,334** |

| At 31 December 2021 | Effective interest rate | up to 1 month | 1-3 months | 3-12 months | Over 1 year | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Government securities | 14% | - | - | 546,440 | 5,533,760 | 6,080,200 |
| **Total financial assets** | | - | - | **546,440** | **5,533,760** | **6,080,200** |
| **Interest sensitivity gap** | | - | - | **546,440** | **5,533,760** | **6,080,200** |

The investment in government securities is measured at amortised cost therefore a change in rates at the reporting period would not affect profit or loss.

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (f) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries. The Company is exposed to claims against its available cash resources. Such claims may crystallize from time to time depending on eventualities arising from policies in force at any point in time. The Company manages the liquidity risk my maintaining cash resources to meet most of these claims and also maintains a level of maturing funds that may be called upon should the available cash on current account prove insufficient to meet a given claim.

The following page summarizes the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted receipts and payments. All figures are in thousands of Uganda Shillings.

| At 31 December 2022 (Ushs '000) | Less than 1 year (Ushs '000) | 2 to 5 years (Ushs '000) | Above 5 years (Ushs '000) |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 561,662 | - | - |
| Government securities | - | - | 12,065,334 |
| Deposits with financial institutions | 3,310,686 | - | - |
| Other receivables | 2,040,273 | - | - |
| Direct insurance arrangement receivables | 6,424,299 | - | - |
| **Total assets** | **11,775,258** | - | **12,065,334** |
| **Financial liabilities** | | | |
| Commission payable to agents | 1,277,005 | - | - |
| Insurance contract liabilities | 6,435,532 | - | - |
| Lease liabilities | 46,200 | 184,800 | 19,250 |
| **Total liabilities** | **7,758,737** | **184,800** | **19,250** |
| **Net liquidity gap** | **4,329,486** | **(184,800)** | **12,046,084** |

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Liquidity risk (Continued)

| At 31 December 2021 (Ushs '000) | Less than 1 year (Ushs '000) | 2 to 5 years (Ushs '000) | Above 5 years (Ushs '000) |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 1,442,597 | - | - |
| Government securities | 546,440 | - | 5,533,760 |
| Deposits with financial institutions | 2,153,196 | - | - |
| Other receivables | 350,955 | - | - |
| Direct insurance arrangement receivables | 4,148,314 | - | - |
| **Total assets** | **8,641,502** | **-** | **5,533,760** |
| **Financial liabilities** | | | |
| Commission payable to agents | 1,118,133 | - | - |
| Insurance contract liabilities | 7,033,781 | - | - |
| Lease liabilities | 46,200 | 184,800 | 19,250 |
| **Total liabilities** | **8,198,114** | **184,800** | **19,250** |
| **Net liquidity gap** | **443,388** | **(184,800)** | **5,514,510** |

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (g) Fair value of financial assets and liabilities

The fair value of the Company's investments held at amortized cost and other financial assets and liabilities approximate the respective carrying amounts.

**Fair value hierarchy**

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company market assumptions. These two types of inputs have created the following fair value hierarchy:

- Investments classified as Level 1 primarily include government securities, such as treasury bonds and bills. The rest of the financial assets are classified as Level 2. Determinations to classify fair value measures within Level 2 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement.
- These investments are measured at fair value based on prices with reference to valuation techniques (models) that use significant inputs that are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability.

Unquoted equity instruments have been measured at cost whose fair value cannot be readily estimated hence cost has been taken as a proxy for fair value and classified at level 3.

Government Securities acquired from 2022 onwards have been carried at fair value based on published yields by Bank of Uganda.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

Financial instruments by category

The tables below show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. For fair values of financial instruments that have short period to maturity, settlement or realization, the tables below have assumed that the carrying amount approximates the fair value.

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (g) Fair value of financial assets and liabilities (continued)

| At 31 December 2022 | Other liabilities | Financial assets at amortised cost | Fair value | Total |
|---|---|---|---|---|
| | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 |
| **ASSETS** | | | | |
| Cash in hand and at Bank | - | 561,662 | - | 561,662 |
| Insurance receivables | - | 6,424,299 | - | 6,424,299 |
| Placements with financial institutions | | 3,288,960 | - | 3,288,960 |
| Other receivable (Excluding prepayments) | - | 729,568 | - | 729,568 |
| Reinsurer share of insurance contract liabilities | - | 6,504,874 | - | 6,504,874 |
| Investment held at amortized cost | - | 12,065,334 | - | 12,065,334 |
| **Total financial assets** | **-** | **29,574,697** | **-** | **29,574,697** |
| **LIABILITIES** | | | | |
| Due to related parties | 30,391 | - | - | 30,391 |
| Insurance contract liabilities | 6,435,532 | - | - | 6,435,532 |
| Lease liability | 728,709 | - | - | 728,709 |
| Other payables | 2,664,586 | - | - | 2,664,586 |
| **Total financial liabilities** | **9,859,218** | - | - | **9,859,218** |

| At 31 December 2022 | Level 1 | Level 2 | Level | Total | Carrying |
|---|---|---|---|---|---|
| (Ushs '000) | Ushs | Ushs '000 | Ushs | Ushs '000 | Ushs '000 |
| **As per the balance sheet** | | | | | |
| Cash in hand and at Bank | - | 561,662 | - | 561,662 | 561,662 |
| Insurance receivables | - | 6,424,299 | - | 6,424,299 | 6,424,299 |
| Placements with financial institutions | | 3,288,960 | - | 3,288,960 | 3,288,960 |
| Other receivable (Excluding | | 729,568 | - | 729,568 | 729,568 |
| Reinsurer share of insurance contract | - | 6,504,874 | - | 6,504,874 | 6,504,874 |
| Investment held at amortized cost | - | 11,081,744 | | 11,081,744 | 12,065,334 |
| **Total financial assets** | **-** | **28,591,107** | **-** | **28,591,107** | **29,574,697** |
| **LIABILITIES** | | | | | |
| Due to related parties | - | 30,391 | - | 30,391 | 30,391 |
| Insurance contract liabilities | - | 6,435,532 | - | 6,435,532 | 6,435,532 |
| Lease liability | - | 728,709 | - | 728,709 | 728,709 |
| Other payables | - | 2,593,882 | - | 2,593,882 | 2,593,882 |
| **Total financial liabilities** | **-** | **9,788,514** | **-** | **9,788,514** | **9,788,514** |

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (g) Fair value of financial assets and liabilities (continued)

| At 31 December.2021 | Other liabilities | Financial assets at amortised | Fair value | Total |
|---|---|---|---|---|
| | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 |
| **ASSETS** | | | | |
| Cash in hand and at Bank | - | 1,442,598 | - | 1,442,598 |
| Insurance receivables | - | 4,148,314 | - | 4,148,314 |
| Placements with financial institutions | | 2,153,196 | - | 2,153,196 |
| Other receivable (Excluding prepayments) | - | 265,424 | - | 265,424 |
| Reinsurer share of insurance contract liabilities | - | 6,641,596 | - | 6,641,596 |
| Investment held at amortized cost | - | 6,682,925 | - | 6,682,925 |
| **Total financial assets** | - | **21,334,053** | - | **21,334,053** |
| **LIABILITIES** | | | | |
| Due to related parties | - | - | - | - |
| Insurance contract liabilities | 7,033,781 | - | - | 7,033,781 |
| Lease liability | 778,775 | - | - | 778,775 |
| Other payables | 2,063,805 | - | - | 2,063,805 |
| **Total financial liabilities** | **9,876,361** | - | - | **9,876,361** |

| At 31 December 2021 | Level 1 | Level 2 | Level | Total | Carrying |
|---|---|---|---|---|---|
| | Ushs | Ushs '000 | Ushs | Ushs '000 | Ushs '000 |
| **As per the balance sheet** | | | | | |
| Cash in hand and at Bank | - | 1,442,598 | - | 1,442,598 | 1,442z5r,598 |
| Insurance receivables | - | 4,148,314 | - | 4,148,314 | 4,148,314 |
| Placements with financial institutions | | 2,153,196 | - | 2,153,196 | 2,153,196 |
| Other receivable (Excluding | | 265,424 | - | 265,424 | 265,424 |
| Reinsurer share of insurance contract | - | 6,641,596 | - | 6,641,596 | 6,641,596 |
| Investment held at amortized cost | - | 5,874,753 | | 5,874,753 | 6,682,925 |
| **Total financial assets** | - | **20,525,881** | - | **20,525,881** | **21,334,053** |
| **LIABILITIES** | | | | | |
| Due to related parties | - | - | - | - | - |
| Insurance contract liabilities | - | 7,033,781 | - | 7,033,781 | 7,033,781 |
| Lease liability | - | 778,775 | - | 778,775 | 778,775 |
| Other payables | - | 2,063,805 | - | 2,063,805 | 2,063,805 |
| **Total financial liabilities** | - | **9,876,361** | - | **9,876,361** | **9,876,361** |

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (h) Capital and regulatory risk management

The Company's objectives when managing capital are to comply with various requirements under the Insurance Act, 2017 Laws of Uganda. These include;

- compliance capital requirements under section 6 of the Insurance Act, 2017 Laws of Uganda;
- to maintain a minimum margin of solvency as required by section 44 of the Insurance Act, 2017 Laws of Uganda.
- to maintain a contingency reserve to cover fluctuations in securities and variations in statistical estimates as required by section 47 of the Insurance Act, 2017 Laws of Uganda.

The Company had complied with all the requirements above at 31 December 2022 and 2021.

The Company's solvency requirements for the year ended 31 December 2022 and 2021 are as follows:

| | 2022<br>Ushs'000 | 2021<br>Ushs'000 |
|---|---|---|
| Credit risk | 5,616,885 | 3,642,001 |
| Market risk | 217,944 | 285,527 |
| Insurance risk | 1,097,386 | 970,583 |
| Operational risk | 487,892 | 362,913 |
| **Capital required** | **6,215,101** | **6,000,000** |
| **Shareholders' funds** | **14,459,008** | **8,076,420** |
| Deductions and diversification | (794,625) | (702,903) |
| **Total available capital** | **13,664,384** | **7,373,517** |
| **Capital adequacy ratio** | **220%** | **123%** |

## 5. GROSS EARNED PREMIUMS

| | 2022<br>Shs'000 | 2021<br>Shs'000 |
|---|---|---|
| Gross written premiums | 17,427,521 | 13,054,930 |
| Unearned premium provision (note 30) | (1,164,501) | (957,828) |
| **Gross earned premiums** | **16,263,020** | **12,097,102** |
| Reinsurers' share of gross written premiums | (8,813,489) | (5,889,680) |
| Reinsurers' share of unearned premium provision (note 19a) | 502,778 | 372,981 |
| **Premiums ceded to reinsurers** | **(8,310,711)** | **(5,516,699)** |
| Gross earned premiums | 16,263,020 | 12,097,102 |
| Premiums ceded to reinsurers | (8,310,711) | (5,516,699) |
| **Net written premiums** | **7,952,309** | **6,580,403** |

## 5. GROSS EARNED PREMIUMS (CONTINUED)

| Type of risk | 2022 Shs'000 | 2021 Shs'000 |
|---|---|---|
| Fire industrial | 4,421,697 | 3,078,527 |
| Motor commercial | 2,983,299 | 2,163,142 |
| Employer liability | 1,879,052 | 1,451,600 |
| Marine | 1,837,208 | 2,066,571 |
| Motor private | 1,537,824 | 1,485,938 |
| Theft | 1,418,774 | 1,050,277 |
| Engineering | 1,242,454 | 820,320 |
| Goods in transit | 816,326 | - |
| Other non-life risks | 1,290,887 | 938,605 |
| **Total risk** | **17,427,521** | **13,054,930** |

## 6. CLAIMS INCURRED

| | 2022 Shs'000 | 2021 Shs'000 |
|---|---|---|
| Gross claims paid | 3,991,751 | 2,688,469 |
| Outstanding claims reported (note 29) | (677,662) | 4,562,356 |
| Incurred but not reported provision (note 29) | 27,503 | 234,203 |
| **Gross claims incurred** | **3,341,592** | **7,485,028** |
| Gross claims paid recoveries from reinsurers | (1,487,044) | (941,335) |
| Reinsurers' share of outstanding claims reported (note 19b) | 779,920 | (3,272,873) |
| Reinsurers' share of incurred but not reported provision (note 19c) | (140,420) | (28,845) |
| **Gross claims recovered from reinsurers** | **(847,544)** | **(4,243,053)** |
| Gross claims incurred | 3,341,593 | 7,485,028 |
| Gross claims recovered from reinsurers | (847,544) | (4,243,053) |
| **Net claims incurred** | **2,494,048** | **3,241,975** |

| Type of risk | 2022 Shs'000 | 2021 Shs'000 |
|---|---|---|
| Fire industrial | 1,072,335 | 225,508 |
| Motor commercial | 672,010 | 380,855 |
| Employer liability | 705,529 | 812,214 |
| Marine | 403,571 | 406,926 |
| Motor private | 471,407 | 442,101 |
| Theft | 379,273 | 321,667 |
| Engineering | 235,795 | 75,332 |
| Other non-life risks | 51,829 | 23,866 |
| **Total risk** | **3,991,751** | **2,688,469** |

## 7. INTEREST REVENUE CALCULATED USING THE EFFECTIVE INTEREST METHOD

| | 2022 Shs'000 | 2021 Shs'000 |
|---|---|---|
| Interest income from government securities at government securities | 1,428,145 | 563,131 |
| Interest income from bank deposits | 123,641 | 273,687 |
| Other income | 15,927 | 5,380 |
| | **1,567,713** | **842,198** |

## 8. NET COMMISSION EXPENSE

| | 2022 Shs'000 | 2021 Shs'000 |
|---|---|---|
| Reinsurance commission income | 3,111,185 | 2,116,613 |
| Deferred reinsurance commission (note 25) | (96,524) | (74,336) |
| **Commission earned** | **3,014,661** | **2,042,277** |
| Direct commission paid | (3,494,555) | (2,364,940) |
| Deferred acquisition costs (note 20) | 245,390 | 121,516 |
| **Commission expense** | **(3,249,165)** | **(2,243,424)** |
| **Net commission expense** | **(234,504)** | **(201,147)** |

## 9. FINANCE EXPENSE

| | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|
| Net foreign exchange loss | 138,930 | 66,828 |
| Interest expense on lease liabilities | 76,390 | 83,477 |
| NET FINANCE EXPENSE | 215,320 | 150,305 |

## 10. OPERATING AND OTHER EXPENSES

| | 2022<br>Shs'000 | 2021<br>Shs'000 |
|---|---|---|
| Employee costs (note 11) | 2,701,138 | 2,022,099 |
| Depreciation and amortisation (note 12) | 444,584 | 557,698 |
| Business development | 175,304 | 188,165 |
| Software maintenance | 181,445 | 145,379 |
| Levy | 134,044 | 127,036 |
| Legal and consulting | 227,801 | 119,718 |
| Insurance | 106,646 | 69,217 |
| Staff welfare | 102,721 | 66,872 |
| Travelling | 87,554 | 54,369 |
| Telephone and internet | 92,361 | 51,014 |
| Auditors' remuneration | 100,266 | 39,273 |
| Other expenses | 275,036 | 46,767 |
| Printing and stationery | 78,127 | 24,325 |
| Bank charges | 26,571 | 23,228 |
| Subscriptions | 23,206 | 68,058 |
| Repairs and maintenance expenditure | 25,699 | 11,154 |
| Utilities | 15,803 | 8,921 |
| Advertising costs | 33,912 | 1,610 |
| Accommodation and lodging | - | 1,476 |
| | **4,832,218** | **3,626,379** |

## 11. EMPLOYEE BENEFITS EXPENSE

Employee benefits expenses include the following:

| | 2022<br>Shs'000 | 2021<br>Shs'000 |
|---|---|---|
| Salaries and wages | 2,228,882 | 1,640,550 |
| Directors' remuneration | 253,760 | 222,524 |
| National social security fund contributions | 218,496 | 159,025 |
| | **2,701,138** | **2,022,099** |

## 12. DEPRECIATION AND AMORTISATION

| | 2022<br>Shs'000 | 2021<br>Shs'000 |
|---|---|---|
| Depreciation | | |
| Property, equipment and right-of-use asset | 205,215 | 191,300 |
| | - | - |
| Intangible assets | 239,369 | 366,398 |
| | **444,584** | **557,698** |

## 13. TAXATION

### a) Income tax expense

| | Note | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|---|
| Current income tax | | 287,479 | 92,238 |
| Deferred income tax | 28 | - | - |
| | | **287,479** | **92,230** |

### b Reconciliation of the accounting profit to the tax charge

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

| | Effective Tax rate | 2022 Ushs'000 | Effective Tax rate | 2021 Ushs'000 |
|---|---|---|---|---|
| **Profit before income tax** | | | | |
| Tax using the domestic corporation rate | 30% | 480,576 | 30% | 59,328 |
| Prior year under provision of deferred income tax | 0% | 0 | 55% | 109,618 |
| Tax effect of income taxed at 20% (2021:20%) | 20% | 287,479 | 155% | 92,238 |
| Tax effect of expenses not deductible for tax purposes | 0% | 2,215 | 0.5% | - |
| Tax effect of income not taxable at 30% | -30% | (428,444) | 131% | (168,946) |
| | **20%** | **287,479** | **155%** | **92,238** |

## 14. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

| | Motor vehicles | Furniture, fittings and equipment | Computer equipment | Right-of-use assets | Total |
|---|---|---|---|---|---|
| | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 |
| **Cost** | | | | | |
| Balance at January 1, 2022 | 100,000 | 190,714 | 121,574 | 907,928 | **1,320,216** |
| Additions | 3,679 | 69,701 | 86,677 | 1,590 | **161,647** |
| Disposal | - | (4,960) | (6,738) | - | **(11,698)** |
| Prior period errors | - | - | - | (61,780) | **(61,780)** |
| **Balance at 31 December 2022** | **103,679** | **255,455** | **201,513** | **847,738** | **1,408,386** |
| **Accumulated depreciation** | | | | | |
| Balance at January 1, 2022 | 81,250 | 61,889 | 94,262 | 240,526 | **477,927** |
| Charge for the year | 19,148 | 29,122 | 29,650 | 127,295 | **205,215** |
| Disposals | - | (839) | (6,498) | - | **(7,337)** |
| Prior period errors | - | - | - | (61,780) | **(61,780)** |
| **Balance at 31 December 2022** | **100,398** | **90,172** | **117,414** | **306,041** | **614,024** |
| **Cost** | | | | | |
| Balance at January 1, 2021 | 100,000 | 162,412 | 102,981 | 1,338,500 | **1,703,893** |
| Additions | | 28,302 | 18,593 | | **46,895** |
| Modifications | - | | | (430,752) | **(430,752)** |
| Balance at 31 December 2021 | **100,000** | **190,714** | **121,574** | **907,748** | **1,320,217** |
| **Accumulated depreciation** | | | | | |
| Balance at January 1, 2021 | 56,250 | 47,835 | 60,005 | 437,724 | **601,814** |
| Charge for the year | 25,000 | 14,054 | 34,257 | 117,989 | **191,300** |
| Modifications | - | - | - | (315,187) | **(315,187)** |
| **Balance at 31 December 2021** | **81,250** | **61,889** | **94,262** | **240,526** | **477,927** |
| **Carrying value** | | | | | |
| **Balance at 31 December 2022** | **3,281** | **165,284** | **84,099** | **541,697** | **794,361** |
| **Balance at 31 December 2021** | **18,750** | **128,825** | **27,312** | **667,222** | **842,109** |

## 15. INTANGIBLE ASSETS

| | 2022<br>Ushs'000 | 2021<br>Ushs'000 |
|---|---|---|
| **Cost** | | |
| Balance at 1 January | 1,106,516 | 1,097,999 |
| Additions | 4,742 | 8,516 |
| **Balance at 31 December** | **1,111,258** | **1,106,515** |
| | | |
| **Accumulated amortization** | | |
| Balance at 1 January | 861,976 | 495,578 |
| Charge for the year | 239,369 | 366,398 |
| **Balance at 31 December** | **1,101,345** | **861,976** |
| **Carrying value** | **9,913** | **244,539** |

## 16. INVESTMENTS AT AMORTISED COST

| | 2022<br>Ushs'000 | 2021<br>Ushs'000 |
|---|---|---|
| Government securities | 11,248,317 | 6,070,956 |
| Statutory deposit | 817,016 | 611,969 |
| Fixed deposits | 3,288,960 | 2,153,196 |
| | **15,354,293** | **8.836,121** |
| a) Government securities | | |
| Treasury bonds - amortised cost | 11,260,395 | 5,533,760 |
| Treasury bills - amortised cost | - | 546,440 |
| | 11,260,395 | 6,080,200 |
| Impairment allowance | (12,077) | (9,244) |
| | **11,248,317** | **6,070,956** |
| b) Statutory deposit | | |
| Cost | 825,516 | 599,622 |
| Accrued interest | (8,500) | 12,347 |
| | **817,016** | **611,969** |

The Company has invested the security deposit in government securities as required by the Insurance Act, 2017 - Section 38(3).

| | | |
|---|---|---|
| c) Fixed deposit | | |
| Gross carrying value | 3,310,686 | 2,165,912 |
| Impairment allowance | (21,727) | (12,716) |
| | **3,288,960** | **2,153,196** |

**2022**

| At Amortized cost | Statutory deposit Ushs'000 | Treasury bills Ushs'000 | Treasury bonds Ushs'000 | 31 December Ushs'000 |
|---|---|---|---|---|
| At 1 January | 599,622 | 500,861 | 5,416,618 | 6,517,101 |
| Additions | 255,894 | - | 5,709,738 | 5,935,632 |
| Maturities | - | (561,000) | - | (561,100) |
| Interest accrued | (8,500) | 60,139 | 134,039 | 185,679 |
| Impairment allowance | - | - | (12,077) | (12,077) |
| | **817,016** | **-** | **11,248,317** | **12,065,334** |

**2021**

| At Amortized cost | Statutory deposit Ushs'000 | Treasury bills Ushs'000 | Treasury bonds Ushs'000 | 31 December Ushs'000 |
|---|---|---|---|---|
| At 1 January | 456,931 | 4,053,425 | - | 4,510,356 |
| Additions | 599,622 | 500,861 | 5,416,618 | 6,517,101 |
| Maturities | (456,931) | (4,053,425) | - | (4,510,356) |
| Interest accrued | 12,347 | 46,410 | 116,311 | 175,068 |
| Impairment allowance | - | (831) | (8,431) | (9,244) |
| | **611,969** | **(546,440)** | **(5,524,516)** | **(6,682,925)** |

## 17. INSURANCE RECEIVABLES

| | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|
| Receivables arising out of direct insurance arrangements | 5,333,291 | 3,805,536 |
| Receivables arising out of reinsurance arrangements | 1,593,756 | 528,402 |
| Impairment allowance | (502,738) | (185,624) |
| | **6,424,299** | **4,148,314** |

The fair value of insurance receivables approximates the carrying amounts

## 18. MOVEMENT IN THE EXPECTED CREDIT LOSSES

**2022**

| | 1 January Ushs'000 | Charge/(credit) to the Profit or loss Ushs'000 | 31 December Ushs'000 |
|---|---|---|---|
| Government securities | (9,244) | (2,833) | (12,077) |
| Deposits with financial institutions | (12,716) | (9,011) | (21,727) |
| Direct insurance arrangement receivables | (185,624) | (317,114) | (502,738) |
| Reinsurance arrangement receivables | - | - | - |
| Cash and cash equivalents | (9,526) | 5,790 | (3,736) |
| | **(217,110)** | **(323,169)** | **(540,279)** |

| 2021 | 1 January Ushs'000 | Charge/(credit) to the Profit or loss Ushs'000 | 31 December Ushs'000 |
|---|---|---|---|
| Government securities | (2,531) | (6,713) | (9,244) |
| Deposits with financial institutions | (20,928) | 8,212 | (12,716) |
| Direct insurance arrangement receivables | (185,624) | - | (185,624) |
| Reinsurance arrangement receivables | - | - | - |
| Cash and cash equivalents | (2,966) | (6,560) | (9,526) |
| | **(212,049)** | **(5,061)** | **(217,110)** |

## 19. REINSURERS' SHARE OF INSURANCE LIABILITIES

| | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|
| Unearned premium provision | 2,663,129 | 2,160,351 |
| Outstanding claims reported | 3,518,922 | 4,298,842 |
| Incurred but not reported provision | 322,823 | 182,403 |
| | **6,504,874** | **6,641,596** |
| **a) Unearned premium provision** | | |
| At start of the year | 2,160,351 | 1,787,370 |
| Net increase (note 5) | 502,778 | 372,981 |
| **At end of the year** | **2,663,129** | **2,160,351** |
| **b) Outstanding claims reported** | | |
| At start of the year | 4,298,842 | 1,025,969 |
| Net increase (note 6) | (779,920) | 3,272,873 |
| **At end of the year** | **3,518,922** | **4,298,842** |
| **c) Incurred but not reported provision** | | |
| At start of the year | 182,403 | 153,558 |
| Net increase (note 6) | 140,420 | 28,845 |
| **At end of the year** | **322,823** | **182,403** |

## 20. DEFERRED ACQUISITION COSTS

| | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|
| At start of the year | 821,866 | 700,350 |
| Net increase (note 8) | 245,390 | 121,516 |
| At end of the year | **1,067,256** | **821,866** |

## 21. OTHER RECEIVABLES

| | 2022 Shs'000 | 2021 Shs'000 |
|---|---|---|
| Salary advance | 39,492 | 22,089 |
| Prepayments | 56,604 | 85,531 |
| Value Added Tax (VAT) | 29,321 | 61,687 |
| Withholding Tax (WHT | 421,053 | 168,283 |
| Sundry debtors | 239,701 | 13,365 |
| | **786,171** | **350,955** |

## 22. CASH IN HAND AND AT BANK

| | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|
| Cash in hand | 27 | 2,856 |
| Cash at bank | 565,371 | 1,449,267 |
| Impairment allowance | (3,736) | (9,526) |
| | **561,662** | **1,442 ,597** |

The movement in financing activities that directly affect the Company's cash flows are included in note 27(iii)

## 23. DIVIDENDS

In order to meeting solvency requirements, the directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: Nil). In addition, no interim dividend was paid during the year.

Payment of dividends is subject to withholding tax at rates, depending on the residence of the recipient and approval by the IRA.

## 24. CAPITAL AND RESERVES

### a) Share capital

| | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|
| **Authorized share capital at 1 January and 31 December** 294,303 (2021: 200,000) shares of stated capital. Ordinary shares of Ushs 37,220 (2021: Ushs 37,220) per share | 10,953,958 | 7,440,000 |
| **Issued share capital at 1 January and 31 December** 291,945 (2021:200,000) shares of stated capital. Ordinary shares of Ushs 37,220 (2021: Ushs 37,220) per share | 10,866,193 | 7,440,000 |

The total authorized number of ordinary shares is 294,303 with a par value of Ushs 37,220 per share. At 31 December 2022, 291,945 ordinary shares were in issue (2021: 200,000 ordinary shares). All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally about the Company's residual assets.

## 24. CAPITAL AND RESERVES (CONTINUED)

**Capital requirement**

The minimum statutory capital for non-life insurance business as per the Insurance Act, 2017 Laws of Uganda is Ushs 6 billion (2021: Ushs 6 billion). The Company has met this requirement.

**b) Share application money**

During the year, the Company received Ushs 5,651,916 thousand from it's share holders for new ordinary shares. As at the date of the financial statements, the new shares were yet to be issued.

**c) Accumulated losses**

These comprise of prior year tax profits, less any appropriation to contingency reserves, capital reserves, dividends plus current year profits. As at 31 December 2022, accumulated losses were Ushs 2.6 Billion (2021: Ushs 3.4 Billion).

**d) Contingency reserve**

While there is no current requirement to have a contingency reserve, for prudence purposes, the Company maintained the annual transfer to contingency reserves, which is equal to 2% of the gross premiums written 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 written in the current year, whichever is greater. The increase for the year represents 2% of gross written premiums.
Movements in the contingency, capital and fair value reserves are shown in the statement of changes in equity on pages 17.

| | 2022<br>Ushs'000 | 2021<br>Ushs'000 |
|---|---|---|
| Contingency reserves | 919,816 | 571,266 |
| Accumulated losses | 2,648,931 | 3,433,663 |

## 25. DEFERRED REINSURANCE COMMISSIONS

| | 2022<br>Ushs'000 | 2021<br>Ushs'000 |
|---|---|---|
| At start of the year | 623,340 | 549,004 |
| Net increase (note 8) | 96,523 | 74,336 |
| **At end of the year** | **719,863** | **623,340** |

## 26. OTHER PAYABLES

| | 2022<br>Shs'000 | 2021<br>Shs'000 |
|---|---|---|
| Accruals | 110,453 | 142,708 |
| Insurance commissions payables | 1,277,005 | 1,118,133 |
| Provisions | 195,712 | 6,724 |
| Statutory dues | 816,424 | 434,797 |
| Others | 375,445 | 504,179 |
| | **2,775,039** | **2,206,513** |

## 27. LEASES

**Leases as a lessee (IFRS 16)**

The Company leases office premises and equipment. The leases typically run for a period of 1-5 years, with an option to renew the lease after that date. Lease payments are renegotiated every renewal cycle to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.
Information about leases for which the Company is a lessee is presented below;

At 31 December 2022, the contractual undiscounted cashflows of the leases were payable as follows:

| | 2022 | 2021 |
|---|---|---|
| | Ushs'000 | Ushs'000 |
| Within one year | 46,200 | 46,200 |
| Between 2 and 5 years | 184,800 | 184,800 |
| More than 5 years | 19,250 | 65,640 |
| **At 31 December** | **250,250** | **296,450** |

**(i) Lease liabilities**

| | 2022 | 2021 |
|---|---|---|
| | Ushs'000 | Ushs'000 |
| At 1 January | 778,775 | 978,758 |
| Additions | - | - |
| Interest expense on lease | 76,390 | (32,091) |
| Lease payments | (170,787) | (167,892) |
| Unrealized foreign exchange loss/(gain) | 44,331 | - |
| **At 31 December** | **728,709** | **778,775** |

| | 2022 | 2021 |
|---|---|---|
| | Ushs'000 | Ushs'000 |
| Current | 106,736 | 91,169 |
| Non-current | 621,973 | 687,606 |

**(ii) Extension options**

Some leases of office premises and equipment contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. Given the nature of most of the leases (office premises), the Company has not estimated the additional lease liability that would result from the renewal options. The Company will keep assessing the impact of renewal options on the lease liability at each reporting period.

**(iii) Amounts recognised in statement of cash flows**

| | 2022 | 2021 |
|---|---|---|
| | Ushs'000 | Ushs'000 |
| Lease interest expense paid | 76,390 | (32,091) |
| Lease payments-Principal | (126,456) | (167,892) |
| **Total cash outflow for leases** | **(50,066)** | **(199,983)** |

## 28. UNRECOGNISED DEFERRED INCOME TAX

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2021: 30%). The movement on the deferred income tax account is as follows:

**Movement in deferred tax balances**

| 2022 | 01-Jan Ushs'000 | Movement Ushs'000 | 31-Dec Ushs'000 |
|---|---|---|---|
| Property, equipment, and ROU assets | (124,343) | (56,595) | (180,938) |
| Short term timing differences | (28,323) | (376,323) | (404,646) |
| Trading and other leases | (696,839) | 387,212 | (309,628) |
| | **(849,506)** | **(45,706)** | **(895,212)** |
| **Net deferred income tax asset** | **(849,506)** | **(45,706)** | **(895,212)** |

| 2021 | 01-Jan Ushs'000 | Movement Ushs'000 | 31-Dec Ushs'000 |
|---|---|---|---|
| Property, equipment and ROU assets | (17,530) | (73,402) | (90,932) |
| Short term timing differences | (100,474) | (34,484) | (134,960) |
| Trading and other losses | (705,179) | 8,340 | (696,839) |
| Trading and other leases | (52,139) | (10,072) | (62,211) |
| | **(875,322)** | **(109,618)** | **(984,492)** |
| **Net deferred income tax asset** | **(875,322)** | **(109,618)** | **(984,940)** |

## 29. NSURANCE CONTRACT LIABILITIES

**Incurred But Not Reported Reserve (IBNR) reserve**

The Company has IBNR reserves as required by IFRS 4, Insurance Contracts.

In line with Insurance Group Policy and Section 32(1) of the Insurance (Capital Adequacy and Prudential Requirements) Regulations, 2020 that an insurer engaged in non-life business to undertake the valuation of its technical provisions using actuarial methods, the Company measures its IBNRs using the Chain Ladder, Average cost per claim (ACPC) and Bornhuetter-Ferguson methods. The methods assume that recorded loss amounts grow in a stable manner from one development period to the next. The growth pattern of losses over time is used to determine loss development factors ("LDF") that, in turn, are used to project emerged losses to an ultimate basis.

The key assumptions that drive the reserving calculations include graduate development factors, loss ratios, inflation assumptions and claims expense assumptions. The valuation of insurance contract liabilities depends on accurate data extraction from the information systems and forming judgements over key assumptions based on data extracted.

When using the Basic Chain Ladder ('BCL') method and the Average Cost Per Claim ('ACPC') method, it was assumed that there is a consistency in claims reporting patterns, processes of establishing case estimates and consistency in the overall relative adequacy of the case estimates over time. Under the Bornhuetter-Fergusson method, it was assumed that the ultimate values can be better projected by looking at the recent loss ratio experience or any other a-priori estimate in addition to the claim observed to date. The case estimates used were assumed to be accurate based on the experienced judgment of the insurer's staff. The accuracy of this assumption can be tested in the annual Financial Condition Report.

During the year, the Company in accordance with Section 32(1) of the Insurance (Capital Adequacy and Prudential Requirements) Regulations, 2020 that requires an insurer engaged in non-life insurance business to undertake the valuation of its technical provisions in accordance with the criteria specified in Schedule 10 changed the valuation technique from 15% of the outstanding claims reserves at the end of the year for IBNR and not less than 40% of the net premiums written for UPR per Insurance Act Cap 213 to the gross premium actuarial methods.

The reserves held as at 31 December 2022 are as follows;

| | 2022<br>Ushs'000 | 2021<br>Ushs'000 |
|---|---|---|
| General insurance business | | |
| ▪ Claims reported and claims handling expenses | 5,881,630 | 6,507,382 |
| ▪ Claims incurred but not reported | 553,902 | 526,399 |
| | **6,435,532** | **7,033,781** |

| | 2022<br>Ushs'000 | 2021<br>Ushs'000 |
|---|---|---|
| **Outstanding claims reported** | | |
| At start of the year | 6,507,382 | 1,945,026 |
| Net increase (note 6) | (625,752) | 4,562,356 |
| **At end of the year** | **5,881,630** | **6,507,382** |
| **Incurred but not reported provision** | | |
| At start of the year | 526,400 | 292,196 |
| Net increase (note 6) | 27,503 | 234,203 |
| **At end of the year** | **553,903** | **526,399** |

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation.

**Changes in historical reserves for loss and loss adjustment expenses (LAE)**

The analysis of loss and LAE reserves by actuaries and management is conducted by line of business and separately for specific claim types such as fire and engineering claims.

The origin year of losses is taken into consideration by analyzing each line of business by accident year. While this determines the estimates of reserves for loss and LAE by accident year, the effect in the income statement in the respective calendar year combines the accident year loss ratio for the current year with the favorable or adverse development from prior years (run-off).

The loss reserves classified to "Insurance Contract Liabilities" in the statement of financial position, the underlying business development of these reserves is still considered in the loss ratio. Therefore, the tables below show the loss development by accident year including the business development of discounted loss reserves.

The run-off triangle, also known as the "loss triangle", is a tabular representation of loss-related data (such as payments, loss reserves, ultimate losses) in two time-related dimensions. One of these is the calendar year, the other is the accident year (year of loss occurrence). Run-off triangles – as the basis for measuring loss reserves – express how the loss reserves change over the course of time due to payments made and new estimates of the expected ultimate loss at the respective reporting date.

The loss development tables presented below show the cumulative incurred amount of reported insurance claims liabilities and related loss adjustment expenses arising for each accident year from 2015 onwards.

The cumulative yearly development of the historical gross incurred insurance losses arising for each accident year relating for each accident year as at the end of each year accounting period less the cumulative sum of the payments made in respect of losses occurring in each accident year.

The data is presented both on gross and net bases. Emphasis should be put on the net basis as this is more meaningful in order to represent the retained impact on the Company results.

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table on page 80 illustrates how the Company's estimate of total claims outstanding for each accident year has changed at successive year ends. The figures disclosed are in Ushs'000.

## 29. INSURANCE CONTRACT LIABILITIES (CONTINUED)

### Incurred But Not Reported Reserve (IBNR) reserve (Continued)

| | Accident Year - Gross (Ushs'000) | | | | |
|---|---|---|---|---|---|
| Paid Year | 2019 | 2020 | 2021 | 2022 | Total |
| 2019 | 463,581 | - | - | - | 463,581 |
| 2020 | 519,049 | 943,940 | - | - | 1,462,989 |
| 2021 | 87,335 | 922,023 | 1,730,588 | - | 2,739,946 |
| 2022 | 122,198 | 260,338 | 1,732,699 | 1,929,459 | 4,044,695 |
| Outstanding at end of current year | 34,925 | 940,946 | 2,827,054 | 2,078,705 | 5,881,630 |

| | Accident Year - Gross (Ushs'000) | | | | |
|---|---|---|---|---|---|
| Paid Year | 2019 | 2020 | 2021 | 2022 | Total |
| 2019 | 186,531 | - | - | - | 186,531 |
| 2020 | 330,585 | 593,628 | - | - | 942,213 |
| 2021 | 83,538 | 588,628 | 1,125,438 | - | 1,797,903 |
| 2022 | 85,923 | 188,020 | 962,101 | 1,316,906 | 2,552,949 |
| Outstanding at end of current year | 20,435 | 299,533 | 602,848 | 1,388,966 | 2,311,782 |

| | | | | | |
|---|---|---|---|---|---|
| Net/Gross (Incurred) | 58% | 64% | 60% | 68% | 63% |
| Net/Gross (Outstanding) | 59% | 32% | 21% | 67% | 39% |

## 30. PROVISION FOR UNEARNED PREMIUM

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Gross | Re-insurance | Net | Gross | Re-Insurance | Net |
| | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 |
| At 1 January | 4,787,147 | 2,160,351 | 2,626,796 | 3,829,319 | 1,787,370 | 2,041,949 |
| Increase in the period | 1,164,501 | 502,778 | 661,723 | 957,828 | 372,981 | 584,847 |
| Transfers | - | - | - | - | - | - |
| At 31 December | 5,951,648 | 2,663,129 | 3,288,519 | 4,787,147 | 2,160,351 | 2,626,796 |

## 31. CONTINGENT LIABILITIES

The Company did not have any significant contingent liabilities as at 31 December 2022 (2021: Nil)

## 32. RELATED PARTY TRANSACTIONS

### i) Key management compensation

| | 2022 Ushs'000 | 2021 Ushs'000 |
|---|---|---|
| Directors renumeration | 253,760 | 222,524 |
| Short-term compensation | 837,738 | 637,776 |
| Post-employment benefits | 83,774 | 63,378 |
| | **921,511** | **741,153** |

### ii) Amounts due to related companies

| | | |
|---|---|---|
| Mayfair Insurance Company Limited Kenya | 30,391 | - |

### iii) Nature of transactions with related parties

| Name of related party | Nature of business | Relationship |
|---|---|---|
| Mayfair Insurance Company Limited Kenya | None | Shareholder |
| Andrea Limited | None | Shareholder |
| Anjay Vithalbhai Patel | Directors renumeration | Shareholder |
| Vishal Rajinder Kumar | Directors renumeration | Shareholder |
| Manish Dawda Hasmukh | Directors renumeration | Shareholder |
| Vinay Dawda | Directors renumeration | Shareholder |
| Vikesh Dawda | None | Shareholder |
| Mitesh Jesani | None | Shareholder |
| Harish Jesani | None | Shareholder |
| Mitul Jobanputra | None | Shareholder |
| Joban Holdings Limited | None | Shareholder |
| Kiboko Holding Limited | None | Shareholder |
| Yogesh Modi | None | Shareholder |
| Vijay Lhakotia | None | Shareholder |
| Deva Rudra | Key management compensation | Key management |
| Ramesh Babu Subbaiah Setty Bonthala | Directors renumeration | Director |
| Candida Lynn Wekesa Okoboi | Directors renumeration | Director |
| Miriam Ekirapa Musaali | Directors renumeration | Director |

## 33. EVENTS AFTER THE REPORTING DATE

The Directors are not aware of any events after the reporting period and up to the date of this report which require adjustments to or disclosures in the financial statements

MAYFAIR INSURANCE COMPANY UGANDA LIMITED
Supplementary Information for the year ended 31 December 2022

General Insurance business revenue account 2022

| Class of insurance business | Aviation | Engineering | Fire Domestic | Fire Industrial | Political Violence and Terrorism | Public Liability | Marine | Goods in Transit | Motor Private | Motor Commercial | Personal Accident | Theft | Employer Liability | Agric Insurance | Miscellenous | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross premium written | 220,269,889 | 1,242,453,339 | 56,698,915 | 4,421,696,922 | 74,858,709 | 330,296,673 | 1,837,208,075 | 816,326,039 | 1,537,824,318 | 2,983,299,118 | 66,232,122 | 1,418,773,813 | 1,879,052,181 | 40,318,139 | 502,212,746 | 17,427,520,997 |
| Opening Gross Unearned Premium | 591,998 | 395,142,766 | 16,146,990 | 1,117,480,292 | 2,557,287 | 118,329,436 | 566,573,492 | - | 614,761,060 | 978,231,137 | 75,700,058 | 365,080,429 | 431,627,699 | - | 104,924,311 | 4,787,146,955 |
| Closing Gross Unearned Premium | 75,437,678 | 391,227,958 | 21,105,852 | 1,741,714,680 | 3,433,916 | 109,152,263 | 275,768,558 | 219,795,185 | 561,061,717 | 1,504,922,595 | 26,641,357 | 386,543,122 | 556,320,981 | - | 78,522,197 | 5,951,648,059 |
| Gross earned premiums | 145,424,208 | 1,246,368,147 | 51,740,053 | 3,797,462,533 | 73,982,080 | 339,473,846 | 2,128,013,009 | 596,530,854 | 1,591,523,661 | 2,456,607,660 | 115,290,823 | 1,397,311,120 | 1,754,358,899 | 40,318,139 | 528,614,860 | 16,263,019,893 |
| Premium ceded to re-insurers | 219,826,831 | 627,364,646 | 26,412,068 | 3,839,450,656 | - | 111,086,763 | 1,535,690,719 | 3,352,211 | 136,012,334 | 632,627,265 | 30,340,164 | 779,484,917 | 455,845,256 | - | 415,994,984 | 8,813,488,814 |
| Reinsurers share of UPR b/f | 532,798 | 282,383,614 | 5,660,582 | 896,591,330 | 2,448,106 | 69,968,529 | 208,914,821 | - | 45,110,184 | 167,810,260 | 55,378,337 | 237,242,343 | 91,790,696 | - | 96,519,810 | 2,160,351,410 |
| Reinsurers share of UPR c/f | 75,265,472 | 198,055,546 | 9,002,432 | 1,207,735,654 | 3,433,916 | 56,740,759 | 148,623,578 | 145,905,664 | 53,739,205 | 350,302,145 | 11,992,748 | 198,035,674 | 130,534,778 | - | 73,761,826 | 2,663,129,396 |
| Total Outward reinsurance | 145,094,157 | 711,692,714 | 23,070,218 | 3,528,306,332 | - 985,810 | 124,314,533 | 1,595,981,962 | -142,553,452 | 127,383,313 | 450,135,380 | 73,725,753 | 818,691,586 | 417,101,174 | - | 438,752,968 | 8,310,710,828 |
| Earned Premium | 330,051 | 534,675,434 | 28,669,835 | 269,156,202 | 74,967,890 | 215,159,313 | 532,031,047 | 739,084,307 | 1,464,140,348 | 2,006,472,280 | 41,565,069 | 578,619,534 | 1,337,257,725 | 40,318,139 | 89,861,892 | 7,952,309,065 |
| Excess of Loss | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net earned premium | 330,051 | 534,675,434 | 28,669,835 | 269,156,202 | 74,967,890 | 215,159,313 | 532,031,047 | 739,084,307 | 1,464,140,348 | 2,006,472,280 | 41,565,069 | 578,619,534 | 1,337,257,725 | 40,318,139 | 89,861,892 | 7,952,309,065 |
| Gross Claims Paid | - | 235,795,002 | 1,063,239 | 1,072,335,173 | | 32,433,012 | 403,572,268 | | 471,407,104 | 672,009,517 | 18,133,885 | 379,273,334 | 705,529,128 | 349,186 | - 150,000 | 3,991,750,849 |
| Gross claims outstanding b/f | - | 307,665,062 | 2,800,000 | 3,269,825,319 | - | 70,308,387 | 404,629,147 | - | 179,665,553 | 310,028,642 | 9,716,397 | 1,287,031,335 | 665,712,188 | - | - | 6,507,382,031 |
| Gross claims outstanding c/f | - | 339,717,211 | 23,466,576 | 2,454,430,342 | - | 14,202,516 | 376,117,436 | - | 192,250,088 | 606,359,342 | 16,265,845 | 1,245,434,926 | 561,475,749 | - | - | 5,829,720,031 |
| Goss IBNR b/f | - | 46,149,759 | 420,000 | 40,765,243 | - | 10,546,258 | 60,694,372 | | 26,949,833 | 46,504,296 | 1,457,459 | 193,054,700 | 99,856,828 | | - | 526,398,750 |
| Goss IBNR c/f | - | 17,010,406 | 1,102,021 | 137,162,693 | - | 7,681,415 | 10,622,550 | - | 37,538,911 | 104,157,730 | 3,366,922 | 83,919,866 | 73,584,268 | - | 77,755,241 | 553,902,023 |
| Gross claims incurred | - | 238,707,797 | 22,411,836 | 353,337,645 | - | - 26,537,702 | 324,988,735 | - | 494,580,717 | 1,025,993,651 | 26,592,796 | 228,542,090 | 575,020,129 | 349,186 | 77,605,241 | 3,341,592,122 |
| Reinsurance recoveries on claims p | - | 104,294,679 | - | 771,161,731 | - | - | 193,183,928 | - | 30,399,674 | 123,871,377 | 5,939,620 | 179,522,759 | 78,670,632 | - | - | 1,487,044,399 |
| Outstanding b/f | | 181,314,505 | | 2,911,709,007 | | | 179,404,927 | - | 4,242,701 | 54,571,753 | 1,198,257 | 800,519,838 | 165,881,183 | | - | 4,298,842,171 |
| Outstanding c/f | | 164,213,916 | - | 2,129,939,728 | - | - | 45,074,078 | 116,903,079 | 41,076,574 | 167,907,417 | 7,349,253 | 764,192,566 | 82,265,325 | - | - | 3,518,921,934 |
| IBNR b/f | - | 27,197,176 | - | 36,756,351 | - | - | 27,547,144 | - | 8,185,763 | 179,739 | 57,654,335 | 24,882,177 | - | - | - | 182,402,685 |
| IBNR c/f | - | 12,951,059 | 684,970 | 126,247,525 | - | 1,988,409 | 2,699,508 | - | 681,999 | 27,497,893 | 2,792,414 | 69,998,358 | 2,345,329 | - | 74,935,458 | 322,822,922 |
| Reinsurance recoveries | - | 72,947,973 | 684,970 | 78,883,625 | - | 1,988,409 | 34,005,443 | 116,903,079 | 59,729,783 | 264,525,195 | - 42,771,305 | 188,311,667 | - 2,599,898 | - | 74,935,458 | 847,544,399 |
| Net claims incurred | - | 165,759,825 | 21,726,866 | 274,454,020 | - | - 28,526,111 | 290,983,292 | -116,903,079 | 434,850,934 | 761,468,455 | 69,364,101 | 40,230,423 | 577,620,027 | 349,186 | 2,669,783 | 2,494,047,722 |
| Commission paid on gross premium | 10,995,251 | 268,203,879 | 11,380,313 | 913,119,459 | 456,009 | 61,501,531 | 477,080,551 | 905,095 | 190,488,280 | 309,251,404 | 26,262,389 | 528,515,288 | 361,404,801 | - | 89,600,712 | 3,249,164,962 |
| Commission earned on reinsurance | 17,285,726 | 328,004,676 | 7,963,449 | 1,459,765,236 | 485,424 | 26,256,785 | 579,772,934 | - 10,708,201 | 21,015,706 | 60,215,796 | 20,344,400 | 197,325,824 | 106,267,150 | - | 200,665,798 | 3,014,660,705 |
| Commissions (net) | - 6,290,476 | - 59,800,797 | 3,416,863 | - 546,645,777 | - 29,415 | 35,244,747 | - 102,692,383 | 11,613,296 | 169,472,572 | 249,035,608 | 5,917,989 | 331,189,464 | 255,137,651 | - | -111,065,087 | 234,504,256 |
| Expenses of management | 4,726,322 | 418,735,594 | 2,918,387 | 682,389,937 | 60,804,341 | 205,557,209 | 328,204,431 | 833,583,488 | 846,871,326 | 962,186,484 | 763,000 | 195,347,852 | 488,690,292 | 12,030,527 | 193,855,238 | 5,236,664,426 |
| Premium Tax | 1,694,204 | 9,556,321 | 436,099 | 34,009,452 | 575,775 | 2,540,475 | 14,130,874 | 6,278,766 | 11,828,165 | 22,946,025 | 509,424 | 10,912,489 | 14,452,717 | 310,107 | 3,862,766 | 134,043,660 |
| Total expenses | 130,050 | 368,491,118 | 6,771,349 | 169,753,612 | 61,350,701 | 243,342,430 | 239,642,922 | 851,475,551 | 1,028,172,063 | 1,234,168,117 | 7,190,413 | 537,449,805 | 758,280,660 | 12,340,634 | 86,652,917 | 5,605,212,343 |
| Underwriting (loss)/profit | 200,001 | 424,491 | 171,619 | - 175,051,430 | 13,617,189 | 342,994 | 1,404,834 | 4,511,834 | 1,117,351 | 10,835,708 | - 34,989,445 | 939,306 | 1,357,038 | 27,628,319 | 539,192 | - 146,951,000 |

# MAYFAIR INSURANCE COMPANY UGANDA LIMITED
## Supplementary Information for the year ended 31 December 2022

### General Insurance business revenue account 2021

| Class of Insurance business | Aviation | Engineering | Fire Domestic | Fire Industrial | Political Violence and Terrorism | Public Liability | Marine | Motor Private | Motor Commercial | Personal Accident | Theft | Employer Liability | Miscellenous | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 |
| Gross premium written | 1,143 | 820,320 | 36,940 | 3,078,527 | 9,507 | 266,160 | 2,066,571 | 1,485,938 | 2,163,142 | 169,724 | 1,050,227 | 1,451,600 | 455,131 | 13,054,930 |
| Opening Gross Unearned Premium | 880 | 393,933 | 14,863 | 978,348 | 6,047 | 99,141 | 290,035 | 420,070 | 816,160 | 67,084 | 302,434 | 355,629 | 84,693 | 3,829,319 |
| Closing Gross Unearned Premium | 592 | 395,143 | 16,147 | 1,117,480 | 2,557 | 118,329 | 566,573 | 614,761 | 978,231 | 75,700 | 365,080 | 431,628 | 104,924 | 4,787,147 |
| **Gross earned premiums** | 1,431 | 819,110 | 35,657 | 2,939,394 | 12,997 | 246,971 | 1,790,033 | 1,291,247 | 2,001,072 | 161,107 | 987,581 | 1,375,601 | 434,900 | 12,097,102 |
| Premium ceded to re-insurers | 1,029 | 531,453 | 12,864 | 2,709,780 | - | 97,418.76 | 946,123 | (416,534) | 378,298 | 125,423 | 686,673 | 397,671 | 419,481 | 5,889,680 |
| Reinsurers share of UPR b/f | 792 | 318,750 | 4,888 | 734,443 | 352 | 64,107 | 95,947 | 37,476 | 138,186 | 44,074 | 194,457 | 75,003 | 78,295 | 1,787,370 |
| Reinsurers share of UPR c/f | 533 | 282,384 | 5,661 | 896,591 | 2,448 | 69,969 | 208,915 | 45,110 | 167,810 | 55,378 | 237,242 | 91,791 | 96,520 | 2,160,351 |
| **Total Outward reinsurance** | 1,288 | 567,820 | 12,092 | 2,547,631 | (2,097) | 91,557 | 833,155 | (424,169) | 348,675 | 114,118 | 643,888 | 381,483 | 401,256 | 5,516,698 |
| **Earned Premium** | 143 | 251,290 | 23,565 | 391,763 | 15,093 | 155,414 | 956,877 | 1,715,416 | 1,652,397 | 46,989 | 343,693 | 994,118 | 33,644 | 6,580,404 |
| Excess of Loss | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Net earned premium** | 143 | 251,290 | 23,565 | 391,763 | 15,093 | 155,414 | 956,877 | 1,715,416 | 1,652,397 | 46,989 | 343,693 | 994,118 | 33,644 | 6;580,404 |
| Gross Claims Paid | - | 75,332 | (300) | 225,508 | - | 25,357 | 442,101 | 406,926 | 812,214 | 3,809 | 321,667 | 380,855 | (5,000) | 2,688,469 |
| Gross claims outstanding b/f | - | 62,447 | (300) | 163,715 | 0 | 21,376 | 165,700 | 88,473 | 275,146 | 9,625 | 967,696 | 191,149 | - | 1,945,026 |
| Gross claims outstanding c/f | - | 307,605 | 2,800 | 3,269,825 | 0 | 70,308 | 404,629 | 179,666 | 310,029 | 9,716 | 1,287,031 | 665,712 | - | 6,507,382 |
| Goss IBNR b/f | - | 9,367 | - | 24,954 | - | 3,206 | 24,855 | 13,271 | 41,272 | 1,444 | 145,154 | 28,672 | - | 292,196 |
| Goss IBNR c/f | - | 46,150 | 420 | 40,765 | - | 10,546 | 60,694 | 26,950 | 46,504 | 1,457 | 193,055 | 99,857 | - | 526,399 |
| **Gross claims incurred** | - | 357,332 | 3,220 | 3,347,429 | - | 81,629 | 716,869 | 511,798 | 852,329 | 3,915 | 688,903 | 926,603 | (5,000) | 7,485,028 |
| **Reinsurance recoveries on claims paid** | - | 25,494 | - | 109,724 | - | - | 281,076 | 23,678 | 260,679 | 784 | 156,951 | 82,950 | - | 941,335 |
| Outstanding b/f | - | 28,985 | - | 115,879 | - | - | 88,082 | 2,190 | 21,030 | 1,497 | 755,344 | 12,963 | - | 1,025,969 |
| Outstanding c/f | - | 181,315 | - | 2,911,709 | - | - | 179,405 | 4,243 | 54,572 | 1,198 | 800,520 | 165,881 | - | 4,298,842 |
| IBNR b/f | - | 4,346 | - | 16,595 | - | - | 13,212 | 328 | 3,154 | 225 | 113,302 | 2,394 | - | 153,558 |
| IBNR c/f | - | 27,197 | - | 30,756 | - | - | 26,911 | 636 | 8,186 | 180 | 57,654 | 24,882 | - | 182,403 |
| **Reinsurance recoveries** | - | 200,673 | - | 2,925,716 | - | - | 386,098 | 26,039 | 299,252 | 440 | 146,480 | 258,356 | - | 4,243,053 |
| **Net claims incurred** | - | 156,660 | 3,220 | 421,713 | - | 81,629 | 330,772 | 485,759 | 553,078 | 3,475 | 542,423 | 668,247 | (5,000) | 3,241,975 |
| Commission paid on gross premium | 215 | 187,362 | 7,912 | 708,837 | 1,212 | 43,432 | 306,355 | 163,240 | 252,847 | 37,786 | 174,523 | 283,159 | 76,546 | 2,243,425 |
| Commission earned on reinsurance | 290 | 219,511 | 4,324 | 1,089,397 | 1,046 | 10,474 | 268,915 | (7,659) | 46,707 | 31,344 | 171,516 | 95,916 | 110,496 | 2,042,277 |
| **Commissions (net)** | (75) | (32,149) | 3,588 | (380,561) | 166 | 32,957 | 37,440 | 170,900 | 206,139 | 6,442 | 3,008 | 187,243 | (33,950) | 201,148 |
| Expenses of management | 1 | 112,389 | 10,015 | 944,900 | 2,577 | 38,156 | 560,249 | 868,839 | 686,429 | 35,012 | 84,717 | 127,530 | 68,386 | 3,539,200 |
| Premium Tax | 8 | 5,796 | 261 | 21,751 | 67 | 1,881 | 14,601 | 10,499 | 15,283 | 1,199 | 7,420 | 10,256 | 3,216 | 92,238 |
| **Total expenses** | (66) | 86,036 | 13,863 | 586,090 | 2,810 | 72,994 | 612,290 | 1,050,237 | 907,852 | 42,654 | 95,145 | 325,029 | 37,652 | 3,832,586 |
| **Underwriting (loss)/profit** | 209 | 8,595 | 6,482 | (616,040) | 12,283 | 791 | 13,816 | 179,420 | 191,467 | 861 | (293,876) | 842 | 992 | (494,158) |