

MEANWOOD GENERAL INSURANCE
COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2014

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

(Incorporated in Zambia)

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2014

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MEANWOOD GENERAL INSURANCE COMPANY LIMITED

THE COMPANY'S DIRECTORS, MANAGEMENT AND ADVISORS

The Directors and Managers who held office during the year ended 31 December 2014 and professional advisors to the Company were:

DIRECTORS

Mr. Eddie Samakai	- Chairman
Mr. Tobias Milambo	- Executive Director
Mr. Chance Kabaghe	- Non Executive Director
Mr. Christy Lumpa	- Non Executive Director
Mr. Ernest Mwansa	- Non Executive Director

MANAGEMENT

Mr. Tobias Milambo	- Managing Director
Mr. Richard Kasanda	- Head Finance & Administration

SECRETARY

Mr. Boyd Katebe

LEGAL ADVISORS

Lloyd Jones and Collins
Chibundi and Company

BANKERS

Investrust Bank Zambia Plc
First National Bank (FNB)
Finance Bank Zambia

AUDITORS

Deloitte & Touche

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

Principal place of business and registered office:

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

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting the annual report, together with the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITY

The principal activity of the Company has continued to be that of transacting in all classes of Non-Life insurance business in Zambia.

FINANCIAL RESULTS

The financial results of the Company for the year under review are as reported in the financial statements set out on pages 8 to 70 and are summarised below:

The Company made a profit after tax of **K1,826,457** compared to a profit of K630,239 in the previous year. The Directors do not recommend the payment of a dividend.

The underwriting results of the Company were as follows:

Figures in Kwacha thousands

Class of business	Fire	Accident	Motor	Engineering	Bonds	Legal	Marine	Total 2014	Total 2013
Gross premiums									
Net reinsurance	839 517 (325 133)	1 065 110 (192 918)	13 279 686 (678 262)	2 283 437 (1 157 456)	8 699 653 (1 831 408)	161 925 -	1 497 359 (1 097 007)	27 826 687 (5 282 184)	14 805 941 (1 814 428)
	514 384	872 192	12 601 424	1 125 981	6 868 245	161 925	400 352	22 544 503	12 991 513
Expenditure									
Net claims	(71 606)	-	(5 696 447)	(17 712)	-	-	(168 846)	(5 954 611)	(2 065 117)
Net commissions	(43 814)	(55 588)	(741 680)	(119 173)	(454 035)	(8 451)	(29 669)	(1 452 410)	(516 912)
Other direct expenses	(4 057)	(5 144)	(68 627)	(11 029)	(42 019)	(785)	(2 746)	(134 407)	(75 042)
	(119 477)	(60 732)	(6 506 754)	(147 914)	(496 054)	(9 236)	(201 261)	(7 541 428)	(2 657 071)
Change in insurance funds	187 700	(204 133)	(2 911 775)	944 097	(943 531)	(41 459)	1 275 982	(1 693 120)	(3 146 382)
	68 223	(264 865)	(9 418 529)	796 183	(1 439 585)	(50 695)	1 074 721	(9 234 548)	(5 803 453)
Underwriting surplus	582 607	607 327	3 182 895	1 922 165	5 428 660	111 230	1 475 073	13 309 956	7 188 060

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

INVESTMENTS

The total book value of the investments of the Company increased from K4,775,521 in 2013 to **K6,716,338** in 2014 and comprised fixed term deposits with various commercial banks.

The primary focus of the investment policy remains security, liquidity and maximising the rate of return.

OUTSTANDING CLAIMS

The net outstanding claims at the year end were **K2,491,190** (2013: K1,019,387) and comprised the following:

	2014	2013
	K	K
Outstanding claims	3 505 665	1 571 510
Reinsurance share of outstanding claims	<u>(1 014 475)</u>	<u>(552 123)</u>
	<u>2 491 190</u>	<u>1 019 387</u>

EMPLOYEES

The average number of employees during the year was less than 100.

The total remuneration paid to the employees during the year was **K4,442,397** (2013: K2,006,196).

RESEARCH AND DEVELOPMENT

The Company did not carry out any research 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 made donations amounting to **K110,201** during the year (2013: Nil).

EXPORTS

The Company did not export any services during the year.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

SHARE CAPITAL

On 31 December 2014, authorised, issued and paid up capital was increased to K3,000,000 by the creation of 2,000,000 ordinary shares of K1 each.

PROPERTY AND EQUIPMENT

The additions to property and equipment during the year amounted to **K770,862** (2013: K175,092) and comprise the following:

	2014	2013
	K	K
Motor vehicles	510 600	45 134
Computer equipment	136 110	77 840
Furniture and fittings	122 032	39 000
Office equipment	2 120	13 118
	770 862	175 092

Software with a cost of **K37,930** (2013: K20,100) was also acquired during the year.

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: 15 APRIL 2015

MEANWOOD GENERAL INSURANCE COMPANY 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.

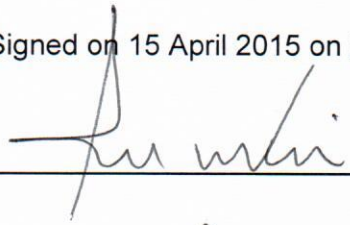
The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information which the independent external auditors, Messrs Deloitte & Touche, have audited and their report is included on pages 6 and 7.

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 2014;
- 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 2014;
- 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 15 April 2015 on behalf of the Board by:


_____)) CHAIRMAN
)
)
)
)
_____)) MANAGING DIRECTOR

INDEPENDENT AUDITOR'S REPORT

To the members of
Meanwood General Insurance Company Limited

Report on the financial statements

We have audited the accompanying financial statements of Meanwood General Insurance Company Limited, as set out on pages 8 to 70 which comprise of the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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 about 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 Company Limited as at 31 December 2014, and of its financial performance and its 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) and Insurance Act, 1997 (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 Acts have been properly kept in accordance with the Acts.

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 has not met the minimum solvency margins as required by Section 37 of the Insurance Act, 1997 (as amended). The Company recorded a solvency margin of 7% as disclosed in the solvency statement on page 70.

Deloitte & Touche
DELOITTE & TOUCHE



ALICE JERE TEMBO
PARTNER
M/PC NUMBER 0000564

DATE: 22 APRIL 2015

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
for the year ended 31 December 2014

	NOTES	2014 K	2013 K
Revenue			
Gross written premiums	5	27 826 687	14 805 941
Less: Premiums ceded to reinsurers		<u>(6 679 002)</u>	<u>(1 814 428)</u>
Net premium income		21 147 685	12 991 513
Less: Movement in unearned premium reserve		<u>(1 693 120)</u>	<u>(3 146 382)</u>
		19 454 565	9 845 131
Reinsurance commissions received		<u>1 396 819</u>	<u>-</u>
		<u>20 851 384</u>	<u>9 845 131</u>
Claims incurred, net of reinsurance	6	<u>(5 954 611)</u>	<u>(2 065 117)</u>
Other direct expenses			
Commissions paid to brokers and agents		(1 452 410)	(516 912)
Other direct operating expenses	7	<u>(134 407)</u>	<u>(75 042)</u>
Total claims and other direct expenses		<u>(7 541 428)</u>	<u>(2 657 071)</u>
Underwriting surplus		<u>13 309 956</u>	<u>7 188 060</u>
Other operating income			
Investment income	8	590 530	268 867
Other income		224 203	-
Other gains and losses	9	<u>16 307</u>	<u>862</u>
		<u>831 040</u>	<u>269 729</u>
Other expenses			
Employee benefits expenses		(4 442 397)	(2 006 196)
Other indirect operating expenses	7	(6 336 492)	(4 073 207)
Depreciation and amortisation expense	10	<u>(308 711)</u>	<u>(190 001)</u>
		<u>(11 087 600)</u>	<u>(6 269 404)</u>
Profit before tax	10	3 053 396	1 188 385
Income tax expense	11	<u>(1 226 939)</u>	<u>(558 096)</u>
Profit and other comprehensive income for the year		<u>1 826 457</u>	<u>630 289</u>

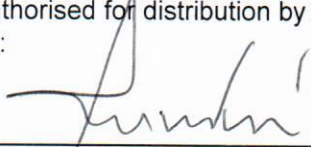
There were no items of other comprehensive income for the year (2013: Nil).

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**STATEMENT OF FINANCIAL POSITION**

at 31 December 2014

	NOTES	2014 K	2013 K
ASSETS			
Non-current assets			
Property and equipment	12	1 021 885	540 066
Intangible asset	13	93 195	74 932
Deferred tax asset	17	1 181 823	373 104
Total non-current assets		2 296 903	988 102
Current assets			
Held to maturity investments	14	-	941 960
Insurance receivables	15	15 016 151	6 766 872
Other assets	16	737 460	319 095
Cash and cash equivalents		9 447 503	5 583 077
Total current assets		25 201 114	13 611 004
TOTAL ASSETS		27 498 017	14 599 106
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	3 000 000	1 000 000
Share premium		300 000	300 000
Amounts received pending allotment of shares	30	-	2 000 000
Retained earnings		1 332 251	(494 206)
Total equity		4 632 251	2 805 794
Current liabilities			
Insurance contract liabilities	20	9 805 983	6 641 060
Insurance payables	21	3 661 608	842 814
Other financial liabilities	22	7 082 173	3 832 563
Amounts due to a related party	25	214 295	120 749
Deferred expenses	19	66 049	-
Current tax liabilities	11	2 035 658	356 126
Total current liabilities		22 865 766	11 793 312
TOTAL EQUITY AND LIABILITIES		27 498 017	14 599 106

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 70 were approved and authorised for distribution by the Board of Directors on **15 April 2015** and were signed on its behalf by:



 BOARD - CHAIRMAN



 MANAGING - DIRECTOR

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**STATEMENT OF CHANGES IN EQUITY**
for the year ended 31 December 2014

	Share capital K	Share premium K	Amounts received pending allotment of shares K	Retained earnings K	Total K
At 1 January 2013	1 000 000	300 000	900 000	(1 124 495)	1 075 505
Additions during the year	-	-	1 100 000	-	1 100 000
Profit for the year	-	-	-	630 289	630 289
At 31 December 2013	1 000 000	300 000	2 000 000	(494 206)	2 805 794
At 1 January 2014	1 000 000	300 000	2 000 000	(494 206)	2 805 794
Alloted during the year	2 000 000	-	(2 000 000)	-	-
Profit for the year	-	-	-	1 826 457	1 826 457
At 31 December 2014	3 000 000	300 000	-	1 332 251	4 632 251

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**STATEMENT OF CASH FLOWS**

for the year ended 31 December 2014

	NOTES	2014 K	2013 K
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		1 826 457	630 289
Adjusted for non cash items:			
Income tax expense recognised in profit or loss	11	1 226 939	558 096
Depreciation expense recognised in profit or loss	12	289 043	171 269
Amortisation expense recognised in profit or loss	13	19 668	18 732
Impairment loss recognised on insurance receivables	15	(1 774 036)	(751 871)
Operating cash flows before working capital		1 588 071	626 515
Decrease (increase) in held to maturity		941 960	(941 960)
Increase in insurance receivables		(6 475 243)	(4 385 385)
Increase in other assets		(418 365)	(272 281)
Increase in insurance contract liabilities		3 164 923	3 146 381
Increase in insurance payables		2 818 794	1 311 485
Increase in other financial liabilities		3 249 610	2 732 142
Increase in amounts due to a related party		93 546	47 785
Increase in deferred expenses		66 049	-
Cash generated from operating activities		5 029 345	2 264 682
Income tax paid	11	(356 126)	-
Net cash generated from operating activities		4 673 219	2 264 682
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	12	(770 862)	(175 092)
Purchase of computer software	13	(37 931)	(20 100)
Net cash used in investing activities		(808 793)	(195 192)
FINANCING ACTIVITIES			
Amounts received pending allotment of shares		-	1 100 000
Net cash generated from financing activities		-	1 100 000
Increase in cash and cash equivalents		3 864 426	3 169 490
Cash and cash equivalents at beginning of year		5 583 077	2 413 587
Cash and cash equivalents at end of year		9 447 503	5 583 077
CASH AND CASH EQUIVALENTS			
Held to maturity investments - maturity within 90 days	14	6 716 338	3 833 561
Bank and cash balances		2 731 165	1 749 516
		9 447 503	5 583 077

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

1. GENERAL INFORMATION

Meanwood General Insurance Company 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 on pages 2 to 4.

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

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements

In the current year, the Company has adopted the new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2014.

- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*;
- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*; and
- IFRIC 21 *Levies*.

The adoption of these new and revised Standards and Interpretations did not have a significant impact on the financial statements of the Company.

2.2 Standards and Interpretations in issue, not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

Pronouncement	Issued	Effective date
<u>IFRS 9 Financial Instrument: Disclosures</u>		
• Contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	November 2013	Annual periods beginning on or after 1 January 2018

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

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

2.2 Standards and Interpretations in issue, not yet effective (Continued)

Pronouncement	Issued	Effective date
<u>IFRS 14 Regulatory Deferral Accounts</u>		
Adopters of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.	January 2014	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017
<u>IFRS 15 Revenue from Contracts with Customers</u>		
Provides a single, principles based five-step model to be applied to all contracts with customers.	May 2014	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017
<u>IAS 19 Employee Benefits</u>		
Amendments clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	November 2013	Annual periods beginning on or after 1 July 2014
Amendments resulting from <i>Annual Improvements 2012-2014 (Clarifies high quality bonds used in estimating the discount rate)</i>	September 2014	Annual periods beginning on or after 1 July 2016
<u>IFRS 11 Joint Arrangements</u>		
Requires an acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the business combination accounting principles and disclose information required by IFRSs for business combination.	May 2014	Annual periods beginning on or after 1 January 2016

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

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

2.2 Standards and Interpretations in issue, not yet effective (Continued)

Pronouncement	Issued	Effective date
<u>IFRS 2 Share Based Payments</u>		
Amendments resulting to Annual Improvements 2010-2012 Cycle (Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition').	December 2013	Annual periods beginning on or after 1 July 2014
<u>IFRS 3 Business Combinations</u>		
Amendments resulting to Annual Improvements 2010-2012 Cycle (Requires fair value measurement for contingent consideration at each reporting date)	December 2013	Annual periods beginning on or after 1 July 2014
Annual Improvements 2011-2013 Cycle (Clarifies exclusion from its scope the accounting for the formation of a joint arrangement)	December 2013	Annual periods beginning on or after 1 July 2014
<u>IFRS 8 Operating Segments</u>		
Amendments resulting to Annual Improvements 2010-2012 Cycle (Requires disclosure of the judgments made by management)	December 2013	Annual periods beginning on or after 1 July 2014
<u>IFRS 13 Fair Value Measurement</u>		
Amendments resulting from Annual Improvements 2010-2012 Cycle (Clarifies measurement of certain short-term receivables and payables on an undiscounted basis)	December 2013	Annual periods beginning on or after 1 July 2014
Annual Improvements 2011-2013 Cycle (Clarifies scope of the portfolio exception in paragraph 52)	December 2013	Annual periods beginning on or after 1 July 2014

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

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

2.2 Standards and Interpretations in issue, not yet effective (Continued)

Pronouncement	Issued	Effective date
<u>IAS 16 Property, Plant and Equipment</u>		
• Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	December 2013	Annual periods beginning on or after 1 July 2014
<u>IFRS 1 First time Adoption of International Financial Reporting Standards</u>		
• Annual Improvements 2011-2013 Cycle (clarifies which versions of IFRSs can be used on initial adoption)	December 2013	Annual periods beginning on or after 1 July 2014
<u>IAS 24 Related Party Disclosures</u>		
• Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities).	December 2013	Annual periods beginning on or after 1 July 2014
<u>IAS 40 Investment Property</u>		
• Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities).	December 2013	Annual periods beginning on or after 1 July 2014
<u>IAS 38 Intangible Assets</u>		
• Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	December 2013	Annual periods beginning on or after 1 July 2014
<u>IAS 27 Separate Financial Statements</u>		
• Amends to permit investments in subsidiaries, joint ventures and associate to be optionally accounted for using the equity method.	August 2014	Annual periods beginning on or after 1 July 2016
<u>IFRS 10 Consolidated Financial Statements</u>		
• Clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	September 2014	Annual periods beginning on or after 1 July 2016
• Consolidation exception for investment entities	December 2014	Annual periods beginning on or after 1 July 2016

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

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

2.2 Standards and Interpretations in issue, not yet effective (Continued)

Pronouncement	Issued	Effective date
<u>IFRS 5 Non-current Assets Held and Discontinued Operation</u>		
• Amendments resulting from Annual Improvements 2012-2014 Cycle (Clarifies the reclassification of an asset from held for sale to held for distribution or vice versa.)	September 2014	Annual periods beginning on or after 1 July 2016
<u>IFRS 7 Financial Instrument; Disclosure</u>		
• Amendments resulting from Annual Improvements 2012-2014 (Clarifies on offsetting disclosures.)	September 2014	Annual periods beginning on or after 1 July 2016
<u>IAS 1 Presentation of Financial Statements</u>		
• Amendments resulting from Annual Improvements 2012-2014 (Amendments to address perceived impediments to preparers exercising their judgments in presenting their Financial reports)	September 2014	Annual periods beginning on or after 1 July 2016
<u>IFRS 12 Disclosure of Interests in Other Entities</u>		
• Consolidation exception for investment entities	December 2014	Annual periods beginning on or after 1 July 2016

The Directors of the Company anticipate that other than IFRS 9 and IFRS 15, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Company.

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.

The Directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 share-based payment transactions that are within the scope of IFRS 2, 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 realisable value in IAS 2 or value in use in IAS 36.

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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Revenue recognition

3.3.1 Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

3.3.2 Reinsurance premiums

Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

3.3.3 Fees and commission income

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

3.3.4 Investment income

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

Investment income also includes interest from fixed term deposits and call accounts.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Revenue recognition (Continued)

3.3.5 *Realised gains and losses*

Gains and losses recorded in the income statement include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

3.4 Claims and expenses recognition

3.4.1 *Gross benefits and claims*

These include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

3.4.2 *Reinsurance claims*

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

3.4.3 *Finance cost*

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

3.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.6 Borrowing costs

All borrowing costs are recognised in the profit and loss in the period in which they are incurred.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Foreign currencies

The financial statements are presented in millions 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.

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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it also 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 substantively enacted by reporting date.

3.8.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Taxation (Continued)

3.8.2 *Deferred tax (Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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 reporting date. The effect of any changes in estimate is accounted for on a prospective basis. Management has estimated the residual values of the property and equipment at 31 December 2014 to be insignificant.

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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Property and equipment (Continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.10 Intangible assets

The amount initially recognised for intangible asset is the cost incurred by the Company for the purchase of computer software. Expenditure incurred on upgrading the computer software is capitalised in accordance with requirements of IAS 38.

Subsequent to initial recognition, computer software is reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.11 Impairment of tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets 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.

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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets 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 the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

3.13 Financial instruments

i. Financial assets

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

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (Continued)

i. Financial assets (Continued)

(a) 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.

(b) Deferred expenses

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.

(c) 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.

(d) Held to maturity investments

Held to maturity investments are derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. These include short term deposits held with the commercial banks. Subsequent to initial recognition, held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (Continued)

i. Financial assets (Continued)

(e) Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(f) 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.

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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (Continued)

i. Financial assets (Continued)

(g) 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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.

(a) Financial liabilities

Financial liabilities are classified as (unearned premiums, outstanding claims and reinsurance liabilities) 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.

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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (Continued)

ii. Financial liabilities and equity (Continued)

(a) Financial liabilities (continued)

The accounting policies adopted for specific financial liabilities 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.

Insurance 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.

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

Bank borrowings and overdrafts

Interest bearing 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.

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.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (Continued)

ii. Financial liabilities and equity (Continued)

(b) 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.

3.14 Provisions

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

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

3.15 Retirement benefits

For employees on fixed term contracts, provision is made for end of contract gratuity on an accruals basis for the period in employment.

The Company also contributes to the Government of Zambia operated social security scheme, the National Pension Scheme Authority ("NAPSA") for its eligible employees as provided by law. Membership is compulsory and monthly contributions by both employer and employees are made. The only obligation of the Company with Government scheme is to make the specified contributions and employers contribution is charged to profit or loss in the year in which it arises.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

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.

4.1.1 Revenue recognition

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

4.1.2 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.

4.1.3 Income taxes

The Company is subject to income taxes in the Republic of Zambia. 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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Key sources of estimation uncertainty

4.2.1 *The ultimate liability arising from claims made under insurance contracts*

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 the estimate of the liability that the Company will ultimately pay for such claims. The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment. The carrying value at the reporting date of insurance contract liabilities is **K7,314,793** (2013: K5,621,673).

4.2.2 *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.

Provision for the liabilities of non-life insurance contracts is made for outstanding claims and settlement expenses incurred at the reporting date including an estimate for the cost of claims incurred but not reported (IBNR) at that date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, IBNR claims form a significant portion of the liability in the statement of financial position. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims. Material salvage and other recoveries including reinsurance recoveries are presented as other assets.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Key sources of estimation uncertainty (Continued)

4.2.3 *Bad debt provision*

The Company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment. Provision for doubtful debts of the Company was based on the aging of the insurance receivable and with reference to past default history. The Directors believe that the provision appears to be appropriate and not excessive. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Company performs ongoing credit valuations of the financial condition of customers.

4.2.4 *Asset residual values, useful lives and asset componentising*

The Directors reviewed the estimated useful lives of property and equipment at the end of each annual reporting period to determine the appropriate level of depreciation and whether there is any indication that those assets have suffered an impairment loss. The Directors assigned residual values of 1 (one) as a result of the fact that plant and equipment are not held for trading and are normally scrapped.

4.2.5 *Unearned premium reserves ("UPR")*

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the reporting date, generally calculated using the 365 day method after providing for deferred acquisition costs.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

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.

	2014 K	2013 K
By class of business		
Motor	13 279 686	5 720 538
Bonds	8 699 653	4 706 995
Engineering	2 283 437	1 672 960
Marine	1 497 359	1 057 715
Accident	1 065 110	960 423
Fire	839 517	654 775
Legal	161 925	32 535
	<u>27 826 687</u>	<u>14 805 941</u>
By method of business		
Brokers and agents	20 870 015	11 877 924
Direct business	6 956 672	2 928 017
	<u>27 826 687</u>	<u>14 805 941</u>

6. CLAIMS INCURRED, NET OF REINSURANCE

Claims paid - gross amount	7 283 659	1 045 730
Change in claims outstanding	3 055 704	1 019 387
	<u>10 339 363</u>	<u>2 065 117</u>
Claims ceded to reinsurers	(4 384 752)	-
	<u>5 954 611</u>	<u>2 065 117</u>

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2014

7. OTHER OPERATING EXPENSES	2014	2013
	K	K
(i) Direct operating expenses		
Insurance levy	134 407	75 042
(ii) Indirect operating expenses		
Provision for doubtful debts	1 774 036	751 871
Sundry expenses	1 167 497	941 822
Advertising	778 913	576 472
Consultancy and assessors fees	718 615	621 631
Motor vehicles expenses	551 380	362 344
Printing and stationery	539 020	378 385
Communication expense	418 895	181 934
Office rental expenses	287 936	175 248
Directors' fees	100 200	83 500
	6 336 492	4 073 207
8. INVESTMENT INCOME		
Interest received - term deposits	590 530	268 867
9. OTHER GAINS AND LOSSES		
Exchange gains	16 307	862
10. PROFIT BEFORE TAX		
Profit before tax is stated after crediting:		
Interest income	590 530	268 867
Net exchange gains	16 307	862
and after charging:		
Directors' fees		
- in connection with Management of the Company	1 295 000	1 140 000
- as directors of the Company	100 200	83 500
Depreciation and amortisation expense	308 711	190 001
Depreciation expense	289 043	171 269
Amortisation	19 668	18 732
Employee benefits expense:		
- pension costs	112 416	55 208
Donations	110 201	-

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

11. INCOME TAX	2014 K	2013 K
(i) Income tax expense		
Income tax at 35%		
Based on profit for the year	2 035 658	341 032
Deferred taxation (note 17)	(808 719)	217 064
	<u>1 226 939</u>	<u>558 096</u>
Income tax is calculated in accordance with the Third Schedule Section 25,1(1) of the Income Tax Act 1966, as amended.		
(ii) Reconciliation of the income tax expense		
The total tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	<u>3 053 396</u>	<u>1 188 385</u>
Income tax at 35%	1 068 689	415 935
Permanent differences	<u>158 250</u>	<u>142 161</u>
Actual income tax expense	<u>1 226 939</u>	<u>558 096</u>
(iii) Movements on tax account		
The movements during the year are as follows:		
Arising during the year	2 035 658	341 032
Payable in respect of previous years	356 126	15 094
Payments during the year	<u>(356 126)</u>	<u>-</u>
Current tax liability	<u>2 035 658</u>	<u>356 126</u>

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2014

12. PROPERTY AND EQUIPMENT

COST	Motor vehicles K	Computer equipment K	Office equipment K	Furniture and fittings K	Total K
At 1 January 2013	300 000	158 329	10 962	137 875	607 166
Additions for the year	39 000	77 840	13 118	45 134	175 092
At 1 January 2014	339 000	236 169	24 080	183 009	782 258
Additions for the year	510 600	136 110	2 120	122 032	770 862
At 31 December 2014	849 600	372 279	26 200	305 041	1 553 120
DEPRECIATION					
At 1 January 2013	38 542	17 147	1 370	13 864	70 923
Charge for the year	80 688	53 164	4 933	32 484	171 269
At 1 January 2014	119 230	70 311	6 303	46 348	242 192
Charge for the year	149 908	75 784	6 461	56 890	289 043
At 31 December 2014	269 138	146 095	12 764	103 238	531 235
CARRYING AMOUNT					
At 31 December 2014	580 462	226 184	13 436	201 803	1 021 885
At 31 December 2013	219 770	165 858	17 777	136 661	540 066

The Directors consider that the fair value of the leasehold land and buildings is at least equal to their carrying values as reflected in the statement of financial position.

The Directors carried out a fair value review of the office equipment based on the current market values as at 31 December 2014 to ensure that at least their carrying values as reflected in the statement of financial position equal to their fair values.

13. INTANGIBLE ASSETS

	2014 K	2013 K
At 1 January	99 207	79 107
Additions	37 931	20 100
Amortisation	(43 943)	(24 275)
At 31 December	93 195	74 932

Intangible asset relate to the computer software in use by the Company. The additions relate to additional software during the year. The Directors consider that the carrying value of the asset is not materially different from its fair values.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2014

14. HELD TO MATURITY INVESTMENTS

2014	2013
K	K

Held to maturity investments comprise term deposits held with the following commercial banks and financial institutions:

Investrust Bank Plc	2 622 369	1 577 126
First National Bank Zambia Limited	1 097 113	1 000 000
Cavmont Bank Zambia Limited	1 074 971	509 065
Barclays Bank Zambia Plc	1 000 000	-
BANC ABC Limited	921 885	1 639 330
Meanwood Finance Company Limited	-	50 000
	6 716 338	4 775 521

Disclosed in the statement of financial position as:

Cash and cash equivalents	6 716 338	5 583 077
Held to maturity investments	-	941 960
	6 716 338	6 525 037

15. INSURANCE RECEIVABLES

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

Gross insurance receivable	17 801 061	7 777 746
Allowance for doubtful debts	(2 784 910)	(1 010 874)
	15 016 151	6 766 872

Insurance receivables for the Company can be analysed as follows:

By customer type:

Due from policyholders	10 645 577	4 838 855
Due from agents, brokers and intermediaries	4 370 574	1 928 017
	15 016 151	6 766 872

By currency:

Denominated in Kwacha	15 016 151	6 766 872
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MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

15. INSURANCE RECEIVABLES (CONTINUED)

2014 **2013**
K **K**

The average credit period on premium receivables is 60 days. The Company has provided fully for all receivables where recoverability is doubtful. An allowance has been determined by reference to past default experience.

Included in premium receivables are balances with a carrying value of **K5,709,284** (2013: K1,485,045) 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:

60-90 days	1 617 630	594 018
90-120 days	3 204 003	445 514
Over 120 days	887 651	445 514
Total	5 709 284	1 485 045

Movement in the allowance for doubtful debts:

Balance at beginning of year	1 010 874	259 003
Impairment losses recognised on insurance receivables	1 774 036	751 871
Balance at end of year	2 784 910	1 010 874

In determining the recoverability of the premium receivables, the Company considers any change in the credit quality of the premium receivables from the date credit was initially granted up to the reporting date. The concentration of the credit risk is limited due to the customer base being large and unrelated. Accordingly, Management believe that there is no further credit provision required in excess of the allowance for doubtful debts.

16. OTHER ASSETS

Others receivables	718 297	-
Prepayments	19 163	319 095
	737 460	319 095

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

17. DEFERRED TAX	2014 K	2013 K
At beginning of year	(373 104)	(590 168)
Arising in the year (note 11)	(808 719)	217 064
At end of the year	(1 181 823)	(373 104)

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

	Accelerated tax depreciation K	Other provisions K	Tax losses K	Total K
At 1 January 2013	28 036	(147 968)	(470 236)	(590 168)
Arising in the year	4 695	(257 867)	470 236	217 064
At 31 December 2013	32 731	(405 835)	-	(373 104)
Arising in the year	24 982	(833 701)	-	(808 719)
At 31 December 2014	57 713	(1 239 536)	-	(1 181 823)

18. SHARE CAPITAL	2014 K	2013 K
Authorised, issued and fully paid up		
3,000,000 (2013: 1,000,000) ordinary shares of K1 each	3 000 000	1 000 000
Share premium	300 000	300 000

On 31 December 2014, authorised and issued share capital was increased to K3,000,000 by the creation of 2,000,000 ordinary shares of K1 each.

19. DEFERRED EXPENSES		
The movement in deferred acquisition costs for insurance contracts is shown below:		
At the beginning of the year	-	-
Expenses deferred	66 049	-
At the end of the year	66 049	-

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

20. INSURANCE CONTRACT LIABILITIES

2014

2013

K

K

Insurance contract liabilities comprise:

Provision for unearned premium (i)

7 314 793

5 621 673

Outstanding claims (ii)

2 491 190

1 019 387

9 805 983

6 641 060

(i) Provisions for unearned premium

The movement in Unearned Premium Reserve during the year was as follows:

At beginning of the year

5 621 673

2 475 292

Movement for the year

1 693 120

3 146 381

At the end of the year

7 314 793

5 621 673

2014

**Insurance
Contract
Liabilities**

**Reinsurance
of liabilities**

Net

At beginning of the year

5 621 673

-

5 621 673

Premium written in the year

27 826 687

5 621 676

22 205 011

Premium earned in the year

(20 511 891)

-

(20 511 891)

At end of year

12 936 469

5 621 676

7 314 793

2013

**Insurance
Contract
Liabilities**

**Reinsurance
of liabilities**

Net

At beginning of the year

2 475 292

-

2 475 292

Premium written in the year

14 805 941

2 475 293

12 330 648

Premium earned in the year

(9 184 267)

-

(9 184 267)

At end of year

8 096 966

2 475 293

5 621 673

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

21. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(ii) Outstanding claims

2014
K

2013
K

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.

Outstanding claims	3 091 665	1 571 510
Incurred but not reported risks (IBNR)	414 000	-
Reinsurance share of outstanding claims	(1 014 475)	(552 123)
	2 491 190	1 019 387

(ii) Outstanding claims

	Insurance Contract Liabilities	2014 Reinsurance of liabilities	Net
At beginning of the year	1 571 510	552 123	1 019 387
Claims incurred in current year	10 339 363	1 014 474	9 324 889
Claims paid	(7 283 659)	569 427	(7 853 086)
At end of year	4 627 214	2 136 024	2 491 190
	Insurance Contract Liabilities	2013 Reinsurance of liabilities	Net
At beginning of the year	112 178	-	112 178
Claims incurred in current year	2 504 719	552 123	1 952 596
Claims paid	(1 045 387)	-	(1 045 387)
At end of year	1 571 510	552 123	1 019 387

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

21. INSURANCE PAYABLES

2014
K

2013
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 or recoverable.

Reinsurance liabilities

At beginning of the year	842 814	438 538
Reinsurance ceded in the year	6 679 002	1 814 428
Payments in the year	(3 860 208)	(1 410 152)
At the end of the year	<u>3 661 608</u>	<u>842 814</u>

22. OTHER FINANCIAL LIABILITIES

Other payables principally comprise amounts outstanding in respect of purchases and ongoing 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:

Value added tax	4 668 103	1 829 980
Sundry payables	1 408 449	1 630 193
Employee related liabilities	1 005 621	372 390
	<u>7 082 173</u>	<u>3 832 563</u>

The employee related liabilities include provisions for gratuity of **K556,750** (2013: nil).

The movements in the gratuity account during the year was as follows:

Gratuity provisions

At beginning of the year	-	-
Additional provisions during the year	556 750	-
At end of the year	<u>556 750</u>	-

The gratuity liabilities are payable at the expiry of the employee's contract.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

23. CONTINGENT LIABILITIES

2014

2013

K

K

The Company is a party to a legal proceeding involving an amount of K3,928,629 for a performance bond guarantee. The matter is still in court and the Company has a moderate chance of winning the case and therefore this is a contingent liability. However, a provision of K1,800,000 has been raised.

There were no other material contingent liabilities at 31 December 2014 and 2013.

24. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2014 (2013: Nil).

25. RELATED PARTY TRANSACTIONS

The Company's shareholding is made up of 70% by Meanwood Holdings Limited and 30% by Norwood Investments Limited. These financial statements include certain transactions with Companies and other fellow subsidiaries of the Group.

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

The results of transactions with related parties during the year are detailed below:

(i) Trading transactions

The following are the transactions:

Premiums

Midrand Business Systems Limited	164 710	42 053
Norwood Investment Ventures Limited	146 795	35 939
Meanwood Property Development Limited	42 369	71 709
Meanwood Construction Limited	35 143	46 204
Meanwood Finance Corporation Limited	9 540	20 075

Expenses

Meanwood Property Development Company	431 390	275 570
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MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2014

25. RELATED PARTY TRANSACTIONS (CONTINUED)**2014****2013****K****K****ii) Amounts due from related parties**

Meanwood Construction Limited

-

62 755

Meanwood Holdings Limited

-

60 367

-

123 122

The above amounts arose on insurance business and are included in insurance receivables balance as disclosed under note 15.

iii) Amounts due to a related party

Meanwood Property Development Limited

214 295

120 749

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

iv) Directors and Key management personnel remuneration

During the year, total remuneration paid to the Directors was as follows:

- Directors emoluments in connection with Management of the Company

1 295 000

1 140 000

26. OPERATING LEASE COMMITMENTS**Rental expense on leasehold building**

Less than 1 year

152 000

120 000

Between 1 and 5 years

309 216

180 000

461 216

300 000

Operating lease payments represent rentals payable by the Company for the building used as the Company's head office and branches.

Minimum lease payments paid under operating leases recognised as an expenses in the year.

287 936

175 248

At the reporting date, the Company had no outstanding commitments under non-cancellable

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

27. EVENTS AFTER THE REPORTING DATE

There have been no material facts or circumstances that have occurred between the reporting date and the date of these financial statements.

28. FINANCIAL INSTRUMENTS

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. The Company's overall strategy remains unchanged from 2013.

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 ongoing basis. As at years ended 2014 and 2013, the Company had not sourced funding externally. The Company has a gearing ratio of 0% (2013 : 0%).

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

Financial assets

Held to maturity investments	-	941 960
Insurance receivables	15 016 151	6 766 872
Other assets, less taxes	718 297	-
Cash and cash equivalents	9 447 503	5 583 077
	<u>25 181 951</u>	<u>13 291 909</u>

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)	2014	2013
	K	K
Categories of financial instruments (Continued)		
<i>Financial liabilities</i>		
Insurance contract liabilities	9 805 983	6 641 060
Insurance payables	3 661 608	842 814
Other financial liabilities, less taxes	2 414 070	2 002 583
Amounts due to a related party	214 295	120 749
	16 095 956	9 607 206

The Directors consider that the carrying amount of the financial assets and financial liabilities recognised in the financial statements approximate their fair values.

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.

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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)

2014

2013

K

K

The Zambian Kwacha carrying amounts of the Company's United States Dollar denominated monetary assets and liabilities at the reporting date are as follows:

Assets

298 769

62 431

Sensitivity analysis

At 31 December 2014, 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 profit for the year would have been **K652** (2013: K34) higher or lower, mainly arising from insurance receivables, cash and amounts due to reinsurers.

Interest rate risk management

The Company is not exposed to any interest rate risk as the Company has no external borrowings.

Credit risk management

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.

The Company's maximum exposure to credit risk is analysed below:

Insurance receivables and other assets

15 734 448

7 708 832

Cash and cash equivalents

9 447 503

5 583 077

25 181 951

13 291 909

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)

Insurance risks

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

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)**Liquidity risk management (Continued)****Year ended 31 December 2014**

	1 to 3 Months	3 months to 1 year	1 to 5 Years	Total
	K	K	K	K
Financial liabilities				
Insurance contract liabilities	9 805 983	-	-	9 805 983
Insurance payables	3 661 608	-	-	3 661 608
Other financial liabilities, less taxes	2 414 070	-	-	2 414 070
Amounts due to a related party	214 295	-	-	214 295
	16 095 956	-	-	16 095 956

Year ended 31 December 2014**Financial assets**

Insurance receivables	15 774 888	-	-	15 774 888
Other assets, less taxes	718 297	-	-	718 297
Cash and cash equivalents	9 447 503	-	-	9 447 503
	25 940 688	-	-	25 940 688

Year ended 31 December 2013**Financial liabilities**

Insurance contract liabilities	6 641 060	-	-	6 641 060
Insurance payables	842 814	-	-	842 814
Other financial liabilities, less taxes	2 002 583	-	-	2 002 583
Amounts due to a related party	120 749	-	-	120 749
	9 607 206	-	-	9 607 206

Financial assets

Held to maturity investments	941 960	-	-	941 960
Insurance receivables	6 766 872	-	-	6 766 872
Cash and cash equivalents	5 583 077	-	-	5 583 077
	13 291 909	-	-	13 291 909

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

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 period.

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.

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	K	K	K	K
Financial assets				
Held-to-maturity investments	-	-	941 960	941 960
Insurance receivables	15 016 151	15 016 151	6 766 872	6 766 872
Other assets, less taxes	718 297	718 297	-	-
Financial liabilities				
Financial liabilities held at amortised cost:	16 095 956	16 095 956	9 607 206	9 607 206
– Insurance contract liabilities	9 805 983	9 805 983	6 641 060	6 641 060
– Insurance payables	3 661 608	3 661 608	842 814	842 814
– Other financial liabilities,	2 414 070	2 414 070	2 002 583	2 002 583
– Amounts due to a related party	214 295	214 295	120 749	120 749

Fair value hierarchy as at 31 December 2014

	Level 1	Level 2	Level 3	Total
	K	K	K	K
Financial assets				
Insurance receivables	-	-	15 016 151	15 016 151
Other assets, less taxes	-	-	718 297	718 297
Total	-	-	15 734 448	15 734 448

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)**Fair value measurements (Continued)**

	Fair value hierarchy as at 31 December 2014			
	Level 1	Level 2	Level 3	Total
	K	K	K	K
Financial liabilities				
Financial liabilities held at				
Amortised cost:				
– Insurance contract liabilities	-	-	9 805 983	9 805 983
– Insurance payables	-	-	3 661 608	3 661 608
– Other financial liabilities,	-	-	2 414 070	2 414 070
– Amounts due to a related party	-	-	214 295	214 295.00
Total	-	-	16 095 956	16 095 956

The fair values of the financial assets and financial liabilities included in the level 2 category 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.

(a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK

(a) Insurance risk (Continued)

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 25.3% of total reinsurance assets at the reporting date.

(i) Non-life insurance contracts (which comprise marine, motor, accident and fire)

The Company principally issues the following types of general insurance contracts: motor, household, commercial and business interruption. Risks under non-life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from fires, natural disasters and accidents. For longer tail claims that take some years to settle, there is also inflation risk. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
for the year ended 31 December 2014**29. INSURANCE AND FINANCIAL RISK (CONTINUED)****(a) Insurance risk (Continued)****(i) Non-life insurance contracts (which comprise marine, motor, accident and fire (continued))**

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 580% of shareholders' equity on a gross basis and 0.7% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 203% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors. The Company uses its own risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event. As a further guide to the level of catastrophe exposure written by the Company, the following table shows hypothetical claims arising for various realistic disaster scenarios based on the Company's average risk exposures during 2014.

The table below sets out the concentration of non-life insurance contract liabilities by type of contract.

	Year ended 31 December 2014		Year ended 31 December 2013	
	Gross Liabilities	Reinsurance of Liabilities	Gross Liabilities	Reinsurance of Liabilities
	K	K	K	K
Engineering	6 467 351	3 788 864	1 620 723	1 120 000
Motor	5 822 886	678 262	4 151 021	370 637
Marine	2 501 748	1 886 743	1 584 214	263 861
Fire	581 628	325 133	261 724	59 930
Accident	441 670	-	634 004	-
Legal	65 255	-	-	-
Total	15 880 538	6 679 002	8 251 686	1 814 428

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
for the year ended 31 December 2014**Kwacha****29. INSURANCE AND FINANCIAL RISK (CONTINUED)****(a) Insurance risk (Continued)****(i) Non-life insurance contracts (which comprise marine, motor, accident and fire (continued))****Sensitivities**

The non-life insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Year ended 31 December 2014

	Change in assumptions	Impact on Profit before tax	Impact on equity
Average claim cost	10%	305 340	305 340
Average number of claims	10%	305 340	305 340
Average claim settlement period	Reduce from 3 months to 1 month	-	-

Year ended 31 December 2013

	Change in assumptions	Impact on Profit before tax	Impact on equity
Average claim cost	10%	118 839	118 839
Average number of claims	10%	118 839	118 839
Average claim settlement period	Reduce from 3 months to 1 month	-	-

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

The Company has taken advantage of the transitional rules of IFRS 4 that permit only five years of information to be disclosed upon adoption of IFRS.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)**(a) Insurance risk (Continued)****(i) Non-life insurance contracts (which comprise marine, motor, accident and fire (continued))****Claims development table (continued)**

As required by IFRS, in setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

Gross non-life insurance contract outstanding claims provision for 2014:

Accident year	2012 K	2013 K	2014 K	Total K
At beginning of accident year	-	112 178	1 571 510	1 683 688
Claims incurred during the year	123 005	2 504 719	10 339 363	12 967 087
Claims paid during	(10 827)	(1 045 387)	(7 283 659)	(8 339 873)
At the end of the year	112 178	1 571 510	4 627 214	6 310 902

Net non-life insurance contract outstanding claims provision for 2014:

	2012 K	2013 K	2014 K	Total K
Accident year				
At beginning of accident year	-	112 178	1 019 387	1 131 565
Claims incurred during the year	123 005	1 952 596	8 356 794	10 432 395
Claims paid during the year	(10 827)	(1 045 387)	(6 884 991)	(7 941 205)
At the end of the year	112 178	1 019 387	2 491 190	3 622 755

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(a) Insurance risk (Continued)

The Company has elected to present its claims development on an accident year basis as this is consistent with how the business is managed. IFRS 4 does not prescribe the format of the disclosure of claims development and the presentation of this information by underwriting year is also permissible. Additionally, IFRS 4 does not explain how entities should present exchange differences or business combinations in the claims development disclosure. The Company has elected to translate estimated claims and claims payments at the rate of exchange applicable at the end of each accident year.

(b) Financial risks

(i) Credit risks

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk

- A credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or Company of counterparties, geographical and industry segment (i.e., limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held).
- The Company further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in offsetting the statement of financial position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. At 31 December 2014, the Company had the right to set off financial liabilities amounting to Nil (2013: Nil) against financial assets with a fair value of Nil (2013: Nil) under such arrangements.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(i) Credit risks (Continued)

- Guidelines determine when to obtain collateral and guarantees (i.e., certain derivative transactions are covered by collateral and derivatives are only taken out with counterparties with a suitable credit rating). The Company maintains strict control.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The Company sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit risk exposure based on the carrying value of the financial instruments.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(i) Credit risks (Continued)

Industry analysis

Year ended 31 December 2014

Financial assets	Financial Institutions K	Government K	Mining K	Others K	Total K
Insurance receivables	-	-	-	15 016 151	15 016 151
Cash and cash equivalents	9 447 503	-	-	-	9 447 503
Total credit risk exposure	9 447 503	-	-	15 016 151	24 463 654

Year ended 31 December 2013

Financial assets

Held to maturity investments	941 960	-	-	-	941 960
Insurance receivables	-	-	-	6 766 872	6 766 872
Cash and cash equivalents	5 583 077	-	-	-	5 583 077
Total credit risk exposure	6 525 037	-	-	6 766 872	13 291 909

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(i) Credit risks (Continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties:

Year ended 31 December 2014

Financial assets	Neither past due nor impaired				
	Investment grade K	Non investment grade: satisfactory K	Non investment grade: unsatisfactory K	Unit-linked K	Past due but not impaired K
Insurance receivables	-	15 016 151	-	-	15 016 151
Cash and cash equivalents	-	9 447 503	-	-	9 447 503
	-	24 463 654	-	-	24 463 654

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(i) Credit risks (Continued)

Year ended 31 December 2013

Financial assets	Neither past due nor impaired					Total
	Investment grade K	Non investment grade: satisfactory K	Non investment grade: unsatisfactory K	Unit-linked K	Past due but not impaired K	
Held to maturity investments	941 960	-	-	-	-	941 960
Insurance receivables	-	5 281 827	-	-	1 485 045	6 766 872
Cash and cash equivalents	-	5 583 077	-	-	-	5 583 077
	941 960	10 864 904	-	-	1 485 045	13 291 909

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(i) Credit risks (Continued)

Age analysis of financial assets past due but not impaired

Year ended 31 December 2014

	> 30 days K	31 to 60 days K	61 to 90 days K	> 90 days K	Unit-linked K	Total past due but not impaired K
Insurance receivables	-	-	1 617 630	4 091 654	-	5 709 284
Other assets	-	-	737 460	-	-	737 460
Total	-	-	2 355 090	4 091 654	-	

Year ended 31 December 2013

	> 30 days K	31 to 60 days K	61 to 90 days K	> 90 days K	Unit-linked K	Total past due but not impaired K
Insurance receivables	-	-	594 018	891 027	-	1 485 045

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(i) Credit risks (Continued)

Impaired financial assets

At 31 December 2014, there are impaired reinsurance assets of Nil (2013: Nil) impaired loans and receivables of **K2,784,910** (2013: K1,010,874).

For assets to be classified as "past-due and impaired" contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

The Company records impairment allowances for loans and receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for receivables is, as follows:

	2014 K	2013 K
At 1 January	1 010 874	259 003
Charge for the year	<u>1 774 036</u>	<u>751 871</u>
At 31 December	<u><u>2 784 910</u></u>	<u><u>1 010 874</u></u>

(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 following policies and procedures are in place to mitigate the Company's exposure to liquidity risk

- A Company liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations. Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

Kwacha

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(ii) Liquidity risk (Continued)

- The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

The table that follows summarises the maturity profile of the non-derivative financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For the derivative liabilities, the total fair value is disclosed in the "up to one year" column as the Company manages liquidity risk for a trading portfolio of derivatives on the basis of fair value and management believes that this presentation more accurately reflects the liquidity of the markets in which the financial instruments are traded and the availability of market observable inputs to measure these instruments. The interest rate swaps held-for-trading and fair value hedges are also disclosed in the up to one year column as management believes they are not essential for an understanding of the timing of the cash flows.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations. Unitlinked liabilities are repayable or transferable on demand and are included in the up to a year column. Repayments which are subject to notice are treated as if notice were to be given immediately.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs to assist users in understanding how assets and liabilities have been matched. Reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual interest receivable.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(ii) Liquidity risk (Continued)

Maturity analysis (contractual undiscounted cash flow basis)

Year ended 31 December 2014

Financial assets	Carrying Amount		Up to 1 year		1 to 3 years		5 to 15 years		No maturity date		Total
	K	K	K	K	K	K	K	K	K	K	
Insurance receivables	15 016 151	15 016 151	-	-	-	-	-	-	-	-	15 016 151
Cash and cash equivalents	9 447 503	9 447 503	-	-	-	-	-	-	-	-	9 447 503
Total undiscounted assets	24 463 654	24 463 654	-	-	-	-	-	-	-	-	24 463 654
Financial liabilities											
Insurance liabilities	13 467 591	13 467 591	-	-	-	-	-	-	-	-	13 467 591
Other liabilities	7 082 173	7 082 173	-	-	-	-	-	-	-	-	7 082 173
Total undiscounted liabilities	20 549 764	20 549 764	-	-	-	-	-	-	-	-	20 549 764
Total liquidity gap	3 913 890	3 913 890	-	-	-	-	-	-	-	-	3 913 890

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(ii) Liquidity risk (Continued)

Maturity analysis (undiscounted cash flow basis for non derivatives)(Continued)

Year ended 31 December 2013

Financial assets	Carrying Amount K	Up to 1 year K	1 to 3 years K	5 to 15 years K	No maturity date K	Total K
Held to maturity investments	941 960	941 960	-	-	-	941 960
Insurance receivables	6 766 872	6 766 872	-	-	-	6 766 872
Cash and cash equivalents	5 583 077	5 583 077	-	-	-	5 583 077
Total undiscounted assets	13 291 909	13 291 909	-	-	-	13 291 909
Financial liabilities						
Insurance liabilities	7 483 874	7 483 874	-	-	-	7 483 874
Other liabilities	3 832 563	3 832 563	-	-	-	3 832 563
Total undiscounted liabilities	11 316 437	11 316 437	-	-	-	11 316 437
Total liquidity gap	1 975 472	1 975 472	-	-	-	1 975 472

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(ii) Liquidity risk (Continued)

Maturity analysis (undiscounted cash flow basis for non derivatives)(Continued)

Year ended 31 December 2014

	Current K	Non Current K	Unit-Linked K	Total K
Property and equipment	-	1 021 885	-	1 021 885
Intangible asset		93 195	-	93 195
Financial Instruments				
Insurance receivables	15 016 151	-	-	15 016 151
Other assets, net of taxes	737 460	-	-	737 460
Cash and cash equivalents	9 447 503	-	-	9 447 503
Total assets	25 201 114	1 115 080	-	26 316 194
Investment contract liabilities				
Insurance Contract liabilities	9 805 983	-	-	9 805 983
Insurance payables	3 661 608	-	-	3 661 608
Other financial liabilities	7 082 173	-	-	7 082 173
Amounts due to a related party	214 295	-	-	214 295
Total liabilities	20 764 059	-	-	20 764 059

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(ii) Liquidity risk (Continued)

Maturity analysis (undiscounted cash flow basis for non derivatives) (Continued)

Year ended 31 December 2013

	Current K	Non current K	Unit-linked K	Total K
Property and equipment	-	540 066	-	540 066
Intangible asset	-	74 932	-	74 932
Financial Instruments				-
Held to maturity investments	941 960	-	-	941 960
Insurance receivables	6 766 872	-	-	6 766 872
Other assets, net of taxes	319 095	-	-	319 095
Cash and cash equivalents	5 583 077	-	-	5 583 077
Total assets	13 611 004	614 998	-	14 226 002
Investment contract liabilities				
Insurance Contract liabilities	6 641 060	-	-	6 641 060
Insurance payables	842 814	-	-	842 814
Other financial liabilities	3 832 563	-	-	3 832 563
Amounts due to a related party	120 749	-	-	120 749
Total assets	11 437 186	-	-	11 437 186

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.

(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in Zambian Kwacha and its exposure to foreign exchange risk arise primarily with respect to US dollar.

The Company's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled.

The table below summarises the Company's assets and liabilities by major currencies:

Year ended 31 December 2014	Kwacha	US Dollar	Total
Property and equipment	1 021 885	-	1 021 885
Intangible asset	93 195	-	93 195
Financial Instruments			-
Insurance receivables	15 016 151	-	15 016 151
Other assets	737 460	-	737 460
Cash and cash equivalents	9 148 734	298 769	9 447 503
Total assets	26 017 425	298 769	26 316 194

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
for the year ended 31 December 2014**29. INSURANCE AND FINANCIAL RISK (CONTINUED)****(b) Financial risks (Continued)****(iii) Market risk (Continued)****(a) Currency risk (Continued)**

Insurance contract liabilities	Kwacha	US Dollar	Total
Insurance contract liabilities	9 805 983	-	9 805 983
Insurance payables	3 661 608	-	3 661 608
Other financial liabilities	7 082 173	-	7 082 173
Amounts due to related party	214 295	-	214 295
Total liabilities	20 764 059	-	20 764 059

Year ended 31 December 2013

Property and equipment	540 066	-	540 066
Investment properties	74 932	-	74 932
Financial instruments			
Held to maturity financial assets	941 960	-	941 960
Insurance receivables	6 766 872	-	6 766 872
Other assets	319 095	-	319 095
Cash and cash equivalents	5 520 646	62 431	5 583 077
Total assets	14 163 571	62 431	14 226 002

Insurance contract liabilities

Insurance contract liabilities	6 641 060	-	6 641 060
Insurance payables	842 814	-	842 814
Other financial liabilities	3 832 563	-	3 832 563
Amounts due to related party	120 749	-	120 749
Total liabilities	11 437 186	-	11 437 186

The Company has no significant concentration of currency risk.

The analysis that follows 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 including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(iii) Market risk (Continued)

(a) Currency risk (Continued)

Year ended 31 December 2014			Year ended 31 December 2013		
Currency	Change in Variables	Impact on profit before tax	Impact on equity	Impact on Profit before tax	Impact on equity
USD	10%	305 340	305 340	118 839	118 839
USD	-10%	(305 340)	(305 340)	(118 839)	(118 839)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

Sensitivity analysis on financial assets

As part of the Company's investment strategy, in order to reduce both insurance and financial risk, the Company matches its investments to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets whose fair values are recorded in the income statement) and equity (that reflects adjustments to profit before tax and changes in fair value of financial assets whose fair values are recorded in the statement of changes in equity).

The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets other than derivative financial instruments, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

30. AMOUNTS RECEIVED PENDING ALLOTMENT OF SHARES

The amount represents funds received from the shareholders for the purchase of additional shares in the company. The amount will be converted into share capital after the formalities for increasing the authorised share capital of the company have been completed.

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 10 April 2015.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**SOLVENCY STATEMENT**

for the year ended 31 December 2014

	2014 K	2013 K
ADMITTED ASSETS		
Property and equipment	1 021 885	540 066
Intangible asset	93 195	74 932
Deferred tax asset	1 181 823	373 104
Held to maturity investments	-	941 960
Insurance receivables	17 801 061	7 777 746
Less: Premium receivables over 60 days	(5 709 284)	(1 485 045)
Premium due from related parties	-	(123 122)
Other assets	737 460	319 095
Cash and cash equivalents	9 447 503	5 583 077
Total	24 573 643	14 001 813
ADMITTED LIABILITIES		
Insurance contract liabilities	9 805 983	6 641 060
Insurance payables	3 661 608	842 814
Other financial liabilities	7 082 173	3 832 563
Deferred expenses	66 049	-
Amounts due to a related party	214 295	120 749
Current tax liabilities	2 035 658	356 126
Total	22 865 766	11 793 312
Margin	1 707 877	2 208 501
Solvency margin %	7%	19%
Regulatory solvency margin	10%	10%