MEANWOOD GENERAL INSURANCE LIMITED

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2013

MEANWOOD GENERAL INSURANCE LIMITED
(Incorporated in Zambia)

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2013

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CORPORATE INFORMATION

The Directors and Managers who held office during the year ended 31 December 2013 and professional advisors to the Company were:

DIRECTORS

Eddie K Samakai	-	Chairman
Tobias Milambo	-	Managing Director
Ernest C Mwansa		
Chance Kabaghe		
Christy Lumpa		

MANAGEMENT

Tobias Milambo	-	Managing Director
Richard Kasanda	-	Head Finance and Administration

SECRETARY

Mr. Boyd . A. Katebe
Plot 6449
Manchinchi Road
P.O. Box NM77
Lusaka

BANKERS

Investrust Bank Plc
Great East Road
P.O. Box 32344
Lusaka

AUDITORS

Deloitte & Touche
Abacus Square, Stand 2374/B
Thabo Mbeki Road
P.O. Box 30030
Lusaka

REGISTERED OFFICE

The address of the Company's registered office and principle place of business is:

Plot 106 Fairview
Great East Road
P.O. Box 31334
Lusaka, Zambia

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting the second annual report, together with the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be that of transacting all classes of property and casualty insurance business in Zambia.

REBASING OF THE ZAMBIAN CURRENCY

Effective 1 January 2013 the Government of the Republic of Zambia through the Bank of Zambia (BoZ) rebased the Zambian currency by dropping three zeros. The old and rebased currencies were in circulation until 30 June 2013, when the old currency ceased to be legal tender. Accordingly, the Company rebased all its data maintained on the accounting package effective 1 January 2013. To allow for meaningful comparison, the comparative figures for the period to 31 December 2012 have been rebased.

RESULTS AND DIVIDENDS

The financial results of the Company for the year under review are as reported in the financial statements set out on pages 8 to 42 and are summarised below:

The Company made a profit after tax of **K630,239** (2012: Loss of K1,124,495). The Directors do not recommend the payment of a dividend.

The underwriting results of the Company were as follows:

Figures in Kwacha

Class of business	Fire	Accident	Motor	Bonds	Marine	Engineering	Legal	Total 2013
Gross premiums	960,423	654,775	5,720,538	4,706,995	1,057,715	1,672,960	32,535	**14,805,941**
Reinsurance	(384,304)	(192,522)	(304,372)	(230,583)	(373,286)	(329,361)	-	**(1,814,428)**
	576,119	462,253	5,416,166	4,476,412	684,429	1,343,599	32,535	**12,991,513**
Expenditure								
Net claims incurred, net of reinsurance	(201,794)	-	(1,071,700)	(421,623)	-	(370,000)	-	**(2,065,117)**
Commissions received	(30,465)	(101,335)	(284,146)	(37,643)	(3,060)	(60,263)	-	**(516,912)**
Other direct expenses	(5,253)	(3,752)	(28,516)	(23,263)	(5,253)	(8,255)	(750)	**(75,042)**
	(237,512)	(105,087)	(1,384,362)	(482,529)	(8,313)	(438,518)	(750)	**(2,657,071)**
Change in insurance funds	(220,247)	(157,319)	(1,195,625)	(975,378)	(220,247)	(346,102)	(31,464)	**(3,146,382)**
	(457,759)	(262,406)	(2,579,987)	(1,457,907)	(228,560)	(784,620)	(32,214)	**(5,803,453)**
Underwriting profit	118,360	199,847	2,836,179	3,018,505	455,869	558,979	321	**7,188,060**

OUTSTANDING CLAIMS

The outstanding claims at the end of the year were **K1,019,387** (2012: K 112,178).

EMPLOYEES

The average number of employees in each month of the year was less than 100.

The total remuneration paid to employees during the year was **K2,006,196** (2012: K739,349).

EXPORTS

The Company did not export any services during the year (2012: Nil).

RESEARCH AND DEVELOPMENT

The Company did not carry out any research and development activities during the year.

HEALTH AND SAFETY OF EMPLOYEES

The Company recognises its responsibility regarding the occupational health, safety and welfare of the employees and has put in place measures to safeguard them.

DONATIONS

The Company did not make any donations during the year (2012: Nil).

SHARE CAPITAL

There were no changes to the authorised share capital during the year under review, however during the year the Shareholders paid K1,100,000 share premium in addition to the shares issued last year at K1 per share.

PROPERTY AND EQUIPMENT

The additions to property and equipment during the year amounted to **K195,192** (2012: K686,273**)** and comprise the following:

	2013	2012
	K	K
Computer equipment	**97,940**	237,436
Furniture and fittings	**45,134**	137,875
Motor vehicles	**39,000**	300,000
Office equipment	**13,118**	10,962
	195,192	686,273

CORPORATE GOVERNANCE

The Directors continue to be committed to high standards of corporate governance, which are fundamental to discharging their leadership responsibilities. The Board applies integrity, principles of good governance and accountability throughout its activities.

AUDITORS

The term of office for Messrs Deloitte & Touche expires at the next Annual General Meeting. The auditors have expressed their willingness to continue serving the Company as auditors. A resolution proposing their re-appointment as auditors to the Company and authorising the Directors to determine their remuneration will be put to the Annual General Meeting.

By order of the Board.

COMPANY SECRETARY

DATE: 8TH APRIL, 2014

MEANWOOD GENERAL INSURANCE LIMITED

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

Section 164(6) of the Companies Act, 1994 (as amended) and the Insurance Act 1997 (as amended) require the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the profit or loss for that year.

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information which the independent external auditors, Messrs Deloitte & Touche, have audited and their report is included on pages 6 and 7.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In the opinion of the Directors:

- the statement of profit or loss and other comprehensive income of the Company is drawn up so as to give a true and fair view of the Company's profit for the year ended 31 December 2013;
- the statement of financial position of the Company is drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2013;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due; and
- the financial statements are drawn up in accordance with applicable International Financial Reporting Standards and in the manner required by the Insurance Act, 1997 (as amended) and the Companies Act, 1994 (as amended).

Signed on behalf of the Board by:

______________________________)
) **CHAIRMAN**
)
)
______________________________)
) **MANAGING DIRECTOR**

DATE:

Deloitte.

PO Box 30030
Lusaka
Zambia

Deloitte & Touche
Abacus Square
Plot No. 2374/B
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INDEPENDENT AUDITOR'S REPORT

To the members of
Meanwood General Insurance Limited

Report on the financial statements

We have audited the accompanying financial statements of Meanwood General Insurance Limited on pages 8 to 42, which comprise of the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Insurance Act, 1997 (as amended) and the Companies Act, 1994 (as amended) and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Meanwood General Insurance Limited as at 31 December 2013, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Insurance Act, 1997 (as amended) and the Companies Act, 1994 (as amended).

Report on other legal requirements

The Companies' Act, 1994 (as amended) require that in carrying out our audit, we consider and report to you on the following matter: we confirm that the accounting and other records and registers required by the Act have been properly kept in accordance with the Act.

In accordance with the Insurance Act, 1997 (as amended), we report that in our opinion:

- The Company made available all necessary information to enable us to comply with the requirements of this Act;
- The Company has complied with the provisions of this Act and the regulations, guidelines and prescriptions under this Act; and
- The Company met the minimum solvency margins as required by Section 37 of the Insurance Act, 1997 (as amended). The Company recorded a solvency margin of 22% as disclosed in the solvency statement on page 42.

Deloitte & Touche

DELOITTE & TOUCHE

ALICE JERE TEMBO
PARTNER

DATE: 08/04/2014

MEANWOOD GENERAL INSURANCE LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013

	NOTES	Year ended 31 December 2013 K	21 March 2012 to 31 December 2012 K
Revenue			
Premiums, net of reinsurance			
Gross written premiums	5	**14,805,941**	3,679,320
Less: Premiums ceded to reinsurers		**(1,814,428)**	(595,659)
Net premium income		**12,991,513**	3,083,661
Less: Movement in unearned premium reserve		**(3,146,382)**	(2,475,291)
		9,845,131	608,370
Reinsurance commissions received		**-**	-
		9,845,131	608,370
Claims			
Claims paid - gross amount		**(1,045,730)**	(10,827)
Change in claims outstanding		**(1,019,387)**	(112,178)
Claims incurred, net of reinsurance		**(2,065,117)**	(123,005)
Other expenses			
Commissions paid to brokers and agents		**(516,912)**	(201,103)
Other direct operating expenses	6	**(75,042)**	(16,994)
Total claims and direct expenses		**(2,657,071)**	(341,102)
Underwriting profit		**7,188,060**	267,268
Other operating income and losses			
Investment revenue	7	**268,867**	43,127
Other gains and losses	8	**862**	(59)
Employee benefits expenses		**(2,006,196)**	(739,349)
Other indirect operating expenses	6	**(4,073,207)**	(1,194,090)
Depreciation expense	9	**(190,001)**	(76,466)
Profit (loss) before tax	9	**1,188,385**	(1,699,569)
Income tax (expense) credit	10	**(558,096)**	575,074
Profit (loss) and other comprehensive income (loss) for the year (period)		**630,289**	(1,124,495)

There were no items of other comprehensive income for the year (2012:Nil).

MEANWOOD GENERAL INSURANCE LIMITED

STATEMENT OF FINANCIAL POSITION
at 31 December 2013

	NOTES	2013 K	2012 K
ASSETS			
Property and equipment	11	**614,998**	609,806
Held to maturity investments	13	**941,960**	-
Premium receivables	14	**6,766,872**	1,629,617
Other receivables	15	**319,095**	46,814
Deferred tax asset	16	**373,104**	590,168
Cash and cash equivalents		**5,583,077**	2,413,587
TOTAL ASSETS		**14,599,106**	5,289,992
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	**1,000,000**	1,000,000
Share premium	17	**2,300,000**	1,200,000
Deficit on reserves		**(494,206)**	(1,124,495)
Total equity		**2,805,794**	1,075,505
Insurance funds and provisions			
Unearned premiums	18	**5,621,673**	2,475,292
Outstanding claims	19	**1,019,387**	112,178
		6,641,060	2,587,470
Liabilities			
Reinsurance and agents payables	20	**842,814**	438,538
Other payables	21	**3,832,563**	1,100,421
Amounts due to a related party	22	**120,749**	72,964
Current tax liabilities	10	**356,126**	15,094
		5,152,252	1,627,017
TOTAL EQUITY AND LIABILITIES		**14,599,106**	5,289,992

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 5. The financial statements on pages 8 to 42 were approved and authorised for issue by the Board of Directors on and were signed on its behalf by:

) CHAIRMAN
)
)
)
)
) MANAGING DIRECTOR
)

MEANWOOD GENERAL INSURANCE LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Share capital K	Share premium K	Deficit on reserves K	Total K
At 21 March 2012	**-**	**-**	**-**	**-**
Issue of ordinary shares	1,000,000	1,200,000	-	2,200,000
Loss for the period	-	-	(1,124,495)	(1,124,495)
Balance at 31 December 2012	**1,000,000**	**1,200,000**	**(1,124,495)**	**1,075,505**
Share premium (note 17)	-	1,100,000	-	1,100,000
Profit for the year	-	-	630,289	630,289
Balance at 31 December 2013	**1,000,000**	**2,300,000**	**(494,206)**	**2,805,794**

MEANWOOD GENERAL INSURANCE LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 December 2013

	NOTES	Year ended 31 December 2013 K	21 March 2012 to 31 December 2012 K
OPERATING ACTIVITIES			
Profit (loss) for the year (period)		**630,289**	(1,124,495)
Adjusted for non cash items:			
Income tax expense (credit)	10	**558,096**	(575,074)
Depreciation of non-current assets	11	**190,001**	76,466
Impairment loss recognised on premium receivables		**(751,871)**	259,003
Operating cash flows before movement in working capital		**626,515**	(1,364,100)
Increase in held to maturity investments		**(941,960)**	-
Increase in premium receivables		**(4,385,385)**	(1,888,619)
Increase in other receivables		**(272,281)**	(46,814)
Increase in unearned premiums		**3,146,381**	2,475,292
Increase in outstanding claims		**907,209**	112,178
Increase in reinsurance payables		**404,276**	438,538
Increase in other payables		**2,732,142**	1,100,421
Increase in amounts due to a related party		**47,785**	72,964
Net cash generated from operating activities		**2,264,682**	899,860
INVESTING ACTIVITIES			
Purchase of property and equipment	11	**(195,192)**	(686,273)
Net cash used in investing activities		**(195,192)**	(686,273)
FINANCING ACTIVITIES			
Issue of share capital	17	**-**	1,000,000
Share premium	17	**1,100,000**	1,200,000
Net cash generated from financing activities		**1,100,000**	2,200,000
Net cash inflows		**3,169,490**	2,413,587
Net cash and cash equivalents at beginning of the year		**2,413,587**	-
Net cash and cash equivalents at end of the year		**5,583,077**	2,413,587
CASH AND CASH EQUIVALENTS			
Bank and cash balances		**1,749,516**	977,361
Held to maturity investments	13	**3,833,561**	1,436,226
		5,583,077	2,413,587

1. GENERAL INFORMATION

Meanwood General Insurance Limited (the "Company") is a limited company incorporated and domiciled in Zambia. The address of its registered office and principal place of business are disclosed in the corporate information given on page 1. The principal activities of the Company are described in the Director's report.

Following the rebasing of the currency effective1 January 2013, the financial statements are presented in the rebased amounts. Consequently, the comparative figures in these financial statements have also been rebased to allow for meaningful comparison.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs affecting amounts reported in the current year (and/or prior years)

The following new and revised IFRSs have been applied in the current year. There has been no impact on the amounts reported in these financial statements.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Company has applied the amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Company does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the financial statements.

IFRS 13 Fair Value Measurement

The Company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (Continued)

IFRS 13 Fair Value Measurement (Continued)

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

2.2 New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments* [2]
Amendments to IFRS 9 and IFRS 7	*Mandatory effective date of IFRS 9 and Transition Disclosures* [2]
Amendments to IAS 32	*Offsetting financial assets and financial liabilities* [1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 January 2015

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (Continued)

IFRS 9 Financial Instruments (Continued)

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities (e.g. the Company's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (Continued)

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Company's financial statements as the Company does not have any financial assets and financial liabilities that qualify for offset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3.2 Basis of preparation

The financial statements are prepared on the historical cost basis of accounting, modified to include the revaluation of certain property and equipment, financial assets and financial liabilities. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The accounting policies have been applied by the Company consistent with those in the previous year.

The financial statements are presented in units of thousands of Zambia Kwacha.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3 Premium income

Gross premium income is measured at the fair value of the consideration receivable and is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

The underwriting surplus is determined after taking full account of reinsurance, provision for unearned premiums unexpired risks and outstanding claims. Premiums are accounted for in the period in which the risk commences.

3.4 Claims

Claims consist of claims paid to policyholders, changes in the valuation of the liabilities arising on policyholder contracts and internal and external claims handling expenses, net of salvage and subrogation recoveries. These claims are recognised upon notification.

3.5 Investment income

Investment income is accounted for on an accruals basis and relates to interest from fixed term deposits.

3.6 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

3.7 Foreign currencies

The financial statements are presented in thousands of Zambian Kwacha, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Foreign currencies (Continued)

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income in the period in which they arise.

Exchange losses arising on cash and cash equivalents are treated as realised for tax purposes.

3.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.8.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of statement of comprehensive income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the reporting date.

3.8.2 Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using the tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from the depreciation of property and equipment, revaluation of certain financial assets and liabilities and tax losses carried forward; and in relation to acquisitions, on the difference between their fair values of the net assets acquired and their tax base. The rates enacted or substantially enacted at the reporting date are used to determine deferred tax.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Income tax payable on profits, based on the applicable Zambian tax law, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Taxation (Continued)

3.8.3 Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

3.9 Property and equipment

3.9.1 Valuation of property and equipment

Moveable property and equipment, fixtures and fittings and motor vehicles are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to write off the cost of property and equipment over their estimated useful lives, net of residual values, on a straight line basis at the following annual rates:

Office equipment	25.0%
Furniture and fittings	20.0%
Motor vehicles	25.0%
Computer equipment	25.0%

The estimated useful lives, residual values and depreciation method are reviewed at each year end. The effect of any changes in estimate is accounted for on a prospective basis.

Repairs and maintenance expenses are charged to profit or loss during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company.

3.9.2 Impairment of property and equipment

At each reporting date, the Company reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Property and equipment (Continued)

3.9.2 Impairment of property and equipment (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.10 Financial instruments

i. Financial assets

The Company classifies its financial assets in the following categories: loans and other receivables and held-to-maturity investments. Management determines the classification of its investments at initial recognition.

Insurance and other receivables

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

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

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

Deferred acquisitions costs

Commission and other acquisition expenses relating to unearned premiums are carried forward as deferred acquisition costs. Deferred acquisition costs represent commission and other brokers' fees which vary directly with and are primarily related to the acquisition of new and renewal insurance contracts and are deferred and charged to profit or loss as the related premium income is recognised. Deferred acquisition costs are calculated on a time basis using the 365 day method in respect of all classes of business.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial instruments (Continued)

i. Financial assets (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as insurance receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial instruments (Continued)

i. Financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

ii. Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

Financial liabilities

Financial liabilities are classified as trade and other payables, other liabilities and amounts due to related parties.

Trade and other payables and other liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method. Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial instruments (Continued)

ii. Financial liabilities and equity (Continued)

Financial liabilities (Continued)

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

Equity instruments

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

The accounting policies adopted for specific financial liabilities and equity instruments are as set out below:

Unearned premiums

Unearned premiums relate to the unexpired risks under policies in force. Unearned premiums are calculated on a time basis using the 365 day method in respect of all classes of business.

Reinsurance and other payables

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

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

Reinsurance and other payables

The accounting policies adopted for specific financial liabilities and equity instruments are as set out below:

Bank borrowings and overdrafts

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial instruments (Continued)

ii. Financial liabilities and equity (Continued)

Outstanding claims

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

3.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and which a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.12 Retirement benefits

The Company maintains a defined contribution scheme to provide pensions to employees. Payments to this defined contribution scheme are recognised as an expense when employees have rendered services entitling them to the contributions. Costs relating to the scheme are charged against profit or loss on the basis of present remuneration.

The Company contributes to the National Pension Scheme Authority ("NAPSA") for its eligible employees as provided by the law. Membership is compulsory and monthly contributions by both employer and employees are made. The employers contribution is charged to profit or loss in the year in which it arises.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the Company's accounting policies which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are readily apparent from other sources. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations below, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

i) Revenue recognition

The Company has one major source of income namely premiums. The income is recognised as and when the policy is written.

4.2 Key sources of estimation uncertainty

a) Held to maturity investments

The Company follows the guidance on IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than for specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale. The investments will therefore be measured at fair value and not amortised cost.

b) Income taxes

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Key sources of estimation uncertainty (Continued)

c) Outstanding claims

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims.

d) Asset residual values, useful lives and asset componentising

Management have estimated the residual values and useful lives of property and equipment at 31 December 2013 in conformity with the requirements of IAS16.

Management have also determined that componentising items of property and equipment would not result in material differences in asset carrying values. In the opinion of Management, the Company does not have any material property, plant and equipment with material components that can be identified which have different useful lives.

5. GROSS PREMIUM WRITTEN

The Company is organised into sections according to the class of business underwritten.

The sections are the basis on which the Company reports its primary segmental data.

	Year ended 31 December 2013 K	21 March 2012 to 31 December 2012 K
By class of business		
Motor	**5,720,538**	1,431,398
Bonds	**4,706,995**	-
Engineering	**1,672,960**	1,417,581
Marine	**1,057,715**	-
Fire	**960,423**	704,500
Accident	**654,775**	125,841
Legal	**32,535**	-
	14,805,941	3,679,320
By method of business		
Direct business	**11,877,924**	3,059,314
Brokers and agents	**2,928,017**	620,006
	14,805,941	3,679,320

6. OTHER OPERATING EXPENSES

	Year ended 31 December 2013 K	21 March 2012 to 31 December 2012 K
(i) Direct expenses		
Insurance levy	**75,042**	16,994
(ii) Indirect expenses		
Sundry expenses	**3,321,487**	1,020,178
Advertising	**576,472**	106,412
Rental expenses	**175,248**	67,500
	4,073,207	1,194,090

Included in sundry expenses is interest of **K78,919** (2012: nil) charged on unpaid VAT and PAYE.

7. INVESTMENT REVENUE

Investment revenue comprise of interest earned on term deposits.

8. OTHER GAINS AND LOSSES

The other gains and losses in profit or loss comprise exchange gains (2012: exchange losses) for the year (period).

9. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax is stated after crediting:

	2013 K	2012 K
Interest income	**268,867**	43,127
Net exchange gains	**862**	-

and after charging:

	2013 K	2012 K
Director's and key management remuneration:		
- in connection with the management of the Company	**1,140,000**	600,000
Depreciation (note 11)	**190,001**	76,466
Company pension contributions	**55,208**	16,760
Net exchange losses	**-**	59

10. TAXATION

	Year ended 31 December 2013 K	21 March 2012 to 31 December 2012 K
Income tax at 35%		
Current tax:		
- on profit for the year	**(246,929)**	-
- on interest income	**(94,103)**	(15,094)
	(341,032)	(15,094)
Deferred taxation (note 16)	**(217,064)**	590,168
Income tax (expense) credit	**(558,096)**	575,074

Reconciliation of the tax expense (charge)

	Year ended 31 December 2013 K	21 March 2012 to 31 December 2012 K
Profit (loss) before tax	**1,188,385**	(1,699,569)
Tax on accounting profit (loss) @ 35%	**415,935**	(594,849)
Permanent differences	**142,161**	19,775
Current tax expense (credit) for the year (period)	**558,096**	(575,074)

Subject to agreement with the Zambia Revenue Authority, the Company has estimated tax losses of approximately **nil** (2012: K1,069,847) available to carry forward for a period of not more than 5 years from the charge year in which they were incurred, for set off against future taxable profits from the same source as follows:

2012 tax losses available until 2017	-	1,069,847

The brought forward tax losses were fully utilised during the year.

Current tax liability

The movement during the year on the income tax account are as follows:

Payable in respect of the year/period	**341,032**	15,094
Payable in respect of prior period	**15,094**	-
	356,126	15,094

11. PROPERTY AND EQUIPMENT

	Motor vehicles K	Computer equipment K	Office equipment K	Furniture and fittings K	Total K
COST					
At 21 March 2012	-	-	-	-	-
Additions	300,000	237,436	10,962	137,875	686,273
At 31 December 2012	**300,000**	**237,436**	**10,962**	**137,875**	**686,273**
Additions	39,000	97,940	13,118	45,134	195,192
At 31 December 2013	**339,000**	**335,376**	**24,080**	**183,009**	**881,465**
DEPRECIATION					
At 21 March 2012	-	-	-	-	-
Charge for the period	38,542	22,690	1,370	13,864	76,466
At 31 December 2012	38,542	22,690	1,370	13,864	76,466
Charge for the year	80,688	71,896	4,933	32,484	190,001
At 31 December 2013	**119,230**	**94,586**	**6,303**	**46,348**	**266,467**
CARRYING AMOUNT					
At 31 December 2013	**219,770**	**240,790**	**17,777**	**136,661**	**614,998**
At 31 December 2012	261,459	214,745	9,592	124,011	609,806

The Directors consider that the carrying value of property and equipment does not exceed their fair values.

12. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2013 and 2012.

13. HELD TO MATURITY INVESTMENTS

Held to maturity investments comprise term deposits.

The maturity analysis of the deposits as at 31 December 2013 was as follows:

	2013	2012
	K	K
Less than 90 days (included in cash and cash equivalents)	**3,833,561**	1,436,226
Over 90 days	**941,960**	-
	4,775,521	1,436,226

The investments maturing within 90 days have been reflected under cash and cash equivalents in the statement of cash flows.

14. PREMIUM RECEIVABLES

Premium receivables comprise amounts receivable from the underwriting of insurance contracts and is made up as follows:

	2013	2012
Gross insurance receivable	**7,777,746**	1,888,620
Allowance for doubtful debts	**(1,010,874)**	(259,003)
Gross insurance receivable	**6,766,872**	1,629,617

Included in premium receivables are amounts due to related parties of **K123,122** (2012: K133,791) as disclosed under note 22.

Insurance receivables for the Company can be analysed as follows:

	2013	2012
By customer type:		
Direct business	**4,838,855**	1,222,213
Brokers and agents	**1,928,017**	407,404
	6,766,872	1,629,617

The average credit period on insurance receivables is 60 days. The Company has provided fully for all receivables where recoverability is questionable.

14. PREMIUM RECEIVABLES (CONTINUED)

Included in premiums receivables are balances with a carrying value of **K1,485,045** (2012: K982,955) which are past due at reporting date for which no provision has been made as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired receivables is as analysed below:

	2013	2012
	K	K
60 - 90 days	**1,485,045**	982,955
Average age (days)	**37**	98

The movement in allowance for bad debts is as follows:

	2013	2012
	K	K
Balance at the beginning of the year/period	**259,003**	-
Additional provisions during year/period	**751,871**	259,003
	1,010,874	259,003

In determining the recoverability of the insurance receivables, the Company considers any change in the credit quality of the premium receivable from the date credit was initially granted up to the reporting date. The concentration of the credit risk is limited due to large and unrelated customer base.

15. OTHER RECEIVABLES

	2013	2012
Prepayments	**319,095**	46,814

The Directors consider that the carrying amount of other receivables approximates their fair value.

16. DEFERRED TAX

	2013	2012
At beginning of the year/period	**(590,168)**	-
Charge (credit) to profit or loss (note 10)	**217,064**	(590,168)
At end of the year/period	**(373,104)**	(590,168)

The following are the major deferred tax liabilities (assets) recognised by the Company and their movements in the year:

16. DEFERRED TAX (CONTINUED)

	At beginning of year/period (asset) liability K	Arising in the year K	At end of year/period (asset) liability K
31 December 2013			
Tax losses	(470,236)	470,236	-
Provisions	(147,968)	(257,867)	(405,835)
Accelerated capital allowances	28,036	4,695	32,731
	(590,168)	**217,064**	**(373,104)**
31 December 2012			
Tax losses	-	(470,236)	(470,236)
Provisions	-	(147,968)	(147,968)
Accelerated capital allowances	-	28,036	28,036
	-	**(590,168)**	**(590,168)**

17. SHARE CAPITAL AND PREMIUM

	2013 K	2012 K
Authorised, issued and fully paid		
1,000,000 ordinary shares of K1 each	**1,000,000**	1,000,000
Share premium	**2,300,000**	1,200,000

During the year, the shareholders paid K1,100,000 as share premium over and above the shares issued last year in 2012.

18. DEFERRED ACQUISITION COSTS AND UNEARNED PREMIUMS

As included in note 3.10 deferred acquisition costs and unearned premiums are calculated on a time basis using the 24th method.

This represents amounts due from or to the reinsurers in relation to their share of claims paid, sliding scale commission adjustments and other amounts as may be payable or recoverable.

19. OUTSTANDING CLAIMS

	2013	2012
Outstanding claims	**1,571,510**	112,178
Reinsurance share of outstanding claims	**(552,123)**	-
	1,019,387	112,178

19. OUTSTANDING CLAIMS (CONTINUED)

Outstanding claims comprise amounts outstanding in respect of claims arising from the underwriting of insurance contracts.

The Directors consider that the carrying amounts of outstanding claims approximate their fair values.

20. REINSURANCE AND AGENTS RECEIVABLES AND PAYABLES

	2013	2012
	K	K

This represents amounts due from or to the reinsurers in relation to their share of claims paid, sliding scale commission adjustments and other amounts as may be payable. At year end, the net balance was a payable.

21. OTHER PAYABLES

Other payables principally comprise amounts outstanding in respect of purchases and on-going costs, as well as amounts accrued in respect of operating costs. The Directors consider that the carrying amount of other payables approximates their fair value.

The make up of the other payables balance at the reporting date was as follows:

	2013 K	2012 K
Value added tax	**1,829,980**	307,267
Sundry payables	**1,630,193**	595,934
Employee related liabilities	**372,390**	197,220
	3,832,563	1,100,421

22. RELATED PARTY TRANSACTIONS

The Company's shareholding is made up of 70% by Meanwood Holdings Limited and 30% by Norwood Investment Ventures Limited. These financial statements include certain transactions with Meanwood Holdings Limited and to the following fellow subsidiaries: Meanwood Construction Limited, Meanwood Property Development Limited, Midrand Business Systems Limited and Meanwood Finance Corporation Limited.

These transactions are under terms that are no less favourable than those arranged with third parties.

22. RELATED PARTY TRANSACTIONS (CONTINUED)

The effect on the results for the year of these transactions is as follows:

(i) **Trading transactions**	**2013**	2012
	K	K
Premiums		
Meanwood Property Development Limited	**71,709**	151,397
Meanwood Construction Limited	**46,204**	31,050
Midrand Business Systems Limited	**42,053**	23,774
Norwood Investment Ventures Limited	**35,939**	24,022
Meanwood Finance Corporation Limited	**20,075**	6,960
	215,980	237,203
Expenses		
Meanwood Property Development Limited	**275,570**	101,975

(ii) Amounts due from related parties

Meanwood Construction Limited	**62,755**	31,050
Meanwood Holdings Limited	**60,367**	102,741
	123,122	133,791

The above amounts arose on insurance business and are included in premium receivables balance as disclosed under note 14.

(iii) Amounts due to a related party

Meanwood Property Development Limited	**120,749**	72,964

The amounts due to Meanwood Property Development Limited include office and car rentals.

(iii) Directors and key management personnel remuneration

The remuneration of Directors and other members of key Management during the year was as follows:

Directors' and key management staff emoluments in connection with the management of the Company.	**1,140,000**	600,000

23. EVENTS AFTER THE REPORTING DATE

There were no material facts or circumstances that have occurred between the accounting date and the date of financial statements, which would require disclosure or adjustments to these financial statements.

24. CONTINGENT LIABILITIES AND ASSETS

There are no known material contingencies at 31 December 2013 and 2012.

25. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies to the financial statements.

Categories of financial instruments

	2013	2012
	K	K
Financial assets		
Held to maturity investments	**941,960**	-
Insurance receivables	**6,766,872**	1,629,617
Cash and cash equivalents	**5,583,077**	2,413,587
	13,291,909	4,043,204
Financial liabilities		
Unearned premiums	**5,621,673**	2,475,292
Reinsurance payables	**842,814**	438,538
Outstanding claims	**1,019,387**	112,178
Other payables	**1,630,193**	595,934
Amounts due to a related party	**120,749**	72,964
	9,234,816	3,694,906

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management (Continued)

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed on page 10 in the statement of changes in equity.

Gearing ratio

The Company reviews the capital structure on an on-going basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Company has a gearing ratio of **Nil** determined as the proportion of net debt to equity. The gearing ratio at the year end was as follows:

	2013 K	2012 K
Debt (i)	**-**	-
Less: Cash and cash equivalents	**(5,583,077)**	(2,413,587)
Net asset	**(5,583,077)**	(2,413,587)
Equity (ii)	**2,805,794**	1,075,505
Net debt to equity ratio	**Nil**	Nil

(i) The company had no debt to third parties outside trading business.

(ii) Equity includes all capital and reserves of the Company.

Financial risk management objectives

The Company's Finance Department co-ordinates access to domestic markets and borrowings from foreign related parties, monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company does not enter into derivative financial instruments.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see below). The Company does not enter into any derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as approved by the Board of Directors.

The Company is exposed to foreign exchange risk arising primarily with respect to gross premiums written and reinsurance transactions, a large proportion of which are denominated in US Dollar.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	2013	2012
	K	K
Assets	**62,431**	7,532

Sensitivity analysis

At 31 December 2013, if the US Dollar had appreciated or depreciated by 4% against the Kwacha, with all other variables held constant, the increase or decrease in the loss for the year would have been **K2,497** (2012: K301) higher or lower, mainly arising from insurance receivables, cash and amounts due to reinsurers.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The Company is not exposed to interest rate risk because the Company did not borrow funds at either fixed and floating interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining an advance payment, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of accounts receivable.

Except as detailed in the following table, the carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

	2013	2012
	K	K
Premium and other receivables	**6,766,872**	1,629,617
Held to maturity investments	**941,960**	-
Cash and cash equivalents	**5,583,077**	2,413,587
	13,291,909	4,043,204

Insurance risk management

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

25. FINANCIAL INSTRUMENTS (CONTINUED)

Insurance risk management (Continued)

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be.

In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities. The Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management (Continued)

The following table details the Company's remaining contractual maturity for it's financial assets and liabilities. The table below has been drawn up based on the undiscounted contractual maturities of financial liabilities.

Year ended 31 December 2013	1 to 3 months K	3 months to 1 year K	Total K
Financial liabilities			
Unearned premiums	-	5,621,673	5,621,673
Outstanding claims	1,019,387	-	1,019,387
Reinsurance and Agents payables	842,814	-	842,814
Other payables	1,630,193	-	1,630,193
Amounts due to a related party	120,749	-	120,749
	3,613,143	**5,621,673**	**9,234,816**
Financial assets			
Insurance receivables	1,337,686	5,429,186	6,766,872
Held to maturity investments	-	941,960	941,960
Cash and cash equivalents	5,583,077	-	5,583,077
	6,920,763	**6,371,146**	**13,291,909**
Period ended 31 December 2012			
Financial liabilities			
Unearned premiums	-	2,475,292	2,475,292
Outstanding claims	112,178	-	112,178
Reinsurance and Agents payables	438,538	-	438,538
Other payables	595,934	-	595,934
Amounts due to a related party	72,964	-	72,964
	1,219,614	**2,475,292**	**3,694,906**
Financial assets			
Premium receivables	598,110	1,031,507	1,629,617
Cash and cash equivalents	2,413,587	-	2,413,587
	3,011,697	**1,031,507**	**4,043,204**

25. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements

The information set out below provides information about how the Company determines fair values of various financial assets and financial liabilities.

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

There were no financial assets and liabilities that are measured at fair value on a recurring basis during the year.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	2013		2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	K	**K**	K	K
Financial assets				
Loans and receivables:				
– Insurance receivables	6,766,872	6,766,872	1,629,617	1,629,617
– Held to maturity investments	941,960	941,960	-	-
Total	**7,708,832**	**7,708,832**	1,629,617	1,629,617
Financial liabilities				
Financial liabilities held at amortised cost:				
– Unearned premiums	5,621,673	5,621,673	2,475,292	2,475,292
– Outstanding claims	1,019,387	1,019,387	112,178	112,178
– Reinsurance and Agents payables	842,814	842,814	438,538	438,538
– Other payables	1,630,193	1,630,193	595,934	595,934
– Amounts due to a related party	120,749	120,749	72,964	72,964
Total	**9,234,816**	**9,234,816**	3,694,906	3,694,906

25. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements (Continued)

	Fair value hierarchy as at 31 December 2013			
	Level 1	Level 2	Level 3	Total
	K	K	K	K
Financial assets				
Loans and receivables:				
– Insurance receivables	-	6,766,872	-	6,766,872
– Held to maturity investments	-	941,960	-	941,960
Total	**-**	**7,708,832**	**-**	**7,708,832**
Financial liabilities				
Financial liabilities held at amortised cost:				
– Unearned premiums	-	5,621,673	-	5,621,673
– Outstanding claims	-	1,019,387	-	1,019,387
– Reinsurance and Agents payables	-	842,814	-	842,814
– Other payables	-	1,630,193	-	1,630,193
– Amounts due to a related party	-	-	120,749	120,749
Total	**-**	**9,114,067**	**120,749**	**9,234,816**

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

MEANWOOD GENERAL INSURANCE LIMITED

SOLVENCY STATEMENT
for the year ended 31 December 2013

Admitted assets	2013 K	2012 K
Property and equipment	**614,998**	609,806
Deferred tax asset	**373,104**	590,168
Held to maturity investments	**941,960**	-
Premium receivables	**7,777,746**	1,888,620
Less: Premium receivables over 60 days	**(1,485,045)**	(982,955)
Premium due from related parties	**(123,122)**	(133,791)
Other receivables	**319,095**	46,814
Cash and cash equivalents	**5,583,077**	2,413,587
Total admitted assets	**14,001,813**	4,432,249
Admitted liabilities		
Unearned premiums	**5,621,673**	2,475,292
Outstanding claims	**1,019,387**	112,178
Reinsurance and agents payables	**842,814**	438,538
Other payables	**3,832,563**	1,100,421
Amounts due to a related party	**120,749**	72,964
Current tax liabilities	**356,126**	15,094
Total admitted liabilities	**11,437,186**	4,214,487
Margin	**2,564,627**	217,762
Solvency margin %	**22%**	5%
Statutory solvency margin requirements	**10%**	10%