

**MAYFAIR INSURANCE COMPANY UGANDA LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2024**

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**Corporate information**

<b>Directors</b>	<b>Director</b> Vinay Dawda* Deva Rudra*** Anjay Vithalbhai Patel**** Kumar Rajinder Vishal** Ramesh Babu Subbaiah Setty Bonthala*** Mitul Kishor Jobanputra**** Candida Lynn Wekesa Okoboi* Ali Reza Walji **** Osiime Evelyn* Kemigisha Precious Colette* *Ugandan **Kenyan *** Indian ****British
<b>Registered office</b>	7 <sup>th</sup> Floor Lohana Tower D Plot 56, Lugogo Bypass P O Box 34447 Kampala, Uganda
<b>Auditor</b>	KPMG Certified Public Accountants 3 <sup>rd</sup> Floor, Rwenzori Courts Plot 2&4A, Nakasero Road P O Box 3509 Kampala, Uganda
<b>Principal bankers</b>	KCB Bank Uganda Limited P O Box 7399 Kampala, Uganda
<b>Actuary</b>	Zamara Actuaries, Administrators & Consultants Ltd. Zamara Place, Ground Floor P. O. Box 52439 – 00200 Nairobi Chiromo Road, Wailyaki Way, Westlands Kenya
<b>Secretary</b>	AF Mpanga and Co. Advocates PO BOX 1520 Kampala, Uganda
<b>Lawyers</b>	AF Mpanga Advocates PO BOX 1520 Kampala, Uganda

**Corporate information (continued)**

**Board committees**

<b>Particulars</b>	<b>Audit Committee</b>	<b>Strategy, Human resources, and remuneration</b>	<b>Risk management and Investment</b>
Composition	Three INED Two NED One ED	One INED Two NED One ED	One ED Four NED
Responsibilities	Monitoring and strengthening the effectiveness of management information and internal control system.  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	Mr. Anjay Patel	Mr. Vishal Rajinder Kumar Patel	Mr. Ramesh Babu
Committee members	Mrs. Grace Kiggundu Mrs. Judith Namugenyi Mrs. Harriet Omoding Mr. Mitul Kishor Jobanputra Mr. Rudra Deva	Mr. Ali Reza Walji Mr. Rudra Deva Ms. Precious Collete Kemigisha	Mr. Vinay Dawda Mr. Rudra Deva Ms. Evelyn Osiime

NED - Non-Executive Director

ED – Executive Director

INED - Independent Non-Executive Director

**Executive management**

<b>Name</b>	<b>Position</b>
Rudra Deva	Managing Director
Richard Ssevume	Executive Director
Prossy Nagujja	Chief Finance Officer

## **Chairperson's statement**

### **Introduction**

2024 was a year for consolidation of the Company's milestones reached in its years of full operation so far. The company posted yet another impressive performance for the year with a growth of 17.42% in gross written premium from Ushs 24.01bn prior year to Ushs 28.19bn in the current year. This growth cascaded to the bottom-line, further strengthening the shareholder returns with a 6.89 percentage of the gross written premium (2023: 4.42% PAT to GWP).

### **Insurance industry overview**

The Ugandan insurance industry continued its growth trajectory with an impressive 13.52% increase in growth written premium compared to prior year. According to the industry annual performance data released by the Uganda Insurers Association, the insurance industry achieved a 4% increase in the year 2024 compared to 2023. The Insurance Regulatory Authority as well highlighted the improved industry performance in 2024 compared to 2023 and is bullish that the heightened economic activity in the country will bolster an even more impressive growth outlook into the new year 2025.

### **Financial performance**

The Company's Gross Written Premium for all channels of distribution stood at Ushs' 28 billion, representing 70.48% performance against a target of Ushs' 40.00 billion and a growth of 17.43% over the same period last year. The Company's performance for the year ended 31<sup>st</sup> December 2024 is as highlighted below.

- Overall, the gross written premium (GWP) grew by 17.42% with the broker channel posting the largest contribution to overall risks underwritten (2024: 60%).
- Profit before tax increased by 236% to Ushs'2.546 billion for the period ended 31st December 2024 from Ushs'758 million registered during the same period in 2023.
- Total Assets increased by 21.24% to Ushs'42.431 billion as at 31st December 2024 from Ushs'34.99 billion as at 31st December 2023.
- Total Equity increased by 13.63% to Ushs'17.806 billion as at 31st December 2024 from Ushs'15.67 billion as at 31st December 2023.
- Total Liabilities increased by 27.42% to Ushs'24.624 billion as at 31st December 2024 from Ushs'19.32 billion as at 31st December 2023.

**Chairperson's statement (continued)**

**Dividend**

The directors did not recommend a dividend for the year ended 31 December 2024. 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**

On 5 December 2024, the Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 9.75 per cent.

Economic growth in the FY2024/2025 is projected to expand by 6.0% per cent due to strengthened regional growth and normalization of global supply chains.

Domestic Inflation in December 2024 remained subdued due to: favorable monetary policy actions which supported the shilling exchange rate: favorable weather which improved agricultural yields, hence reducing food prices and diminishing global inflationary pressures as well as a decline in services inflation particularly in passenger transport costs. In December, annual headline and core inflation were 3.3% and 3.5% respectively.

The central bank of Uganda projects that average core inflation will remain below the medium-term target of 5 per cent, averaging 3.5 per cent in the FY2024/25 and 4.2 per cent in the financial year 2025/26. Inflation is, however, expected to stabilize around 5 per cent in the medium term. This is dependent on risks associated with shillings volatility caused by stronger capital inflows related to oil development and global growth and inflation which is still higher in some countries.

GDP growth projection remained between 6.0 per cent and 6.5 per cent in the FY2024/2025 and between 7.0 per cent and 7.5 per cent over the medium term. This growth projection is supported by strategic Government interventions, increased foreign direct investments in the extractive industry and commencement of oil production in the FY2025/26.

Looking ahead, the country envisages a positive economic outlook which is strengthened by capital inflow into the mining and oil industries which are expected to continue supporting the shillings exchange rate and thereby keeping the inflation low. Mayfair's 2025 strategy has been tailored to match the wider growth projections so as to tap from the economic opportunities that lie ahead.

**Acknowledgement**

Our business growth from inception to the current market position and improvement in performance parameters would not have been possible without the immeasurable contribution from the wider support system created by our business partners, business intermediaries, clients and supervisory guidance from the Regulator. You remain the pillar on which we hinge the strive to attain corporate objectives.

To my fellow directors, rowing the boat has been much easier with your insightful counsel. The hard work and commitment by the management team and staff of Mayfair Uganda as exhibited in the year's performance is highly commended.

  
Chairperson

21<sup>st</sup> March ..... 2025

**Report of the directors**

The directors submit their report together with the audited financial statements for the year ended 31 December 2024, 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'24 billion in 2023 to Ushs'28 billion in 2024 registering an improvement of 17% growth between the years.

**Director's interests**

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

Director	2024			2023		
	Number of shares	Percentage	Shareholding Ushs'000	Number of shares	Percentage	Shareholding Ushs '000
Vinav Dawda	29,228	4.0%	1,087,866	29,228	4.0%	1,087,866
Manish Dawda	20,234	4.5%	753,109	20,234	4.5%	753,109
Aniav Vithalbhai Patel	22,481	5.0%	836,743	22,481	5.0%	836,743
Kumar Raiinder Vishal	22,481	5.0%	836,743	22,481	5.0%	836,743
	<b>94,424</b>		<b>3,514,461</b>	<b>94,424</b>		<b>3,514,461</b>

**Results and dividend**

The profit after tax for the year amounting to Ushs'2.135 million (2023: Ushs'1,061 million) has been added to retained earnings.

During the year, there was no interim dividend paid. Furthermore, the directors do not recommend any dividend for 2024 (2023: Nil).

**Transfers to reserves**

There was no transfer to contingency reserves in 2024 (2023: Nil). The old Insurance Act Section 47(c) is now repealed. All previously held contingency reserves have since been transferred to retained earnings.

**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 is in compliance with this requirement as at 31 December 2024.

**Issued share capital**

The issued and paid-up share capital is Ushs'16,687 million which is divided into 448,080 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' 21.55 billion (2023: Ushs' 17.92 billion) in government bonds.

**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 program 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 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 28 to the financial statements.

**Solvency**

The Capital Adequacy Ratio (CAR) as of 31 December 2024 was 257% (2023: 207%) which was above the minimum 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 the medical needs of employees and their immediate dependents.

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 3.

**Auditor**

The Company's auditor, KPMG, is eligible for reappointment and has indicated willingness to continue in office in accordance with Section 167(2) of the Companies Act, Cap 106 Laws of Uganda.

**Report of the directors (Continued)**

**Events after the reporting date**

Events after the reporting date are disclosed under note 29.

**Approval of financial statements**

The financial statements were approved and authorized for issue at the meeting of Board of Directors held on .....<sup>21<sup>st</sup></sup> March 2025.

By order of the Board



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**Director**

Date: .....<sup>21<sup>st</sup></sup> March 2025



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**AF Mpanga Advocates  
Secretary**

Date: .....<sup>21<sup>st</sup></sup> March 2025



**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 2024, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), in the manner required by the Companies Act, Cap 106 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.

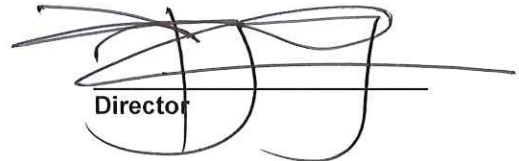
The independent auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Insurance Act, 2017 Laws of Uganda and Companies Act, Cap 106 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 .....<sup>2/24</sup> March 2025.



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

Date:.....<sup>2/24</sup> March 2025



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Certified Public Accountant  
of Uganda  
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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 2024, 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 material 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 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), and in the manner required by the Companies Act, Cap 106 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.

# Independent auditor's report

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

## Key Audit Matters (Continued)

### Determining of year end balances of insurance contract liabilities

**Note 4 – Use of estimates and judgments**

**Note 5 – Changes in material accounting policies**

**Note 7 – Critical accounting estimates and judgements**

**Note 9 – Insurance service result**

**Note 24 – Insurance and reinsurance contracts**

The key audit matter	How the matter was addressed in our audit
<p>The Company had insurance contract liabilities of Ushs 17.9 Bn which constitute 75% of the Company's total liabilities. Valuation of these liabilities (liability for incurred claims - LIC and liabilities for remaining coverage - LRC) is highly judgemental and requires a number of assumptions to be made that have high estimation uncertainty.</p> <p>We considered the valuation of insurance contract liabilities to be a key audit matter due to the following:</p> <ul style="list-style-type: none"> <li>— The complexity of the actuarial methodologies and assumptions used to model the liabilities, which result in inherent estimation uncertainty.</li> <li>— The valuation of insurance contract liabilities also depends on accurate data extraction from the information systems and forming judgements over key assumptions based on data extracted.</li> <li>— The material nature of the insurance contract liability balances on the company's statements of financial position and resultant impact on the statements of comprehensive income for the year ended 31 December 2024.</li> </ul> <p>The most significant assumptions that drive the valuation of insurance contract liabilities include:</p> <ul style="list-style-type: none"> <li>▪ Confidence levels applied in determining the risk adjustment for non-financial risk;</li> <li>▪ Inflation;</li> <li>▪ Discount rates;</li> <li>▪ Claims development factors;</li> <li>▪ Claims expense assumptions; and</li> <li>▪ Loss ratios.</li> </ul>	<p><b>Our audit procedures in this area included:</b></p> <ul style="list-style-type: none"> <li>— Evaluating key controls over liability for incurred claims and liability for remaining coverage. This included assessing the design and implementation and the operating effectiveness of relevant controls around insurance contract liabilities.</li> <li>— Re-performing reconciliations between the data recorded in the financial systems and the data used in the estimating of insurance contract liabilities.</li> <li>— With the assistance of our actuarial specialists, we assessed the valuation methodology (including the risk adjustment methodology) and assumptions for compliance with the requirements of IFRS 17. We challenged key assumptions and inputs (such as confidence levels applied in determining the risk adjustment for non-financial risk, inflation, discount rates, claims development factors, claims expense assumptions and loss ratios) and the methodologies and processes used to determine and update these assumptions through comparison with externally observable data and our assessment of the Company's analysis of experience to date and any allowance for future uncertainties.</li> <li>— Evaluating the adequacy of financial statements disclosures, including disclosures of key assumptions, judgements and sensitivities in line with the IFRS 17.</li> </ul>

# Independent auditor's report

To the Members of Mayfair Insurance Company Uganda Limited (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 2024* 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 Accounting Standards and in the manner required by the Companies Act, Cap 106 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

# Independent auditor's report

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.

### Report on Other Legal and Regulatory Requirements

As required by the Companies Act, Cap 106 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.

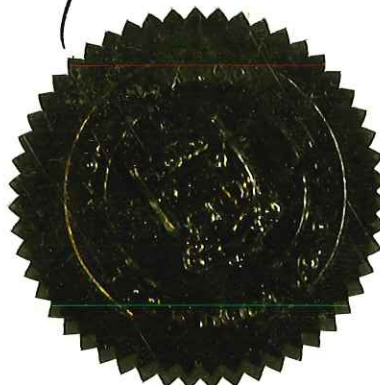
The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Asad Lukwago – P0365.

KPMG

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

Date: 28 March 2025

CPA Asad Lukwago



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR  
ENDED 31 December 2024

	Note	2024 Ushs'000	2023 Ushs'000
Insurance revenue	9(a)	26,929,381	20,415,875
Insurance service expenses	9(a)	(15,510,853)	(11,252,410)
Net expenses from reinsurance contracts	9(b)	(5,241,691)	(4,998,500)
<b>Insurance service result</b>		<b>6,176,837</b>	<b>4,164,965</b>
Interest revenue calculated using the effective interest method	10(b)	2,747,269	2,405,616
Net impairment loss on financial assets	19	(41,847)	(3,430)
<b>Investment return</b>		<b>2,705,422</b>	<b>2,402,186</b>
Net finance income/(expense) from insurance contracts	10(a)	956,264	(482,539)
Net finance (expense)/income from reinsurance contracts	10(a)	(430,117)	389,520
<b>Net insurance finance income/(expense)</b>		<b>526,147</b>	<b>(93,019)</b>
<b>Net financial result</b>		<b>9,408,406</b>	<b>6,474,132</b>
Other (expense)/income	11	(4,711)	145,307
Other operating expenses	12	(6,669,726)	(5,715,363)
Other finance costs	13	(187,404)	(145,768)
<b>Profit before tax</b>		<b>2,546,565</b>	<b>758,308</b>
Income tax (expense)/credit	14	(411,142)	302,843
<b>Profit for the year</b>		<b>2,135,423</b>	<b>1,061,151</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to profit or loss</i>		-	-
<b>Other comprehensive income, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>2,135,423</b>	<b>1,061,151</b>

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Note	31 December 2024 Ushs'000	31 December 2023 Ushs'000
<b>Assets</b>			
Cash and cash equivalents	20	1,431,793	2,735,577
Financial investments			
- measured at amortized cost	17	21,555,021	17,919,113
- statutory deposit	17	1,244,297	799,047
Receivables	18	7,688,836	6,222,771
Reinsurance contract assets	24	8,123,083	5,879,898
Amounts due from related companies	28(ii)	5,729	-
Property, equipment, and right-of-use assets	15	1,698,854	747,011
Intangible assets	16	-	5,531
Deferred tax asset	26	683,422	683,422
<b>Total assets</b>		<b>42,431,035</b>	<b>34,992,370</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	22(a)	16,687,083	16,687,083
Deposit for shares	22(c)	-	-
Contingency reserve	22(e)	-	-
Accumulated profit/(losses)	22(d)	1,119,379	(1,016,044)
<b>Total equity</b>		<b>17,806,462</b>	<b>15,671,039</b>
<b>Liabilities</b>			
Insurance contract liabilities	24	17,884,280	15,207,434
Other payables	23	5,393,561	3,460,867
Amounts due to related companies	28(ii)	-	28,825
Lease liabilities	25	1,346,732	624,205
<b>Total liabilities</b>		<b>24,624,573</b>	<b>19,321,331</b>
<b>Total equity and liabilities</b>		<b>42,431,035</b>	<b>34,992,370</b>

The financial statements on pages 15 to 73 were authorized and approved for issue by the Board of Directors on .....<sup>21<sup>st</sup></sup> March 2025 and signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

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

**MAYFAIR INSURANCE COMPANY UGANDA LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024**

	Share capital	Deposit for shares	Contingency reserve	Accumulated losses	Total equity
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Balance as at 1 January, 2023	10,866,193	5,724,568	919,816	(2,997,011)	14,513,566
Profit for the year	-	-	-	1,061,151	1,061,151
<b>Total comprehensive income for the year</b>	<b>10,866,193</b>	<b>5,724,568</b>	<b>919,816</b>	<b>(1,935,860)</b>	<b>15,574,717</b>
<b>Transactions with owners of the Company</b>					
Release of the contingency reserve	-	-	(919,816)	919,816	-
Additional capital subscribed	96,322	-	-	-	96,322
Transfer to share capital	5,724,568	(5,724,568)	-	-	-
<b>Total transactions with owners of the Company</b>	<b>5,820,890</b>	<b>(5,724,568)</b>	<b>(919,816)</b>	<b>919,816</b>	<b>96,322</b>
<b>Balance as at 31 December, 2023</b>	<b>16,687,083</b>	<b>-</b>	<b>-</b>	<b>(1,016,044)</b>	<b>15,671,039</b>
Balance as at January, 2024	16,687,083	-	-	(1,016,044)	15,671,039
Profit for the year	-	-	-	2,135,423	2,135,423
<b>Total comprehensive income for the year</b>	<b>16,687,083</b>	<b>-</b>	<b>-</b>	<b>1,119,379</b>	<b>17,806,462</b>
<b>Transactions with owners of the Company</b>					
Release of the contingency reserve	-	-	-	-	-
Additional capital subscribed	-	-	-	-	-
Transfer to share capital	-	-	-	-	-
<b>Total transactions with owners of the Company</b>	<b>16,687,083</b>	<b>-</b>	<b>-</b>	<b>1,119,379</b>	<b>17,806,462</b>

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 Ushs'000	2023 Ushs'000
<b>Cash flows from operating activities</b>			
Profit for the period		2,135,423	1,061,151
<b>Adjustments for:</b>			
Depreciation of equipment, furniture and right-of-use assets	15	120,260	200,037
Amortization of intangible assets	16	5,531	4,382
Loss on disposal of assets	15	15,232	-
Interest on lease liabilities	25	86,062	67,571
Interest income earned	10 (b)	(2,747,269)	(2,405,616)
Unrealized exchange loss		71,577	30,475
Tax charge/(credit)		411,142	(302,843)
<b>Changes in:</b>			
Receivables		(1,466,063)	871,320
Reinsurance contract assets		(2,243,185)	(279,247)
Financial investments at amortized cost		(4,081,158)	(6,516,707)
Insurance contract liabilities		2,676,845	3,840,171
Related party balances		(34,554)	(1,566)
Other payables		1,944,209	685,827
<b>Cash used in operations</b>		<b>(3,105,948)</b>	<b>(2,745,045)</b>
Withholding tax paid on governments securities		(411,142)	(380,579)
Interest income received		2,747,269	2,501,869
<b>Net cash used in operations</b>		<b>(769,821)</b>	<b>(623,755)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, equipment and right-of-use assets	15	(287,869)	(152,687)
Proceeds from sale of assets		5,600	-
<b>Net cash flows used in investing activities</b>		<b>(282,269)</b>	<b>(152,687)</b>
<b>Cash flows from financing activities</b>			
Lease repayments	25	(180,117)	(180,552)
Proceeds from issues of share capital	22 (a)	-	96,322
<b>Net cash (used in) financing activities</b>		<b>(180,117)</b>	<b>(84,230)</b>
<b>Net change in cash in hand and at bank for the year</b>		<b>(1,232,207)</b>	<b>(860,672)</b>
Unrealized exchange loss		(71,577)	(21,999)
Cash in hand and at bank at the beginning of the year		2,735,577	3,618,248
<b>Cash in hand and at bank at end of the year</b>	20	<b>1,431,793</b>	<b>2,735,577</b>

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

NOTES TO THE FINANCIAL STATEMENTS

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**1. Reporting Entity**

Mayfair Insurance Company Uganda Limited ("the Company") is a limited liability Company incorporated under the Companies Act of Uganda, Cap 106 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.

**2. Basis of preparation**

The financial statements of the company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, Cap 106 Laws of Uganda and the Insurance Act, 2017 Laws of Uganda.

The material accounting policies have been consistently applied to all the years presented unless otherwise stated.

**3. Functional and presentation currency**

The financial statements are presented in Uganda Shillings (Ushs), which is the functional currency of the Company. Except as otherwise indicated, financial information presentation in Uganda shillings has been rounded to the nearest thousand (Ushs '000').

**4. Use of judgements and estimates**

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

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

**A. Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Impairment of financial assets: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL. Refer to note 7(c).
- Classification of financial assets: assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest (SPPI) on the principal amount outstanding. Refer to note 6 (F).
- Level of aggregation of insurance and reinsurance contracts: identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently. Refer to note 6 (B) (ii).
- Measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract. 6 (B) (v).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Use of judgements and estimates (Continued)

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2024 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes.

- Impairment of financial assets: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information: Refer to note 7 (c).
- Measurement of the fair value of financial instruments and investment properties.

Information about assumptions made in measuring insurance and reinsurance contracts is included in the note 24. Changes in the following key assumptions may change the fulfillment cash flows materially during 2024. However, these changes would adjust the profitability and would not affect the carrying amounts of the contracts, unless they arise from onerous contracts or do not relate to future services:

- Level Assumptions about claims development; and
- Assumptions about discount rates, including any illiquidity premiums.

C. Going Concern

The financial performance of the Company is set out in the Director's report and in the statement of profit or loss and other comprehensive income. The financial position of the Company is set out in the statement of financial position and disclosures in respect of risk management are set out in note 8. Based on the financial performance and position of the Company and its risk management policies, the Directors are of the opinion that the Company is well placed to continue in business for the foreseeable future. As a result, the financial statements are prepared on a going concern basis.

5. Changes in material accounting policies

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

(a) New standards, amendments, and interpretations effective and adopted through the year

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing these financial statements.

The new standards and amendments are summarized below;

New amendments or interpretation	Effective for annual periods beginning on or after
– Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)	1 January 2024
– Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
– Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements	1 January 2024

The adoption of the above standards and interpretations did not have a material impact on the financial statements of the Company.

(b) Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2024. The Company does not plan to adopt these standards early and therefore they have not been applied in preparing the financial statements. The amendments, except IFRS 18, are not expected to have a material impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following new standards and amendments were not yet effective as at 31 December 2024:

New standard or amendments	Effective for annual periods beginning on or after
— Lack of Exchangeability (Amendments to IAS 21)	1 January 2025
— Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7.	1 January 2026
— Annual Improvements to IFRS Accounting standards – Volume 11 (Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7)	1 January 2026
— IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
— IFRS 19 Subsidiaries without Public Accountability disclosures	1 January 2027
— 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

**(i). IFRS 18 Presentation and Disclosure in Financial Statements**

IFRS 18 promotes a more structured income statement, in particular, it introduces a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories being, operating, investing and financing activities, based on a company's main business activities. However, the company's net profit will not change.

IFRS 18 also requires companies to analyse their operating expenses directly on the face of the income statement – either by nature, by function or using a mixed presentation. If any items are presented by function on the face of the income statement (e.g. cost of sales), then a company provides more detailed disclosures about their nature.

IFRS 18 also requires the disclosure of Management Performance Indicators ("MPMs") which are subject to audit. The standard requires MPMs to be:

- A subtotal of income and expenses
- Used in public communications outside the financial statements; and
- Reflective of management's view of financial performance.

For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconciled to an amount determined under IFRS Accounting Standards. Furthermore, a company must state that it provides management's view of financial performance and is not necessarily comparable to those of other companies. Any changes or new MPMs must also be explained.

The company management has not yet assessed the impact of IFRS 18 on the entity in the current or future reporting periods and on near future transactions. The Directors do not plan to apply the above standards or amendments, if assessed to have impact on the Company, until they become effective. There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on near future transactions.

**6. Material accounting policies**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements unless mentioned otherwise.

**A. Insurance and reinsurance contracts- classification**

Contract under which the Company accepts significant insurance risk are classified as insurance contracts. Insurance contracts in the Company are classified in accordance with the provisions of the Insurance Act. The business mainly relates to general insurance business.

Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Insurance contracts may be issued, and reinsurance contracts may be initiated by the Company. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated, or acquired by the Company unless otherwise stated.

All insurance contracts and all reinsurance contracts are classified as contracts without direct participation features and are measured under the PAA. (Refer to note B(v)).

**B. Insurance and reinsurance contracts**

**(i) Separating components from insurance and reinsurance contracts**

At inception, the Company assessed its product for separation and or combination of insurance contracts, based on detailed product assessment, there are no legal contracts that would require the separation in smaller accounting contracts or to be combined with other legal contracts.

A detailed assessment has also been performed to determine if there are any distinct investment components or embedded derivatives. Based on this assessment, no distinct investment components or embedded derivatives have been identified.

**(ii) Aggregation and recognition of insurance and reinsurance contracts**

**Insurance contracts**

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- 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.

An insurance contract issued by the Company is recognized from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.
- An insurance contract acquired in a transfer of contracts.

When the 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 are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

**Reinsurance contracts**

Groups of reinsurance contracts are established such that each group comprises a single contract.

Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

- *Reinsurance contracts initiated by the Company that provide proportionate coverage:* The date on which any underlying insurance contract is initially recognized. This applies to the Company's quota share reinsurance contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- *Other reinsurance contracts initiated by the Company:* The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognizes an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognized on that earlier date. This applies to the Company's excess of loss reinsurance contracts.
- *Reinsurance contracts acquired:* The date of acquisition.

**(iii) Insurance acquisition cashflows**

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

The commission expenses are classified as Insurance acquisition cash flows. The insurance acquisition cash flows are directly attributable to a group of contracts (e.g. non-refundable commissions paid on issuance of a contract) and are allocated to that group and to the groups that will include renewals of those contracts.

The Company does not incur any pre-coverage expenses, and therefore there are no insurance acquisition cashflows that arise before the recognition of the related group of contracts.

**Recoverability assessment**

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

- (a) Recognises an impairment loss in profit or loss so that the carrying amount of the assets does not exceed the expected net cash inflow for the related group; and
- (b) Recognises an impairment loss in profit or loss so that the carrying amount of the assets does not exceed the expected net cash inflow for the related group; and
- (c) If the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net inflow for the expected renewals and this has not already been recognised as an impairment loss under (a)

The Company reverses any impairment losses in profit or losses and increases the carrying amount of the assets to the extent that the impairment conditions have improved.

**(iv) Contract boundaries**

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows;

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

**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 policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder 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, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Reinsurance 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 is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the company's substantive rights and obligations and, therefore, may change over time.

**(v) Measurement – Contracts measured under the PAA**

The Company uses the PAA to simplify the measurement of groups of contracts when the following criteria are met at inception.

- Insurance contracts: The coverage period of each contract in the group is one year or less. Some of these contracts provide compensation for the cost of rebuilding or repairing a property after a fire; for these contracts, the Company determines the insured event to be the occurrence of a fire and the coverage period to be the period in which a fire can occur for which a policyholder can make a valid claim.
- Loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.
- Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies above. When comparing the different possible measurements, the Company considers the impact of the different release patterns of the asset for remaining coverage to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.

**Insurance contracts**

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums written on initial recognition minus any insurance acquisition cash flows allocated to the group at that date and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group (including assets for insurance acquisition cash flows under (iv)). The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums written and the amortization of insurance acquisition cash flows recognized as expenses and decreased by the amount recognized as insurance revenue for services provided (refer to (vii)) and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognizes a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cashflows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted if the liability for incurred claims is also discounted.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**Reinsurance contracts**

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts. If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, then the Group adjusts the carrying amount of the asset for remaining coverage.

**(vi) Derecognition and contract modification**

The Company derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

**(vii) Presentation**

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position.

Any assets or liabilities recognized for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows under (iv)) are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognized in the statement of profit or loss and OCI into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

**Insurance service expenses**

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise the following items.

- Incurred claims and other insurance service expenses.
- Amortisation of insurance acquisition cash flows: The Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

**Net expenses from reinsurance contracts**

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts.

The allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognized:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

**Insurance finance income and expenses**

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein.

The Company presents insurance finance income or expenses in the profit or loss.

**Salvage and subrogation reimbursements**

Some insurance contracts permit the Company to sell (usually damaged) items acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

**C. Computer, Furniture and equipment**

All Computer, Furniture 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 recognized in the statement of comprehensive income as an expense, at the following annual rates:

	%
Motor vehicles	25
Office equipment	33.3
Computer & Electronic equipment	33.3
Furniture and fittings	13
Right-of-use assets	Lease term

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

An item of computer, furniture 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.

**D. 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 capitalised 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.

**E. 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 recognizes 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 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. Right-of-use asset is presented under property, equipment, and right-of-use assets in the statement of financial position.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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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 the 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.

**F. 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.

**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 through 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Classification	The type of financial assets included
Amortized cost	Fixed deposits, cash and cash equivalents, treasury bills and government bonds, receivables arising out of insurance arrangements (sourced through intermediaries)
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.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**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:

- 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 (lifetime expected credit loss), unless there has been no significant increase in credit risk since its origination.

*Definition of default*

The Company will consider a financial asset to be in default when:

- the counterparty or borrower is unlikely to pay their credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the counterparty or borrower is more than 90 days past due on any material credit obligation to the Company. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Company; or

In assessing whether the counterparty or borrower is in default, the Company considers indicators that are:

- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, expert credit assessment and forward-looking information.

*Significant increase in credit risk (SIICR)*

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

**Incorporation of forward-looking information**

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on a variety of external actual and forecast information. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a best estimate and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Company also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

**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, and amounts due to related parties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**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.

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.

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

<b>At 31 December 2024</b>	<b>At amortized cost Ushs'000</b>	<b>Total Ushs'000</b>
<b>Financial assets</b>		
Government bonds measured at amortised cost	18,778,123	18,778,123
Statutory deposits measured at amortised cost	1,244,297	1,244,297
Receivables excluding prepayments	6,523,953	6,523,953
Deposits with financial institutions measured at amortised cost	2,776,898	2,776,898
Amounts due to related companies	5,729	5,729
Cash and cash equivalents	1,431,793	1,431,793
<b>Total financial assets</b>	<b>30,760,793</b>	<b>30,760,793</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2024	At amortized cost Ushs'000	Total Ushs'000
<b>Financial liabilities</b>		
Lease liabilities	1,346,732	1,346,732
Commission payable to intermediaries	1,894,489	1,894,489
Other payables	3,499,176	3,499,176
<b>Total financial liabilities</b>	<b>6,740,397</b>	<b>6,740,397</b>

**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 realize 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.

**G. 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.

**H. 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.

**I. 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**J. 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 assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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.

**K. 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.

**L. 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.

**M. 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.

**7. Critical accounting estimates and judgements**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Information about judgments made in relation to insurance and reinsurance contracts has been included in note 6 (B).

**a) Computer, furniture and equipment**

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

**b) 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.

**c) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

d) 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).

8. Risk and capital management

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) Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company risk and compliance committee is responsible for approving and monitoring the Company's risk management policies and reports regularly to the board of directors on its activities.

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

The Company audit and risk management committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. It is assisted in its oversight role by internal audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company audit and risk management committee.

Key risks arising from contracts issued

	Key risks	Risk mitigation
Property and casualty	<ul style="list-style-type: none"> <li>— Extreme weather events</li> <li>— Natural catastrophes</li> <li>— Legislative changes giving rise to increased claims</li> </ul>	<ul style="list-style-type: none"> <li>— Diversification of types of risk, industries and geographic locations in which risks are written</li> <li>— Extensive analysis of data to enhance risk selection, segmentation and profitability</li> <li>— Reinsurance with financially strong reinsurers, including excess of loss catastrophe cover</li> </ul>

The key risks arising from non-life contracts are the unknown frequency and severity of claims, which are influenced by the nature of the risks covered and the geographic location in which the risks are written.

For property, the frequency and severity of claims are affected by the occurrence of extreme weather events (e.g. floods, wildfires and hurricanes) and other natural catastrophes (e.g. Earthquakes). In particular, the cost of rebuilding or repairing a property, together with the cost of business interruption, is a significant feature in the overall value of claims in this portfolio. In addition, increasing climate risk could potentially introduce material uncertainty in assumptions and result in inaccurate pricing of insurance risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For retail casualty, motor insurance contracts are subject to legislative and regulatory changes. For example, where compensation for future loss of earnings or nursing care is settled by paying a single lump sum, the assumed rate of investment return on the lump sum is a key sensitivity and the rate applicable in certain jurisdictions is determined by legislation.

For commercial casualty, the severity of claims is significantly affected by increases in the value of settlements awarded for latent diseases and inflation. The nature and frequency of claims may be affected by emerging trends and changes in legislation. Although this portfolio does not contain a large number of individually significant claims, a high frequency of claims can be a risk, particularly where generic trends impact many individuals – e.g. poor housing design, negligent professional advice and cyber threats. 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.

**(b) Underwriting risks**

Underwriting risk comprises insurance risk, policyholder behaviour risk and expense risk.

- Insurance risk: the risk transferred from the policyholder to the Company, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.
- Policyholder behaviour risk: the risk that a policyholder will cancel a contract, increase or reduce premiums.
- Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

**i) Management of underwriting risks**

The board of directors sets the Company's strategy for accepting and managing underwriting risk. Specific underwriting objectives – e.g. Aggregation limits, reinsurance protection thresholds and line of business diversification parameters – are prepared and reviewed by the Company head of underwriting and reinsurance and General Manager. The board continuously reviews its underwriting strategy in the light of evolving market development, loss conditions.

**Non -Life contracts**

A key component of the management of underwriting risk for the Company's non-life products is a disciplined underwriting strategy that is focused on writing quality business. Product pricing is intended to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Company's total exposure to specific risks, together with limits on geographic and industry exposures. The aim is to ensure that a diversified book is maintained, with no over-exposure in any one geographic region.

Non-life contracts are renewable annually. The ability to reprice contracts on renewal in response to changes in policyholder risk profiles, claims experience and market considerations is a significant mitigant to pricing risk. Contracts may also contain other features that constrain underwriting risk – e.g. the use of deductibles and capping on the maximum permitted loss or number of claims (subject to local regulatory and legislative requirements).

The Company uses reinsurance to mitigate the risk of incurring significant losses linked to single events, including excess of loss and stop loss reinsurance. Certain non-life businesses are required to protect against catastrophe events in accordance with local regulatory requirements. Where an individual exposure exceeds the Company's risk appetite, additional facultative reinsurance is also purchased.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

ii) Concentration of underwriting risk

The carrying amounts of the Company's non-life insurance contracts (net of reinsurance) are analysed below by type of product.

Type of risk	2024		2023	
	Gross amount Ushs'000	Net amount Ushs'000	Gross amount Ushs'000	Net amount Ushs'000
Aviation industrial	24,902	1,305	1,196	1,076
Engineering industry	2,344,215	748,089	1,284,185	787,629
Fire insurance	6,141,767	821,744	5,495,969	4,761,539
Liability insurance	1,041,229	368,726	767,831	427,163
Marine insurance	3,465,584	6,291,255	2,859,773	1,415,950
Motor insurance	8,832,869	2,687,944	8,402,202	1,203,350
Personal Accident	774,895	151,065	326,087	248,756
Theft Insurance	1,882,986	647,039	1,682,292	1,054,266
Employers Liability	2,795,780	2,257,110	2,414,338	484,425
Miscellaneous	806,395	122,216	686,003	575,500
Agriculture Insurance	83,268	73,564	92,055	-
<b>Total risk</b>	<b>28,193,890</b>	<b>14,170,057</b>	<b>24,011,931</b>	<b>10,959,654</b>

ii) Sensitivity analysis

The insurance claim liabilities are sensitive to the key assumptions that follow.

The table below analyses how the profit or loss and equity would have increased/(decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

Sensitivity Analysis	2024		2023	
	Effect on profit Ushs'000	Effect on equity Ushs'000	Effect on profit amount Ushs'000	Effect on equity Ushs'000
Ultimate claims (5% increase)	(505,590)	(353,913)	(355,416)	(248,971)
Ultimate claims (5% decrease)	502,590	353,913	355,416	248,971
Ultimate net claims (5% increase)	(248,477)	(173,934)	(262,218)	(183,553)
Ultimate net claims (5% decrease)	248,477	173,934	262,218	183,553

(c) 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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.

**(i) Market risk**

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates, and equity prices- will affect the fulfilment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments.

Market risk principally arises from the Company's interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies, but these exposures are largely offset by similar exposures arising from insurance and reinsurance contracts.

**Currency risk**

The Company is exposed to foreign currency transaction risk to the extent that the currencies in which the insurance and reinsurance contracts and financial instruments are denominated differ from its functional currency.

Foreign currency transaction risk arising from insurance and reinsurance contracts is managed by holding cash and investing in assets denominated in currencies that match the related liabilities, to the extent that is deemed to be both practical and appropriate.

As at the year ended 31 December 2024, the company had the following assets denominated in foreign currencies:

**At 31 December 2024**

	USD	Ushs'000
<b>Assets</b>		
Cash and cash equivalents	155,475	574,922
Deposits with financial institutions	535,000	1,978,344
Receivables	639,002	2,362,926
<b>Total assets</b>	<u>1,329,477</u>	<u>4,916,192</u>
<b>Liabilities</b>		
<b>Outstanding claims</b>	<u>709,049</u>	<u>2,621,950</u>

**At 31 December 2023**

	USD	Ushs'000
<b>Assets</b>		
Cash and cash equivalents	88,797	337,200
Deposits with financial institutions	202,139	767,609
Receivables	414,091	1,572,480
<b>Total assets</b>	<u>705,027</u>	<u>2,677,289</u>
<b>Outstanding claims</b>	<u>509,924</u>	<u>1,936,399</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Sensitivity analysis**

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities.

It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables did not change from the previous period.

Currency Risk	Change in variable	2024 Ushs'000		2023 Ushs'000	
		Effect on profit before tax	Impact on equity	Effect on profit before tax	Impact on equity
USD	+5%	108,756	76,129	53,058	37,140
USD	-5%	(108,756)	(76,129)	(53,058)	(37,140)

**Interest rate risk**

The Company is exposed 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. All figures are in thousands of Uganda Shillings.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**(d) Financial risk (Continued)**

**(i) Market risk (continued)**

**Interest rate risk (continued)**

At 31 December 2024 Ushs'000	Effective interest rate	Up to 1 Month	1-3 Months	3-12 Months	Over 1 year	Total
<b>Financial assets</b>	14%	-	-	-	20,022,420	20,022,420
Government bonds						
Deposits with financial institutions	8%	-	-	2,776,898	-	2,776,898
<b>Total financial assets</b>		-	-	<b>2,776,898</b>	<b>20,022,420</b>	<b>22,799,318</b>
<b>Interest sensitivity gap</b>		-	-	<b>2,776,898</b>	<b>20,022,420</b>	<b>22,799,318</b>

At 31 December 2023 Ushs'000	Effective interest rate	up to 1 month	1-3 months	3-12 months	Over 1 year	Total
<b>Financial assets</b>	13%	-	-	-	17,135,165	17,135,165
Government bonds						
Deposits with financial institutions	7%	-	-	783,948	-	783,948
<b>Total financial assets</b>		-	-	<b>783,948</b>	<b>17,135,165</b>	<b>17,919,113</b>
<b>Interest sensitivity gap</b>		-	-	<b>783,948</b>	<b>17,135,165</b>	<b>17,919,113</b>

The company's interest-bearing financial assets summarized above are all at fixed interest rates. A change in the market interest rates would not have any impact to the company's profit and equity. For sensitivity purposes, a 2% change in the contractual interest rates would impact profit by Ushs 378,380,000, equity by Ushs 264,852,000 for 2024 and Ushs 375,102,000 for profit and Ushs 262,571,000 to equity for 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(d) Financial risk (Continued)

(ii) 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 are expected to occur 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. The exposure to any one policy holder is further restricted by sub-limits. Actual exposures against limits are monitored daily.

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

	2024	2023
	Ushs'000	Ushs'000
Government bonds measured at amortised cost	18,778,123	17,151,422
Statutory deposits measured at amortised cost	1,244,297	799,047
Receivables excluding prepayments	6,523,953	6,622,817
Deposits with financial institutions measured at amortised cost	2,776,898	803,880
Cash and cash equivalents	1,431,793	2,735,577
<b>Total</b>	<b>30,755,064</b>	<b>28,112,743</b>

The above table represents the maximum exposure of credit risk to the Company at 31 December 2024, without taking account of any collateral held or other credit enhancements attached and expected credit losses. As shown above, 9% (2023: 3%) of the total maximum exposure is derived from deposits with financial institutions, investments held in government bonds at 61% (2023: 64%), 21% (2023: 24%) from receivables, and 4% (2022: 10%) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Credit risk management (Continued)**

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 with a history of default.

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

Assets	External credit rating	Internal Credit rating	ECL	Carrying amount 2024	Carrying amount 2023
			Ushs'000	Ushs'000	Ushs'000
Government bonds measured at amortised cost	-	Group 1		18,778,124	17,151,422
Statutory deposits measured at amortised cost	B+ - S&P	Group 1		1,244,297	799,047
Receivables excluding prepayments	-	Group 3		6,523,953	6,622,817
Deposits with financial institutions measured at amortised cost	-	Group 2		2,776,898	803,880
Cash and cash equivalents	-	Group 2		1,431,793	2,735,577
Reinsurance contract assets		Group 2		8,123,083	5,879,898
<b>Total</b>				<b>38,878,148</b>	<b>33,992,641</b>

The movement in expected credit losses is disclosed in note 19.

**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.

Asset class	Key driver of change in credit quality	Qualitative indicators assessed
Receivables	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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset class	Key driver of change in credit quality	Qualitative indicators assessed
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 bonds	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.

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).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Measurement of ECL (Continued)**

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 Performing	Stage 2 Underperforming	Stage 3 Non-Performing		
<b>A. Receivables</b>				
			<b>2024</b>	<b>2023</b>
			<b>Ushs '000</b>	<b>Ushs'000</b>
Stage 1			3,340,545	2,735,060
Stage 2			3,959,565	3,233,737
Stage 3			926,561	756,713
<b>Gross receivables</b>			<b>8,226,671</b>	<b>6,725,510</b>
Less: Expected credit losses			(537,835)	(502,739)
<b>Net carrying amount</b>			<b>7,688,836</b>	<b>6,222,771</b>
<b>Loss ratios</b>			<b>2024</b>	<b>2023</b>
			<b>Ushs'000</b>	<b>Ushs'000</b>
Stage 1			-%	-%
Stage 2			-%	-%
Stage 3			8%	8%

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

Refer to note 19 for the movement in expected credit losses.

**A. Receivables**

All 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The Company uses the general approach with regard to impairment of 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 19 for the movement in expected credit losses.

**B. Deposits with financial institutions**

	2024	2023
	Ushs '000	Ushs '000
Stage 1	2,796,995	803,880
<b>Total deposits with financial institutions</b>	<b>2,796,995</b>	<b>803,880</b>
Less: Expected credit losses	(20,097)	(19,932)
<b>Net carrying amount</b>	<b>2,776,898</b>	<b>783,948</b>

**C. Cash and cash equivalents**

	2024	2023
	Ushs'000	Ushs'000
Stage 1	1,439,407	2,739,601
<b>Total cash and cash equivalents</b>	<b>1,439,407</b>	<b>2,739,601</b>
Less: Expected credit losses	(7,614)	(4,024)
<b>Net carrying amount</b>	<b>1,431,793</b>	<b>2,735,577</b>

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 19 for the movement in expected credit losses.

**D. Government bonds**

	2024	2023
	Ushs'000	Ushs'000
Stage 1	18,798,134	17,151,422
<b>Total government securities</b>	<b>18,798,134</b>	<b>17,151,422</b>
Less: Expected credit losses	(20,010)	(16,257)
<b>Net carrying amount</b>	<b>18,778,124</b>	<b>17,135,165</b>

Securities are clustered dependent on time left to maturity. Probability of default is based on the country sovereign rating of the issuer.

Refer to note 19 for the movement in expected credit losses.

**E. Statutory Deposit**

	2024	2023
	Ushs'000	Ushs'000
Stage 1	1,283,076	799,805
<b>Total statutory deposit</b>	<b>1,283,076</b>	<b>799,805</b>
Less: Expected credit losses	(38,779)	(758)
<b>Net carrying amount</b>	<b>1,244,297</b>	<b>799,047</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Risk and capital management (Continued)

(d) Financial risk (continued)

(ii) 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 by 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 summarises 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 2024	Less than 1 year Ushs '000	2 to 5 years Ushs '000	Above 5 years Ushs '000	Total Ushs '000	Carrying amount Ushs'000
<b>Assets</b>					
Cash and cash equivalents	1,431,793	-	-	1,431,793	1,431,793
Deposits with financial institutions	2,796,995	-	-	2,796,995	2,776,898
Government bonds measured at amortised cost	-	6,468,388	13,574,044	20,042,432	20,022,421
Amounts due from related parties	5,729	-	-	5,729	5,729
Receivables	8,226,671	-	-	8,226,671	7,688,836
<b>Total assets</b>	<b>12,461,188</b>	<b>6,468,388</b>	<b>13,574,044</b>	<b>32,503,620</b>	<b>31,925,677</b>
<b>Financial liabilities</b>					
Other payables	5,393,666	-	-	5,393,666	5,393,666
Liabilities for incurred claims	3,308,130	1,886,703	13,372,100	18,566,933	18,566,933
Lease liabilities	209,335	1,573,981	-	1,783,316	1,346,732
<b>Total liabilities</b>	<b>8,911,131</b>	<b>3,460,684</b>	<b>13,372,100</b>	<b>25,743,915</b>	<b>25,307,331</b>
<b>Net liquidity gap</b>	<b>3,550,057</b>	<b>3,007,704</b>	<b>201,944</b>	<b>6,759,705</b>	<b>6,618,346</b>
<b>At 31 December 2023</b>					
	Less than 1 year Ushs '000	2 to 5 years Ushs '000	Above 5 years Ushs '000	Total Ushs '000	Carrying amount Ushs'000
<b>Assets</b>					
Cash and cash equivalents	2,739,601	-	-	2,739,601	2,739,601
Deposits with financial institutions	803,880	-	-	803,880	767,947
Government bonds measured at amortised cost	2,947,851	6,294,848	7,964,487	17,207,186	17,190,929
Receivables	5,504,669	-	-	5,504,669	5,153,063
<b>Total assets</b>	<b>11,996,001</b>	<b>6,294,848</b>	<b>7,964,487</b>	<b>26,255,336</b>	<b>25,851,540</b>
<b>Financial liabilities</b>					
Other payables	3,460,867	-	-	3,460,867	3,460,867
Liabilities for incurred claims	1,944,886	-	-	1,944,886	1,944,886
Amounts due to related parties	28,825	-	-	28,825	28,825
Lease liabilities	175,441	599,424	-	774,865	624,205
<b>Total liabilities</b>	<b>5,610,019</b>	<b>599,424</b>	<b>-</b>	<b>6,209,443</b>	<b>6,058,783</b>
<b>Net liquidity gap</b>	<b>6,385,982</b>	<b>5,695,424</b>	<b>7,964,487</b>	<b>20,045,893</b>	<b>19,792,757</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Risk and capital management (Continued)

(e) 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:

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

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.

The fair value of Government bonds has been estimated based on published yields by Bank of Uganda.

For other financial assets and liabilities that are expected to be settled on demand and to 12 months, the fair value has been approximated to the carrying amount. For financial instruments that have non-current portions and for which the company has contracted at commercially agreed rates, these have been assumed to approximate the market value for those specific instruments (e.g deposits with financial institutions, statutory deposit)

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 minimize 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Risk and capital management (Continued)

(e) Fair value of financial assets and liabilities (Continued)

At 31 December 2024

	Other liabilities	Financial assets at amortised cost	Total
	Ushs'000	Ushs'000	Ushs'000
<b>ASSETS</b>			
Cash and cash equivalents	-	1,431,793	1,431,793
Receivables	-	7,576,707	7,576,707
Deposits with financial institutions	-	2,776,898	2,776,898
Government bonds measured at amortised cost	-	20,022,421	20,022,421
Due from related parties	5,729	-	5,729
<b>Total financial assets</b>	<b>5,729</b>	<b>31,807,819</b>	<b>31,813,548</b>
<b>LIABILITIES</b>			
Other payables	5,393,666	-	5,393,666
<b>Total financial liabilities</b>	<b>5,393,666</b>	<b>-</b>	<b>5,393,666</b>

At 31 December 2024

	Level 1	Level 2	Level 3	Total	Carrying
	Ushs '000	Ushs '000	Ushs'000	Ushs '000	Ushs '000
<b>ASSETS</b>					
Cash and cash equivalents	-	1,431,793	-	1,431,793	1,431,793
Receivables excluding prepayments	-	7,576,707	-	7,576,707	7,576,707
Deposits with financial institutions	-	2,776,898	-	2,776,898	2,776,898
Government bonds	-	20,022,421	-	20,022,421	20,022,421
Due to related parties	-	5,729	-	5,729	5,729
<b>Total financial assets</b>	<b>-</b>	<b>31,813,548</b>	<b>-</b>	<b>31,813,548</b>	<b>31,813,548</b>
<b>LIABILITIES</b>					
Other payables	-	5,393,666	-	5,393,666	5,393,666
<b>Total financial liabilities</b>	<b>-</b>	<b>5,393,666</b>	<b>-</b>	<b>5,393,666</b>	<b>5,393,666</b>

At 31 December 2023

	Other liabilities	Financial assets at amortised cost	Total
	Ushs'000	Ushs'000	Ushs'000
<b>ASSETS</b>			
Cash and cash equivalents	-	2,735,577	2,735,577
Receivables	-	6,120,079	6,120,079
Deposits with financial institutions	-	783,948	783,948
Government bonds measured at amortised cost	-	17,135,165	17,135,165
<b>Total financial assets</b>	<b>-</b>	<b>26,774,769</b>	<b>26,774,769</b>
<b>LIABILITIES</b>			
Due to related parties	28,825	-	28,825
Other payables	3,460,867	-	3,460,867
<b>Total financial liabilities</b>	<b>3,489,692</b>	<b>-</b>	<b>3,489,692</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Risk and capital management (Continued)

(e) Fair value of financial assets and liabilities (Continued)

At 31 December 2023	Level 1 Ushs '000	Level 2 Ushs '000	Level 3 Ushs	Total Ushs '000	Carrying Ushs '000
<b>As per the balance sheet</b>					
Cash and cash equivalents	-	2,735,577	-	2,735,577	2,735,577
Receivables	-	6,120,079	-	6,120,079	6,120,079
Deposits with financial institutions	-	783,948	-	783,948	783,948
Government bonds measured at amortised cost	-	17,135,165	-	17,135,165	17,135,165
<b>Total financial assets</b>	-	<b>26,774,769</b>	-	<b>26,774,769</b>	<b>26,774,769</b>
<b>LIABILITIES</b>					
Due to related parties	-	28,825	-	28,825	28,825
Other payables	-	3,460,867	-	3,460,867	3,460,867
<b>Total financial liabilities</b>	-	<b>3,489,692</b>	-	<b>3,489,692</b>	<b>3,489,692</b>

(f) 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 2024 and 2023.

The Company's Capital Adequacy Ratio requirements for the year ended 31 December 2024 and 2023 are as follows:

	2024 Ushs'000	2023 Ushs'000
Credit risk	3,927,207	4,992,419
Market risk	691,787	38,462
Insurance risk	2,013,896	1,469,177
Operational risk	1,800,000	1,800,000
<b>Capital required</b>	<b>8,432,890</b>	<b>8,300,058</b>
<b>Shareholders' funds</b>	<b>17,806,461</b>	<b>15,671,039</b>
Deductions and diversification	(1,706,274)	(1,159,073)
<b>Total available capital</b>	<b>16,100,187</b>	<b>14,511,966</b>
<b>Capital adequacy ratio</b>	<b>257%</b>	<b>207%</b>
<b>Minimum Capital</b>	<b>6,000,000</b>	<b>6,000,000</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. Insurance service result**

All contracts have been measured under the Premium Allocation method (PAA)

**a) Insurance revenue and insurance service expenses**

Portfolio	2024		2023 amount	
	Insurance revenue Ushs'000	Insurance service expense Ushs'000	Insurance revenue Ushs'000	Insurance service expense Ushs'000
Aviation	19,059	5,197	1,196	
Engineering	2,074,981	1,047,857	765,099	371,014
Fire	5,945,291	2,748,238	5,124,264	2,827,593
Liability	822,062	458,130	684,209	400,355
Marine	3,392,276	1,260,571	2,751,172	1,081,895
Motor	9,099,105	5,407,881	6,227,729	4,585,553
Personal Accident	553,639	339,691	227,485	150,831
Theft	1,411,269	2,456,577	1,528,287	(327,968)
Employer Liability	2,760,472	1,425,916	2,114,517	1,430,833
Miscellaneous	767,959	246,829	899,410	732,304
Agriculture	83,268	113,966	92,507	-
<b>Total</b>	<b>26,929,381</b>	<b>15,510,853</b>	<b>20,415,875</b>	<b>11,252,410</b>

**b) Net expenses from reinsurance contracts**

Portfolio	2024 Ushs'000	2023 Ushs'000
Aviation	16720	-
Engineering	755,504	(193,328)
Fire	2,698,499	2,343,598
Liability	292,290	191,440
Marine	1,035,276	736,745
Motor	231,396	613,626
Personal Accident	153,157	(45,604)
Theft	(654,574)	761,623
Employer Liability	221,115	165,247
Miscellaneous	476,109	425,153
Agriculture	16,199	
	<b>5,241,691</b>	<b>4,998,500</b>

**10. Net finance result**

The following table analyses the Company's net financial result in the profit or loss and OCI.

At 31 December 2024	2024 Ushs'000	2023 Ushs'000
<b>Investment return</b>		
Interest revenue calculated using the effective interest method	2,747,269	2,405,616
Net impairment loss on financial assets	(41,847)	(3,430)
<b>Total investment return</b>	<b>2,705,422</b>	<b>2,402,186</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2024	2024 Ushs'000	2023 Ushs'000
<b>Net finance income from insurance contracts</b>		
Net finance income/(expenses) from insurance contracts	956,264	(482,373)
Effect of changes in interest rates and other financial assumptions	-	(166)
<b>Total net finance income/(expenses) from insurance contracts</b>	<b>956,264</b>	<b>(482,539)</b>
<b>Net finance income from reinsurance contracts</b>		
Total net finance (expenses)/income from reinsurance contracts	(430,117)	389,520
<b>Total net finance income/(expenses) from reinsurance contracts</b>	<b>526,147</b>	<b>(93,019)</b>
<b>a) Insurance finance income and expenses</b>		
	2024 Ushs'000	2023 Ushs'000
<b>Net finance income/(expenses) from insurance contracts</b>		
Amounts recognised in profit or loss	956,264	(482,539)
	<b>956,264</b>	<b>(482,539)</b>
<b>Net finance income/(expenses) from reinsurance contracts</b>		
Amounts recognised in profit or loss	(430,117)	389,520
<b>Total</b>	<b>526,147</b>	<b>(93,019)</b>
<b>b) Interest revenue calculated using the effective interest method</b>		
Financial assets measured at amortised cost		
	2024 Ushs'000	2023 Ushs'000
Cash and cash equivalents	43,106	82,497
Deposits with financial institutions	189,991	57,155
Government bonds	2,514,172	2,265,964
	<b>2,747,269</b>	<b>2,405,616</b>
<b>11. Other (expense)/ income</b>		
	2024 Ushs'000	2023 Ushs'000
Interest on staff loans	13,992	16,348
(Loss on disposal)/other income	(18,703)	128,959
	<b>(4,711)</b>	<b>145,307</b>

Other income includes interest earned on staff loans and any other miscellaneous income earned by the Company during the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Other operating expenses

	2024 Shs'000	2023 Shs'000
Claims and benefits	9,822,192	7,425,133
Employee benefits (note 12 a)	3,537,697	2,873,969
Depreciation and amortisation (note 15)	120,260	100,555
Amortisation on intangible assets (note 16)	5,531	4,382
Leases (note 15)	63,285	99,482
Advertising	223,336	46,984
Professional and consultancy	113,097	221,405
Auditors' remuneration	116,974	93,302
Directors' fees and allowances	328,471	231,324
Levy	335,807	257,098
Other*	1,825,268	1,786,862
	<b>16,491,918</b>	<b>13,140,496</b>
Amounts attributed to insurance acquisition cash flows incurred during the year		
Amortisation of insurance acquisition cash flows	5,688,661	3,827,277
	<b>22,180,579</b>	<b>16,967,773</b>
<b>Represented by:</b>		
Insurance service expenses	15,510,853	11,252,410
Other operating expenses*	6,669,726	5,715,363
	<b>22,180,579</b>	<b>16,967,773</b>

\* Other operating expenses includes other administrative expenses including printing, stationery, travel and motor vehicle costs, meetings and conference costs, registration costs, staff welfare expenses, utilities, insurance, bank charges, office maintenance, non-claimable input VAT and subscription.

a) Employee benefit expenses

Employee benefits expenses include the following:

	2024 Ushs'000	2023 Ushs'000
Salaries and wages	3,213,001	2,615,624
National Social Security Fund contributions	324,696	258,345
	<b>3,537,697</b>	<b>2,873,969</b>

13. Other finance costs

	2024 Ushs'000	2023 Ushs'000
Interest expenses on lease liabilities (note 25)	86,062	67,571
Net foreign exchange loss	101,342	78,197
	<b>187,404</b>	<b>145,768</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14. Taxation**

**a) Income tax expense**

	Note	2024 Ushs'000	2023 Ushs'000
Current income tax expense		(411,142)	(380,579)
Deferred tax asset recognized	26	-	683,422
		<b>(411,142)</b>	<b>302,843</b>

**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 %	2024 Ushs'000	Effective Tax rate %	2023 Ushs'000
<b>Profit before income tax</b>		<b>2,546,565</b>		<b>758,308</b>
Tax using the domestic corporation rate	30%	763,970	30%	227,492
Prior year over provision of current income tax	0%	-	0%	-
Tax effect of income taxed at 20% (2023:20%)	16%	411,142	50%	380,579
Tax effect of expenses not deductible for tax purposes	0.5%	12,011	0%	3,603
Tax effect of income not taxable at 30%	(31) %	(797,710)	(90) %	(679,789)
Recognition of previously unrecognized deferred tax assets	30%	-	(90) %	(683,422)
Current year losses for which no deferred tax is recognised	1%	21,729	59%	448,694
		<b>411,142</b>	<b>40%</b>	<b>(302,843)</b>

**15. Property, equipment and right-of-use assets**

	Motor vehicles Ushs'000	Furniture, fittings and equipment Ushs'000	Computer equipment Ushs'000	Right-of-use assets Ushs'000	Total Ushs'000
<b>Cost</b>					
At 1 January, 2024	205,679	265,694	241,961	847,738	1,561,072
Additions	-	271,234	16,635	1,296,014	1,583,883
Disposals	-	(15,232)	-	(847,738)	(862,970)
<b>As at 31 December 2024</b>	<b>205,679</b>	<b>521,696</b>	<b>258,596</b>	<b>1,296,014</b>	<b>2,281,985</b>
<b>Accumulated depreciation</b>					
At 1 January, 2024	124,163	122,611	161,764	405,523	814,061
Charge for the year	26,420	44,545	49,295	63,284	183,544
Disposal Depreciation	-	(8,951)	-	(405,523)	(414,474)
<b>As at 31 December 2024</b>	<b>150,583</b>	<b>158,205</b>	<b>211,059</b>	<b>63,284</b>	<b>583,131</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Cost	Motor vehicles Ushs'000	Furniture, fittings and equipment Ushs'000	Computer equipment Ushs'000	Right-of-use assets Ushs'000	Total Ushs'000
At 1 January, 2023	103,679	255,455	201,513	847,738	1,408,385
Additions	102,000	10,239	40,448	-	152,687
As at 31 December 2023	<b>205,679</b>	<b>265,694</b>	<b>241,961</b>	<b>847,738</b>	<b>1,561,072</b>
<b>Accumulated depreciation</b>					
At 1 January, 2023	100,398	90,171	117,414	306,041	614,024
Charge for the year	23,765	32,440	44,350	99,482	200,037
As at 31 December 2023	<b>124,163</b>	<b>122,611</b>	<b>161,764</b>	<b>405,523</b>	<b>814,061</b>
<b>Carrying value</b>					
As at 31 December 2024	<b>55,096</b>	<b>363,491</b>	<b>47,537</b>	<b>1,232,730</b>	<b>1,698,854</b>
As at 31 December 2023	<b>81,516</b>	<b>143,083</b>	<b>80,197</b>	<b>442,215</b>	<b>747,011</b>

The reclassification adjustment was meant to align the Right-of -use assets, the depreciation and the accumulated depreciation on the lease liability. Property and equipment are non-current assets.

16. Intangible assets

	2024 Ushs'000	2023 Ushs'000
<b>Cost</b>		
At 1 January	1,111,258	1,111,258
Additions	-	-
As at 31 December	<b>1,111,258</b>	<b>1,111,258</b>
<b>Accumulated amortization</b>		
At 1 January	1,105,727	1,101,345
Charge for the year	5,531	4,382
As at 31 December	<b>1,111,258</b>	<b>1,105,727</b>
<b>Carrying value</b>		
As at 31 December	<b>-</b>	<b>5,531</b>

Intangible assets are non-current assets.

17. Financial investments at amortised cost

Financial investments	2024 Ushs'000	2023 Ushs'000
Deposits with financial institutions	2,776,898	783,948
Government bonds	18,778,123	17,135,165
<b>Subtotal</b>	<b>21,555,021</b>	<b>17,919,113</b>
Statutory deposit	1,244,297	799,047
	<b>22,799,318</b>	<b>18,718,160</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Financial investments	2024	2023
	Ushs'000	Ushs'000
<b>Financial investments</b>		
Measured at amortised cost	21,555,021	17,919,113
Statutory deposit	1,244,297	799,047
<b>Measured at amortised cost</b>	<b>22,799,318</b>	<b>18,718,160</b>
<b>a) Government bonds</b>		
Treasury bonds – measured at amortised cost	20,042,431	17,190,929
Premium	(1,391,125)	(458,735)
Accrued interest	145,585	419,228
Less: Expected credit losses	(18,768)	(16,257)
	<b>18,778,123</b>	<b>17,135,165</b>
<b>b) Statutory deposit</b>		
Treasury bonds – measured at amortised cost	1,190,081	825,516
Premium	(9,918)	(51,003)
Accrued interest	65,378	25,292
Less: Expected credit losses	(1,244)	(758)
	<b>1,244,297</b>	<b>799,047</b>

According to section 38 of the Insurance Act, 2017, every insurer shall hold an account maintained by the insurer with a commercial bank approved by the Authority of a sum equal to ten percent of the paid-up capital of the insurer.

	2024	2023
	Ushs'000	Ushs'000
<b>c) Fixed deposit</b>		
Gross carrying value	2,796,995	803,880
Less: Expected credit losses	(20,097)	(19,932)
	<b>2,776,898</b>	<b>783,948</b>

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

The table below analyses the movement in financial investments measured at amortised cost.

2024	Fixed deposits Ushs'000	Statutory deposit Ushs'000	Government bonds Ushs'000	31-Dec Ushs'000
<b>At amortised cost</b>				
At 1 January	783,948	799,047	17,135,165	18,718,160
Additions	2,657,184	964,187	3,725,718	7,347,089
Maturities	(767,947)	(547,259)	(2,924,382)	(4,239,588)
Premium	-	(35,812)	(108,488)	(144,300)
Interest accrued	123,810	65,378	968,878	1,158,066
Impairment allowance	(20,097)	(1,244)	(18,768)	(40,109)
<b>At 31 December</b>	<b>2,776,898</b>	<b>1,244,297</b>	<b>18,778,123</b>	<b>22,799,318</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2023	Fixed deposits Ushs'000	Statutory deposit Ushs'000	Government bonds Ushs'000	31-Dec Ushs'000
<b>At amortised cost</b>				
At 1 January	238,175	825,516	11,126,356	12,190,047
Additions	767,948	-	6,549,448	7,317,396
Maturities	(238,175)	-	(484,875)	(723,050)
Premium	-	(51,003)	(458,735)	(509,738)
Interest accrued	35,932	25,292	419,228	480,452
Impairment allowance	(19,932)	(758)	(16,257)	(36,947)
	<b>783,948</b>	<b>799,047</b>	<b>17,135,165</b>	<b>18,718,160</b>

The following illustrates the expected settlement on the remaining period to maturity for financial investments measured at amortized cost (deposits with financial institutions and government bonds);

	2024 Ushs'000	2023 Ushs'000
Within 12 months	2,776,898	3,713,013
Greater than 12 months	20,022,420	14,245,863
<b>Total</b>	<b>22,799,318</b>	<b>17,958,876</b>

18. Receivables

	2024 Ushs'000	2023 Ushs'000
Receivables arising out of other insurance arrangements ( <i>note 18 a</i> )	6,383,006	4,860,983
Receivables arising out of other reinsurance arrangements ( <i>note 18 b</i> )	327,149	377,028
Salary advance	103,102	131,436
Prepayments and deposits	112,129	102,692
Value Added Tax (VAT)	29,975	29,975
Withholding Tax (WHT)	487,379	428,577
Sundry debtors	246,096	292,080
	<b>7,688,836</b>	<b>6,222,771</b>

a) Receivables arising out of other insurance arrangements

	2024 Ushs'000	2023 Ushs'000
Premium receivables	6,920,841	5,363,722
Expected credit losses	(537,835)	(502,739)
	<b>6,383,006</b>	<b>4,860,983</b>

b) Receivables arising out of other reinsurance arrangements

	2024 Ushs'000	2023 Ushs'000
Reinsurance receivables	327,149	377,028
Expected credit losses	-	-
	<b>327,149</b>	<b>377,028</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

All receivables are expected to be settled within one year except for value added tax and withholding tax whose settlement realization may exceed one year.

The fair value of insurance receivables approximates the carrying amounts.

**19. Movement in expected credit losses**

<b>2024</b>	<b>Ushs'000</b>	<b>Ushs'000</b>	<b>Ushs'000</b>
Government bonds	16,257	2,511	18,768
Statutory deposit	758	486	1,244
Deposits with financial institutions	19,932	165	20,097
Receivables	502,739	35,096	537,835
Cash and cash equivalents	4,025	3,589	7,614
	<u>543,711</u>	<u>41,847</u>	<u>585,558</u>
<b>2023</b>	<b>Ushs'000</b>	<b>Ushs'000</b>	<b>Ushs'000</b>
Government bonds	11,539	4,718	16,257
Statutory deposit	538	220	758
Deposits with financial institutions	16,325	3,607	19,932
Receivables	502,739	-	502,739
Cash and cash equivalents	9,140	(5,115)	4,025
	<u>540,281</u>	<u>3,430</u>	<u>543,711</u>

**20. Cash and cash equivalents**

	<b>2024</b>	<b>2023</b>
	<b>Ushs'000</b>	<b>Ushs'000</b>
Cash and balances with banks	1,143,580	902,349
Call Deposits	295,827	1,837,253
	<u>1,439,407</u>	<u>2,739,602</u>
Expected credit losses	(7,614)	(4,025)
<b>Total cash and cash equivalents</b>	<u><b>1,431,793</b></u>	<u><b>2,735,577</b></u>

These are due on demand.

The movement in financing activities that directly affect the Company's cash flows are included in note 25(iii).

**21. Dividends**

In order to meeting solvency requirements, the directors do not recommend the payment of a dividend for the year ended 31 December 2024 (2023: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Capital and reserves

a) Share capital

	2024 Ushs'000	2023 Ushs'000
<b>Authorized share capital at 1 January and 31 December</b>		
449,632 (2023: 449,632) shares of stated capital.		
Ordinary shares of Ushs 37,220 (2023: Ushs 37,220) per share	<u>16,687,083</u>	<u>16,687,083</u>
<b>Issued share capital at 1 January and 31 December</b>		
448,080 (2023: 448,080) shares of stated capital.		
Ordinary shares of Ushs 37,220 (2023: Ushs 37,220) per share	<u>16,687,083</u>	<u>16,687,083</u>

The reconciliation below shows the number of shares and the amounts at the beginning and end of 2024 and 2023.

<b>Authorised share capital</b>	<b>2024 No.</b>	<b>2024 Amount, Ushs'000</b>	<b>2023 No.</b>	<b>2023 Amount, Ushs'000</b>
At 1 January	449,632	16,735,290	294,303	10,953,958
Additional shares	-	-	155,329	5,781,332
<b>At 31 December</b>	<u>449,632</u>	<u>16,735,290</u>	<u>449,632</u>	<u>16,735,290</u>
<b>Issued share capital</b>	<b>2024 No.</b>	<b>2024 Amount, Ushs'000</b>	<b>2023 No.</b>	<b>2023 Amount, Ushs'000</b>
At 1 January	448,080	16,687,083	291,945	10,866,193
Additional shares	-	-	156,135	5,820,890
<b>At 31 December</b>	<u>448,080</u>	<u>16,687,083</u>	<u>448,080</u>	<u>16,687,083</u>

**Share capital**

The total authorized number of ordinary shares is 449,632 with a par value of Ushs 37,220 per share. At 31 December 2024, 448,080 ordinary shares were in issue (2023: 448,080 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.

**b) Regulatory capital requirement**

The minimum statutory capital for non-life insurance business as per the Insurance Act, 2017 Laws of Uganda is Ushs 6 billion (2023: Ushs 6 billion). The Company has met this requirement.

**c) Deposits for shares**

There was no additional capital injection into the business by the company owner during the year and equally, there was no movement in the number of shares. (2023: Ushs 5,820,890,000 additional capital injection)

**Capital and reserves continued.**

	2024 Ushs'000	2023 Ushs'000
<b>As at 1 January</b>		
Additional deposits for shares	-	5,724,568
Transfer to share capital (153,804 shares)	-	(5,724,568)
<b>As at 31 December</b>	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**d) Retained Earnings**

These comprise of prior year tax profits, less any appropriation to contingency reserves, capital reserves, dividends plus current year profits. As at 31 December 2024, retained earnings were Ushs 1.119 billion (2023: Ushs' 1.016 billion losses).

**e) Contingency reserve**

While there was no current requirement to have a contingency reserve. For prudence purposes, the Company had previously maintained its contingency reserves, in the prior year in accordance with Section 47 (c) of the old insurance act which was equal to 2% of the gross premiums written or 15% of the net profit whichever was greater. In the year ended 31 December 2024, no appropriation of profits to contingency reserve has been made. The directors released the accumulated fund in contingency reserve into retained earnings during the prior year 2023.

Movements in the capital and reserves are shown in the statement of changes in equity.

	2024 Ushs'000	2023 Ushs'000
Contingency reserves	-	-
Retained Earnings	1,119,379	1,016,044

**23. Other payables**

	2023 Ushs'000	2023 Ushs'000
Accruals	304,400	289,148
Insurance commissions payables	3,579,264	1,944,886
Provisions	115,080	39,519
Statutory dues	1,244,730	898,504
Others	150,087	288,810
	<u>5,393,561</u>	<u>3,460,867</u>

These amounts are due on demand and within 12 months.

**24. Insurance and reinsurance contracts**

	2024 Ushs'000	2023 Ushs'000
Insurance contract liabilities		
– Insurance contract balances (note 24 a)	17,884,280	15,207,434
Reinsurance contracts		
– Reinsurance contract assets (note 24 b)	8,123,083	5,879,898

**a. Movement in insurance and reinsurance contract balances**

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the statement of profit or loss and OCI for contracts measured under the premium allocation method. (PAA)

The Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and OCI.

MAYFAIR INSURANCE COMPANY UGANDA LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Insurance and reinsurance contracts (Continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) Insurance contracts

Analysis by remaining coverage and incurred claims

Note	2024 (Ushs'000)		2023 (Ushs'000)		Total
	Liabilities for remaining coverage	Liabilities for incurred claims	Liabilities for remaining coverage	Liabilities for incurred claims	
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening liabilities	7,930,575	5,860,829	1,416,030	15,207,434	11,367,263
Changes in the statement of profit or loss and OCI					
Insurance revenue	9 (26,929,381)	-	-	(26,929,381)	(20,415,875)
Insurance service expenses					
Incurred claims and other insurance service expenses	-	10,194,010	(277,948)	9,916,062	7,425,133
Amortisation of insurance acquisition cash flows	5,688,661	-	-	5,688,661	3,827,277
Insurance service result					
Net finance expenses from insurance contracts	-	(956,264)	-	(956,264)	482,373
Effect of movements in exchange rates	-	105	-	105	166

MAYFAIR INSURANCE COMPANY UGANDA LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Insurance and reinsurance contracts (continued)
- (a) Movement in insurance and reinsurance contract balances (continued)
- (i) Insurance contracts (continued)

Analysis by remaining coverage and incurred claims (continued)

	2024 (Ushs'000)			2023 (Ushs'000)		
	Liabilities for remaining coverage	Liabilities for incurred claims	Total	Liabilities for remaining coverage	Liabilities for incurred claims	Total
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk		Estimates of present value of future cash flows	Risk adjustment for non-financial risk
Total changes in the statement of profit or loss and OCI	(13,310,145)	15,098,680	1,138,082	(11,702,090)	12,972,397	1,416,030
Cash flows						
Premiums received	28,193,888	-	-	15,277,968	-	-
Claims and other insurance service expenses paid	-	(7,073,061)	-	-	(7,111,568)	-
Insurance acquisition cash flows	(6,163,164)	-	-	4,354,697	-	-
Total cash flows	22,030,724	(7,073,061)	-	19,632,665	(7,111,568)	-
Closing liabilities	8,720,579	8,025,619	1,138,082	7,930,575	5,860,829	1,416,030
			2,926,617			2,686,337
			28,193,888			15,277,968
			(7,073,061)			(7,111,568)
			(6,163,164)			4,354,697
			14,957,663			12,521,097
			17,884,280			15,207,434





**MAYFAIR INSURANCE COMPANY UGANDA LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24. Insurance and reinsurance contracts (Continued)**

**(c) Claims development**

The table below illustrates how estimates of cumulative claims for the Company have developed over time on a gross and net of reinsurance basis. Each table shows how the Company's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position.

**31 December 2024**

**Gross**

**Estimates of discounted net cumulative claims**

	2019	2020	2021	2022	2023	2024	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
At end of accident year	993,791	2,674,941	6,762,930	3,924,882	8,148,367	9,100,761	-
One year later	1,118,100	3,117,263	6,224,710	4,428,292	8,128,563	-	-
Two years later	1,177,463	3,037,886	5,432,097	4,690,689	-	-	-
Three years later	1,167,440	2,364,528	5,319,759	-	-	-	-
Four years later	1,163,873	2,611,275	-	-	-	-	-
Five years later	1,165,195	-	-	-	-	-	-
<b>Current estimate of cumulative claims</b>	<b>1,165,195</b>	<b>2,611,275</b>	<b>5,319,759</b>	<b>4,690,689</b>	<b>8,128,563</b>	<b>9,100,761</b>	
Less: Cumulative payments to date	(1,149,738)	(2,586,131)	(4,466,096)	(4,315,975)	(6,799,771)	(3,428,206)	
<b>Liability in the statement of financial position</b>	<b>15,457</b>	<b>25,144</b>	<b>853,663</b>	<b>374,714</b>	<b>1,328,792</b>	<b>5,672,555</b>	<b>8,270,325</b>
Liability in respect of prior years	-	-	-	-	-	-	-
Gross IBNR	-	-	-	-	-	-	1,367,225
Gross Claims Liability Included in the Statement of Financial Position	-	-	-	-	-	-	9,637,550
Effect of discounting	-	-	-	-	-	-	(1,611,931)
<b>Total gross claims liability included in the statement of financial position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,025,619</b>

**MAYFAIR INSURANCE COMPANY UGANDA LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24. Insurance and reinsurance contracts (Continued)**

**(c) Claims development (continued)**

31 December 2024 Net of reinsurance	2019 Ushs'000	2020 Ushs'000	2021 Ushs'000	2022 Ushs'000	2023 Ushs'000	2024 Ushs'000	Total Ushs'000
<b>Estimates of discounted net cumulative claims</b>							
At end of accident year	548,083	1,397,137	2,871,115	2,012,150	4,689,478	5,031,687	-
One year later	633,422	1,697,859	3,322,177	2,699,681	4,888,735	-	-
Two years later	666,153	1,801,386	3,318,314	2,867,156	-	-	-
Three years later	698,413	1,580,336	3,261,351	-	-	-	-
Four years later	701,645	1,737,018	-	-	-	-	-
Five years later	702,765	-	-	-	-	-	-
<b>Current estimate of cumulative claims</b>	702,765	1,737,018	3,261,351	2,867,156	4,888,735	5,031,687	-
Less: Cumulative payments to date	(694,990)	(1,724,372)	(2,831,964)	(2,678,677)	(4,220,361)	(2,178,427)	-
<b>Liability in the statement of financial position</b>	<b>7,775</b>	<b>12,646</b>	<b>429,387</b>	<b>188,479</b>	<b>668,374</b>	<b>2,853,260</b>	<b>4,159,921</b>
Liability in respect of prior years	-	-	-	-	-	-	-
Net IBNR	-	-	-	-	-	-	945,855
<b>Net Claims Liability Included in the Statement of Financial Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,105,776</b>
Effect of discounting	-	-	-	-	-	-	(750,967)
<b>Total gross claims liability included in the statement of financial position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,354,809</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Insurance and reinsurance contracts (Continued)

(d) Significant judgments and estimates

(i) *Fulfilment cash flows*

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

(ii) *Estimates of future cash flows*

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

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. The Company derives cost inflation assumptions from the difference between the yields on nominal and inflation-linked government bonds.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of underwriting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;

Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. The Company generally allocates insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts within each group. Other costs are recognised in profit or loss as they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Insurance and reinsurance contracts (Continued)

(iii) *Contract boundaries*

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company's substantive rights and obligations under the contract.

(iv) *Reinsurance contracts*

Each of the Company's quota share reinsurance contracts has an annual term, covers underlying contracts issued within the term on a risk-attaching basis and provides unilateral rights to both the Company and the reinsurer to terminate the cession of new business at any time by giving three months' notice to the other party. On initial recognition, the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Company expects to issue and cede under the reinsurance contract within the next three months. Subsequently, expected cash flows beyond the end of this initial notice period are considered cash flows of new reinsurance contracts and are recognised, separately from the initial contract, as they fall within the rolling three-month notice period.

Each of the Company's excess of loss and stop loss reinsurance contracts has an annual term and covers claims from underlying contracts incurred within the year (i.e. loss- occurring). Cash flows within the contract boundary are those arising from underlying claims incurred during the year.

(v) *Risk adjustments for non-financial risk*

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

The risk adjustments for non-financial risk are determined using the confidence level technique. To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

(e) *Assumptions and methodologies*

(i) *Measurement model*

Majority of the Company's insurance contracts are short-term, lasting an average of one year or less, which makes the premium allocation approach PAA method a suitable choice.

Further, a PAA eligibility was conducted on the products that tend to have a term of more than one year. The difference was observed not to be material, therefore adoption of PAA method for these products is also in line with IFRS17 requirements.

With the Company's reinsurance programme majorly being proportional, the findings on materiality would also hold true for the reinsurance contracts.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**24. Insurance and reinsurance contracts (Continued)**

**(ii) Valuation methods**

The methods that were used to value the insurance liability for each product class were in accordance with the guidelines issued within the Insurance (Capital Adequacy) Regulations, 2020, and are summarised below.

The methods used to calculate the insurance liabilities were:

- Outstanding Claim Liabilities: Basic Chain Ladder, Bornhuetter-Ferguson, Expected Loss Ratio and Cape Cod (Standard-Buhlmann)
- Unearned Premium Reserve: "365ths" method for gross premium Claims Reserves Computation

The 365th – method of calculating unearned premium assumes premiums are earned evenly throughout the policy period. Hence, the reserve is based on the premium proportion attributable for the unexpired policy period, assuming uniform risk distribution.

Reserves were computed using the Basic Chain Ladder (BCL), the Bornhuetter-Ferguson (BF), Expected Loss Ratio and the Cape Cod methods on a quarterly basis with a run-off period of 44 quarters, or annual basis with run-off periods of 11 years.

The choice of methodology and run-off classifications used for each class was guided by the nature of the business class and availability of credible volume of data.

Under the Basic Chain Ladder (BCL) method, Incurred Data (Paid and OCR) claims data was displayed in the development triangles and age to age factors calculated. For each payment lag, average age to age factors is computed which are used to get cumulative development factors (CDF). The cumulative development factors show the development pattern of the claims that help project ultimate claims using a triangulation approach.

The Bornhuetter-Fergusson (BF) method is a blend between the basic chain ladder method and what is expected based on the recent experience of the class. In this method, historical experience is retained as part of the estimate of ultimate claims but is not the basis from which future claim activity is projected. Instead, we derive future claim activity from a priori estimate of our expectation.

The Bornhuetter-Fergusson method was adopted where there was uncertainty in the claims reporting trends. In this regard, the basic chain ladder method depends on the stability of claims reporting. The Bornhuetter - Fergusson method considers both the claims developed to date (which depends on reporting patterns) and the expected claims based on recent experience of the class, hence improving the accuracy of the estimate.

The Cape Cod method assumes a constant ultimate loss ratio for each accident years. The ultimate loss ratio is estimated by dividing the reported losses for all years by the reported exposures. The reported exposure is estimated by multiplying the exposure measure by the percentage of losses that have developed. Earned premiums have been used as the exposure measure. The claims reserve is then estimated as the percentage of unreported expected ultimate claims.

The Expected Loss Ratio method projects ultimate claims relative to earned premiums, based on expected loss ratios for each loss period. This method has been employed for classes where past data available was considered inadequate for triangulation.

IBNR is calculated as the projected ultimate claims less actual claims incurred to date.

**(iii) Adjustments to claims data**

Appropriate adjustments have been made for large claims/outliers that are expected to distort the estimated development of future claims. Where adjustments have been made in the data used for large/outlier claims, consideration has further been taken of whether such experience can be reasonably expected to recur in future and the expected impact on claims. Where applicable, explicit loadings for expected large claims have then been made in the reserve estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Insurance and reinsurance contracts (Continued)

(iv) Risk margin

The Risk Margin is the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises for non-financial risk as the entity fulfils insurance contracts. The risk margin was calculated using bootstrapping method at 75% confidence level. This involved simulating claims reserves by sampling from past outcomes of development factors.

For classes which had limited data, the following assumptions were taken:

- Taken as 20% ratio of RA/OCL (excluding ULAE)
- The analysis covered the lines: Engineering, Fire Domestic, Fire Industrial, Liability, Marine, Motor Private, Motor Commercial, Personal Accident, Theft, and workmen's Compensation.
- The selected lines of business had sufficient triangulation data.
- From the analysis, the average ratio of RA /OCL excluding ULAE (at the portfolio level) was 17% at the 75% confidence level. A conservative 20% ratio was then selected (implicitly capturing correlated risks)

(v) Discounting of reserves

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. Mayfair generally determines the risk-free rates using the observed mid-price swap yield curves for AA-rated banks (adjusted for the bank's credit risk). The yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations.

For markets in which there is no reliable swap yield curve, government bond yields are used. Although the ultimate forward rate is subject to revision, it is expected to be stable and would change only on significant changes to long-term expectations. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are generally determined by comparing the spreads on corporate bonds with the costs of CDSs with matching critical terms for the same issuer.

The applicable discount rates are the Ugandan government bonds yield curve sourced from the Uganda Stock Exchange.

The tables below set out the yield curves used to discount the cash flows of insurance contracts.

2024										
Term	1	2	3	4	5	6	7	8	9	10
Rate	16.13%	16.58%	16.56%	16.61%	16.83%	17.08%	17.28%	17.61%	17.73%	17.86%
2023										
Term	1	2	3	4	5	6	7	8	9	10
Rate	12.74%	13.43%	14.17%	14.66%	14.92%	15.05%	15.20%	15.34%	15.45%	15.53%

(vi) Claims reserves

Unallocated Loss Adjustment Expenses (ULAE)

In determining the Liability of Incurred Claims (LIC), the ULAE was determined separately.

This refers to all external, internal, and administrative claims handling expenses, including determination of coverage, that are not included in allocated loss adjustment expenses.

The Assumptions taken were the following:

- a. Payments of ULAE are proportional to payments of claims.
- b. The timing of payments of ULAE follows the timing of payments for claims.
- c. Historical relationship between paid ULAE and paid claims represent the relationship expected between future ULAE and future claims payment.

A 5% inflation Margin was assumed in determining the ULAE to be adopted.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25. Leases**

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

The Company leases office premises. 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 2024, the contractual undiscounted cashflows of the leases were payable as follows:

	<b>2024</b>	<b>2023</b>
	<b>Ushs'000</b>	<b>Ushs'000</b>
Within one year	388,430	175,441
Between 2 and 5 years	907,584	599,424
More than 5 years	-	-
<b>At 31 December</b>	<b><u>1,296,014</u></b>	<b><u>774,865</u></b>

<b>Lease liabilities</b>	<b>2024</b>	<b>2023</b>
	<b>Ushs'000</b>	<b>Ushs'000</b>
At 1 January	624,205	728,709
Lapsed Lease during the year	(491,999)	-
New Lease	1,296,014	-
Interest on lease	86,062	67,571
Lease payments	(180,117)	(180,552)
Unrealized foreign exchange loss	12,567	8,477
	<b><u>1,346,732</u></b>	<b><u>624,205</u></b>

	<b>2024</b>	<b>2023</b>
	<b>Ushs'000</b>	<b>Ushs'000</b>
Current	206,999	111,656
Non-current	1,139,733	512,550

**(i) 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.

**(ii) Amounts recognised in statement of cashflows**

	<b>2024</b>	<b>2023</b>
	<b>Ushs'000</b>	<b>Ushs'000</b>
Lease interest expense paid	86,062	67,571
Lease payments-Principal	(180,117)	(180,552)
<b>Total cash outflow for leases</b>	<b><u>(94,055)</u></b>	<b><u>(112,981)</u></b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Deferred tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2023: 30%). The movement on the deferred income tax account is as follows:

	Note	2024 Ushs '000	2023 Ushs'000
<b>At 1 January</b>		(2,041,206)	(1,592,512)
Profit or loss charge		21,729	(448,694)
		<u>(2,019,477)</u>	<u>(2,041,206)</u>
Deferred tax asset recognized	14	(683,422)	(683,422)
Deferred tax asset unrecognized		(1,336,055)	(1,357,784)
<b>At 31 December</b>		<u>(2,109,477)</u>	<u>(2,041,206)</u>

Movement in deferred tax balances

2024	01-Jan Ushs'000	Charged/ (credited) to P&L Ushs'000	31-Dec Ushs'000
<b>Deferred income tax assets</b>			
Tax losses	(513,740)	109,185	(404,555)
Accelerated tax depreciation	(100,438)	25,180	(75,258)
Unrealized exchange loss/(gain)	75,183	(17,703)	57,480
Leave and bonus provision	(106,234)	60,307	(45,927)
Bad debt provisions	(163,113)	(12,554)	(175,667)
Leases	(54,596)	5,461	(49,135)
IFRS 17 Adjustment	(1,178,268)	(148,147)	(1,326,415)
<b>Net deferred income tax asset</b>	<u>(2,041,206)</u>	<u>21,729</u>	<u>(2,019,477)</u>

2023	01-Jan Ushs'000	Charged/ (credited) to P&L Ushs'000	31-Dec Ushs'000
<b>Deferred income tax assets</b>			
Tax losses	(451,611)	(62,129)	(513,740)
Accelerated tax depreciation	(127,766)	27,328	(100,438)
Unrealized exchange (gain)/loss	72,874	2,309	75,183
Leave and bonus provision	(89,482)	(16,752)	(106,234)
Bad debt provisions	(162,084)	(1,029)	(163,113)
Leases	(56,103)	1,507	(54,596)
IFRS 17 Adjustments	(778,340)	(399,928)	(1,178,268)
	<u>(1,592,512)</u>	<u>(448,694)</u>	<u>(2,041,206)</u>
<b>Net deferred income tax asset</b>	<u>(1,592,512)</u>	<u>(448,694)</u>	<u>(2,041,206)</u>

The Company has assessed the recoverability of the deferred tax assets and recognized Ushs'683 million at 31 December 2024 (2023: Ushs'683 million). At each reporting date, the Company continues to reassess unrecognized deferred tax assets.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. Contingent liabilities**

The Company did not have any significant contingent liabilities as at 31 December 2024 (2023: Nil)

**28. Related party transactions**

**i) Key management compensation**

	<b>2024</b>	<b>2023</b>
	<b>Ushs'000</b>	<b>Ushs'000</b>
Directors' remuneration	328,471	231,321
	<b>328,471</b>	<b>231,321</b>

**ii) Amounts due (from)/to related companies.**

	<b>2024</b>	<b>2023</b>
	<b>Ushs'000</b>	<b>Ushs'000</b>
Mayfair Insurance Company Limited Kenya	(5,729)	28,825
	<b>(5,729)</b>	<b>28,825</b>

**iii) Nature of transactions with related parties**

<b>Name of related party</b>	<b>Nature of business</b>	<b>Relationship</b>
Mayfair Insurance Company Limited Kenya	None	Shareholder
Andrea Limited	None	Shareholder
Anjay Vithalbhaj Patel	Directors remuneration	Shareholder
Vishal Rajinder Kumar	Directors remuneration	Shareholder
Manish Dawda Hasmukh	Directors remuneration	Shareholder
Vinay Dawda	Directors remuneration	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
Deva Rudra	Key management compensation	Key management
Ramesh Babu Subbaiah Setty Bonthala	Directors remuneration	Director
Candida Lynn Wekesa Okoboi	Directors remuneration	Director
Miriam Ekirapa Musaali	Directors remuneration	Director
Ali Reza Walji	Directors remuneration	Director

**29. Events after 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.