

**MEANWOOD GENERAL INSURANCE  
COMPANY LIMITED**

**REPORT AND FINANCIAL STATEMENTS**  
for the year ended 31 December 2015

**MEANWOOD GENERAL INSURANCE**  
**COMPANY LIMITED**

**REPORT AND FINANCIAL STATEMENTS**  
for the year ended 31 December 2015

**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

(Incorporated in Zambia)

**REPORT AND FINANCIAL STATEMENTS**

for the year ended 31 December 2015

---

| <b>CONTENTS</b>                                             | <b>PAGES</b> |
|-------------------------------------------------------------|--------------|
| The Company's Directors, Management and Advisors            | 1            |
| Report of the directors                                     | 2 - 4        |
| Statement of responsibility for annual financial statements | 5            |
| Independent auditor's report                                | 6 - 7        |
| Financial statements:                                       |              |
| Statement of profit or loss and other comprehensive income  | 8            |
| Statement of financial position                             | 9            |
| Statement of changes in equity                              | 10           |
| Statement of cash flows                                     | 11           |
| Notes to the financial statements                           | 12 - 67      |
| Solvency statement                                          | 68           |

## **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 2015 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-resigned on 22 April 2015 |
| 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

#### **BANKERS**

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

#### **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 2015

**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 68 and are summarised below:

The Company made a profit of **K1,420,608** compared to a profit of K1,826,457 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 2015          | Total 2014          |
|---------------------------------------|------------------------|---------------------|-----------------------|--------------------------|-------------------------|------------------|--------------------------|---------------------|---------------------|
| <b>Gross premiums</b>                 |                        |                     |                       |                          |                         |                  |                          | <b>41 090 291</b>   | <b>27 826 687</b>   |
| Change in insurance funds             | 1 995 086<br>(239 317) | 1 520 080<br>63 905 | 19 095 433<br>373 664 | 4 758 769<br>(1 245 849) | 11 764 078<br>(181 866) | 47 624<br>53 419 | 1 909 219<br>(1 457 967) | (2 634 011)         | (1 693 120)         |
|                                       | <b>1 755 769</b>       | <b>1 583 985</b>    | <b>19 469 097</b>     | <b>3 512 920</b>         | <b>11 582 212</b>       | <b>101 043</b>   | <b>451 252</b>           | <b>38 456 280</b>   | <b>26 133 567</b>   |
| <b>Expenditure</b>                    |                        |                     |                       |                          |                         |                  |                          |                     |                     |
| Net claims                            | (36 124)               | (46 283)            | (9 285 835)           | -                        | (1 592 000)             | (22 125)         | (249)                    | (10 982 615)        | (5 954 611)         |
| Net commissions                       | (92 677)               | (62 481)            | (1 149 488)           | (279 060)                | (428 400)               | -                | (76 126)                 | (2 088 232)         | (1 452 410)         |
| Other direct expenses                 | (11 272)               | (8 588)             | (107 970)             | (26 887)                 | (66 467)                | (269)            | (10 786)                 | (232 241)           | (134 407)           |
|                                       | <b>(140 073)</b>       | <b>(117 352)</b>    | <b>(10 543 293)</b>   | <b>(305 947)</b>         | <b>(2 086 867)</b>      | <b>(22 394)</b>  | <b>(87 161)</b>          | <b>(13 303 088)</b> | <b>(7 541 428)</b>  |
| Premiums ceded to reinsurers          | (469 376)              | (161 918)           | (962 618)             | (1 132 414)              | (1 804 424)             | -                | (659 909)                | (5 190 659)         | (6 679 002)         |
|                                       | <b>(609 449)</b>       | <b>(279 271)</b>    | <b>(11 505 911)</b>   | <b>(1 438 361)</b>       | <b>(3 891 291)</b>      | <b>(22 394)</b>  | <b>(747 071)</b>         | <b>(18 493 747)</b> | <b>(14 220 430)</b> |
| <b>Underwriting surplus</b>           | <b>1 146 320</b>       | <b>1 304 715</b>    | <b>7 963 186</b>      | <b>2 074 559</b>         | <b>7 690 921</b>        | <b>78 649</b>    | <b>(295 818)</b>         | <b>19 962 532</b>   | <b>11 913 137</b>   |
| <b>Other revenue</b>                  |                        |                     |                       |                          |                         |                  |                          |                     |                     |
| Investment income                     |                        |                     |                       |                          |                         |                  |                          | 944 751             | 590 530             |
| Other income                          |                        |                     |                       |                          |                         |                  |                          | 41 320              | 224 203             |
| Other gains and losses                |                        |                     |                       |                          |                         |                  |                          | 1 489 781           | 16 307              |
|                                       |                        |                     |                       |                          |                         |                  |                          | <b>2 475 852</b>    | <b>831 040</b>      |
| <b>Other expenses</b>                 |                        |                     |                       |                          |                         |                  |                          |                     |                     |
| Employee benefits expenses            |                        |                     |                       |                          |                         |                  |                          | (7 373 011)         | (4 442 397)         |
| Other indirect operating expenses     |                        |                     |                       |                          |                         |                  |                          | (11 659 783)        | (6 336 492)         |
| Depreciation and amortisation expense |                        |                     |                       |                          |                         |                  |                          | (515 946)           | (308 711)           |
|                                       |                        |                     |                       |                          |                         |                  |                          | <b>(19 548 740)</b> | <b>(11 087 600)</b> |
| <b>Profit before tax</b>              |                        |                     |                       |                          |                         |                  |                          | <b>2 889 644</b>    | <b>3 053 396</b>    |
| Income tax expense                    |                        |                     |                       |                          |                         |                  |                          | (1 469 036)         | (1 226 939)         |
| <b>Income for the year</b>            |                        |                     |                       |                          |                         |                  |                          | <b>1 420 608</b>    | <b>1 826 457</b>    |

## MEANWOOD GENERAL INSURANCE COMPANY LIMITED

### REPORT OF THE DIRECTORS (CONTINUED)

#### INVESTMENTS

The total book value of the investments of the Company increased from K6,716,338 in 2014 to **K10,095,061** in 2015 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 **K5,217,471** (2014: K2,491,190) and comprised the following:

|                                         | 2015<br>K        | 2014<br>K          |
|-----------------------------------------|------------------|--------------------|
| Outstanding claims                      | 5 826 749        | 3 505 665          |
| Reinsurance share of outstanding claims | <u>(609 278)</u> | <u>(1 014 475)</u> |
|                                         | <u>5 217 471</u> | <u>2 491 190</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 **K7,373,011** (2014: K4,442,397).

#### 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 **K141,379** during the year (2014: K110,201).

#### 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 2015, authorised, issued and paid up capital was K3,000,000 ordinary shares of K1 each.

**PROPERTY AND EQUIPMENT**

The additions to property and equipment during the year amounted to **K705,953** (2014: K770,862) and comprise the following:

|                        | 2015<br>K      | 2014<br>K      |
|------------------------|----------------|----------------|
| Computer equipment     | 349 622        | 136 110        |
| Furniture and fittings | 216 128        | 122 032        |
| Motor vehicles         | 126 500        | 510 600        |
| Office equipment       | 13 703         | 2 120          |
|                        | <u>705 953</u> | <u>770 862</u> |

Software with a cost of **K190,157** (2014: K37,930) 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: 27 May 2016**

**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.

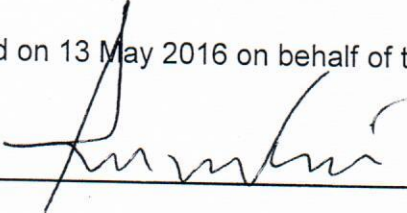
The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information which the independent external auditors, Messrs Deloitte & Touche, have audited and their report is included on pages 6 and 7.

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 2015;
- 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 2015;
- 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 13 May 2016 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 68 which comprise of the statement of financial position as at 31 December 2015, 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 presentation of these financial statements that give a true and fair view 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 2015, 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).

## Emphasis of matter

We draw attention to Note 30 to the financial statements which describes management's plans regarding the ability of the company to continue as a going concern despite not achieving the statutory solvency margin. Our opinion is not qualified in respect of this matter.

## Report on other legal and regulatory 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 (25)% as disclosed in the solvency statement on page 68.

*Deloitte & Touche*  
DELOITTE & TOUCHE  
CHARTERED ACCOUNTANTS

*Alice Jere Tembo*

ALICE JERE TEMBO  
AUDIT PARTNER  
PC No.: AUD/F000433

DATE: 19/06/2016



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the year ended 31 December 2015

|                                                           | NOTES | 2015<br>K           | 2014<br>K           |
|-----------------------------------------------------------|-------|---------------------|---------------------|
| <b>Revenue</b>                                            |       |                     |                     |
| Gross premium income for the year                         |       | 41 090 291          | 27 826 687          |
| Less: Premiums ceded to reinsurers                        |       | <u>(7 278 317)</u>  | <u>(6 679 002)</u>  |
|                                                           |       | 33 811 974          | 21 147 685          |
| Less: Movement in unearned premium reserve                |       | <u>(2 634 011)</u>  | <u>(1 693 120)</u>  |
| Net premium income                                        | 5     | <u>31 177 963</u>   | <u>19 454 565</u>   |
| Investment income                                         | 6     | 944 751             | 590 530             |
| Other income                                              |       | 41 320              | 224 203             |
| Other gains and losses                                    | 7     | 1 489 781           | 16 307              |
| Reinsurance commissions received                          |       | <u>2 087 657</u>    | <u>1 396 819</u>    |
| <b>Other revenue</b>                                      |       | <u>4 563 509</u>    | <u>2 227 859</u>    |
| <b>Total revenue</b>                                      |       | <u>35 741 472</u>   | <u>21 682 424</u>   |
| Gross claims paid                                         |       | (10 636 482)        | (7 283 659)         |
| Change in claims outstanding                              |       | (1 430 949)         | (3 055 704)         |
| Claims ceded to reinsurers                                |       | <u>1 084 816</u>    | <u>4 384 752</u>    |
| <b>Net claims</b>                                         | 8     | <u>(10 982 615)</u> | <u>(5 954 611)</u>  |
| Commissions paid to brokers and agents                    |       | (2 088 232)         | (1 452 410)         |
| Employee benefits expenses                                |       | (7 373 011)         | (4 442 397)         |
| Other direct operating expenses                           | 9     | (232 241)           | (134 407)           |
| Other indirect operating expenses                         | 9     | (11 659 783)        | (6 336 492)         |
| Depreciation and amortisation expense                     | 10    | <u>(515 946)</u>    | <u>(308 711)</u>    |
|                                                           |       | <u>(21 869 213)</u> | <u>(12 674 417)</u> |
| <b>Total claims and other expenses</b>                    |       | <u>(32 851 828)</u> | <u>(18 629 028)</u> |
| <b>Profit before tax</b>                                  | 10    | 2 889 644           | 3 053 396           |
| Income tax expense                                        | 11    | <u>(1 469 036)</u>  | <u>(1 226 939)</u>  |
| <b>Profit and other comprehensive income for the year</b> |       | <u>1 420 608</u>    | <u>1 826 457</u>    |

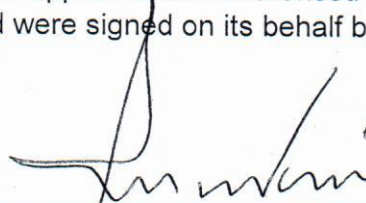
There were no items of other comprehensive income for the year (2014: Nil).

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

at 31 December 2015

|                                     | NOTES | 2015<br>K         | 2014<br>K         |
|-------------------------------------|-------|-------------------|-------------------|
| <b>ASSETS</b>                       |       |                   |                   |
| Property and equipment              | 12    | 1 255 862         | 997 610           |
| Intangible asset                    | 13    | 239 381           | 93 195            |
| Deferred tax asset                  | 14    | 3 043 456         | 1 181 823         |
| Insurance receivables               | 15    | 23 189 528        | 15 016 151        |
| Other assets                        | 16    | 3 094 170         | 737 460           |
| Cash and cash equivalents           | 17    | 11 564 695        | 9 447 503         |
| <b>TOTAL ASSETS</b>                 |       | <b>42 387 092</b> | <b>27 498 017</b> |
| <b>EQUITY AND LIABILITIES</b>       |       |                   |                   |
| <b>Capital and reserves</b>         |       |                   |                   |
| Share capital                       | 18    | 3 000 000         | 3 000 000         |
| Share premium                       | 18    | 300 000           | 300 000           |
| Retained earnings                   |       | 2 752 859         | 1 332 251         |
| <b>Total equity</b>                 |       | <b>6 052 859</b>  | <b>4 632 251</b>  |
| <b>LIABILITIES</b>                  |       |                   |                   |
| Insurance contract liabilities      | 19    | 15 166 274        | 9 805 983         |
| Insurance payables                  | 20    | 4 664 519         | 3 661 608         |
| Other financial liabilities         | 21    | 12 551 498        | 7 082 173         |
| Deferred expenses                   | 22    | 323 381           | 66 049            |
| Amounts due to a related party      | 23    | -                 | 214 295           |
| Current tax liabilities             | 11    | 3 628 560         | 2 035 658         |
|                                     |       | <b>36 334 232</b> | <b>22 865 766</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <b>42 387 092</b> | <b>27 498 017</b> |

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 68 were approved and authorised for distribution by the Board of Directors on **27 May 2016** 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 2015

|                           | Share<br>capital<br>K | Share<br>premium<br>K | Amounts<br>received<br>pending<br>allotment<br>of shares<br>K | Retained<br>earnings<br>K | Total<br>K |
|---------------------------|-----------------------|-----------------------|---------------------------------------------------------------|---------------------------|------------|
| At 1 January 2014         | 1 000 000             | 300 000               | 2 000 000                                                     | (494 206)                 | 2 805 794  |
| Additions 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  |
| At 1 January 2015         | 3 000 000             | 300 000               | -                                                             | 1 332 251                 | 4 632 251  |
| Profit for the year       | -                     | -                     | -                                                             | 1 420 608                 | 1 420 608  |
| At 31 December 2015       | 3 000 000             | 300 000               | -                                                             | 2 752 859                 | 6 052 859  |

**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

**STATEMENT OF CASH FLOWS**

for the year ended 31 December 2015

|                                                       | NOTES | 2015<br>K         | 2014<br>K        |
|-------------------------------------------------------|-------|-------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>           |       |                   |                  |
| (Loss) profit for the year                            |       | 1 420 608         | 1 826 457        |
| <b>Adjusted for non cash items:</b>                   |       |                   |                  |
| Income tax expense recognised in profit or loss       | 11    | 1 469 036         | 1 226 939        |
| Depreciation expense recognised in profit or loss     | 12    | 471 976           | 289 043          |
| Amortisation expense recognised in profit or loss     | 13    | 43 970            | 19 668           |
| Impairment loss recognised on other assets            | 16    | 1 065 852         | -                |
| Impairment loss recognised on insurance receivables   | 15    | 4 575 987         | 1 774 036        |
| <b>Operating cash flows before working capital</b>    |       | <b>9 047 429</b>  | <b>5 136 143</b> |
| Increase in insurance receivables                     |       | (12 749 364)      | (10 023 315)     |
| Increase in other assets                              |       | (3 422 561)       | (418 365)        |
| Decrease in held to maturity                          |       | -                 | 941 960          |
| Increase in insurance contract liabilities            |       | 5 360 291         | 3 164 923        |
| Increase in insurance payables                        |       | 1 002 911         | 2 818 794        |
| Increase in other financial liabilities               |       | 5 469 325         | 3 249 610        |
| Increase in deferred expenses                         |       | 257 332           | 66 049           |
| (Decrease) increase in amounts due to a related party |       | (214 295)         | 93 546           |
| <b>Cash generated from operating activities</b>       |       | <b>4 751 068</b>  | <b>5 029 345</b> |
| Income tax paid                                       | 11    | (1 737 767)       | (356 126)        |
| <b>Net cash generated from operating activities</b>   |       | <b>3 013 302</b>  | <b>4 673 219</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>           |       |                   |                  |
| Purchase of property and equipment                    | 12    | (705 953)         | (770 862)        |
| Purchase of computer software                         | 13    | (190 157)         | (37 931)         |
| <b>Net cash used in investing activities</b>          |       | <b>(896 110)</b>  | <b>(808 793)</b> |
| <b>Increase in cash and cash equivalents</b>          |       | <b>2 117 192</b>  | <b>3 864 426</b> |
| Cash and cash equivalents at beginning of year        |       | 9 447 503         | 5 583 077        |
| <b>Cash and cash equivalents at end of year</b>       |       | <b>11 564 695</b> | <b>9 447 503</b> |
| <b>CASH AND CASH EQUIVALENTS</b>                      |       |                   |                  |
| Fixed term deposits - maturity within 90 days         | 14    | 10 095 061        | 6 716 338        |
| Bank and cash balances                                |       | 1 469 634         | 2 731 165        |
|                                                       |       | <b>11 564 695</b> | <b>9 447 503</b> |



## MEANWOOD GENERAL INSURANCE COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

---

#### 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 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an

- ***Amendments to IAS 19 Defined Benefit Plans: Employee Contributions***  
These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognised in the Company's consolidated financial statements.
- ***Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 – 2013 Cycle***  
The application of amendments has had no impact on the disclosures or amounts recognised in the Company's consolidated financial statements.

##### 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:

| Effective date  | Standard, Amendment or interpretation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 01 January 2018 | <b><i>IFRS 9 Financial Instruments</i></b><br>The new standard modifies the classification and measurement of certain classes of financial assets and liabilities. The most significant changes are the expected loss model for the impairment of financial assets and to rationalise from four to two primary categories of financial assets.<br><br>The Directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review. |



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

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

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

| Effective date | Standard, Amendment or interpretation |
|----------------|---------------------------------------|
|----------------|---------------------------------------|

|                |  |
|----------------|--|
| 1 January 2018 |  |
|----------------|--|

***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Directors are currently evaluating the impact this new standard may have on the financial statements.

|                |  |
|----------------|--|
| 1 January 2016 |  |
|----------------|--|

***Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This amendment has no significant impact on the company.

|                |  |
|----------------|--|
| 1 January 2019 |  |
|----------------|--|

***IFRS 16 Leases***

IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance. The Directors are currently evaluating the impact this new standard may have on the financial statements.

|                |  |
|----------------|--|
| 1 January 2016 |  |
|----------------|--|

***Amendments to IAS 1 Disclosure Initiative***

The amendments to IAS 1 will give some guidance on how to apply the concept of materiality in practice. This amendment has no significant impact on the company.



MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 December 2015

---

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

1 January 2016

*Annual Improvements to IFRSs 2012-2014 Cycle*

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa).

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

These amendments in future periods will have no significant impact on the financial statements of the Company.

1 January 2016

*IFRS 14 Regulatory Deferral Accounts*

*Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations*

*Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*

*Amendments to IAS 27: Equity Method in Separate Financial Statements*

*Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

*Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception*

These amendments in future periods will have no impact on the financial statements of the Company.

## **MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

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

for the year ended 31 December 2015

---

#### **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.



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

for the year ended 31 December 2015

---

**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.



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

for the year ended 31 December 2015

---

**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 2015

---

#### 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 2015

---

#### 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 2015 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 2015

---

#### **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 2015

---

#### **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**

###### **3.13.1 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 2015

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13 Financial instruments (Continued)**

**3.13.1 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 2015

---

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **3.13 Financial instruments (Continued)**

###### **3.13.1 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 2015

---

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **3.13 Financial instruments (Continued)**

###### **3.13.1 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.

###### **3.13.2 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 2015

---

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **3.13 Financial instruments (Continued)**

##### **3.13.2 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 2015

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13 Financial instruments (Continued)**

**3.13.2 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 2015

---

#### **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 2015

---

#### 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 **K19,393,558** (2014: K9,805,983).

###### 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 2015

#### **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.

| <b>5. NET PREMIUM INCOME</b>                                                                | <b>2015</b>        | <b>2014</b> |
|---------------------------------------------------------------------------------------------|--------------------|-------------|
|                                                                                             | <b>K</b>           | <b>K</b>    |
| Net premium income represents income from insurance contracts and can be analysed as below: |                    |             |
| Gross premium income written in the year                                                    | <b>41 090 291</b>  | 27 826 687  |
| Change in unearned premiums provision                                                       | <b>(2 634 011)</b> | (1 693 120) |
| <b>Gross premium income for the year</b>                                                    | <b>38 456 280</b>  | 26 133 567  |
| Premiums ceded to reinsurers                                                                | <b>(7 278 317)</b> | (6 679 002) |
| <b>Net premium income</b>                                                                   | <b>31 177 963</b>  | 19 454 565  |

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.



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

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

for the year ended 31 December 2015

**5. NET PREMIUM INCOME (CONTINUED)**

|  | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
|  | <b>K</b>    | <b>K</b>    |

The gross premium written during the year is analysed as follows:

**By class of business**

|             |                   |                   |
|-------------|-------------------|-------------------|
| Motor       | 19 095 433        | 13 279 686        |
| Bonds       | 11 764 078        | 8 699 653         |
| Engineering | 4 758 769         | 2 283 437         |
| Fire        | 1 995 086         | 839 517           |
| Marine      | 1 909 219         | 1 497 359         |
| Accident    | 1 520 080         | 1 065 110         |
| Legal       | 47 624            | 161 925           |
|             | <u>41 090 291</u> | <u>27 826 687</u> |

**By method of business**

|                    |                   |                   |
|--------------------|-------------------|-------------------|
| Brokers and agents | 30 817 718        | 20 870 015        |
| Direct business    | 10 272 573        | 6 956 672         |
|                    | <u>41 090 291</u> | <u>27 826 687</u> |

**6. INVESTMENT INCOME**

|                                   |                |                |
|-----------------------------------|----------------|----------------|
| Interest received - term deposits | <u>944 751</u> | <u>590 530</u> |
|-----------------------------------|----------------|----------------|

**7. OTHER GAINS AND LOSSES**

|                            |                  |               |
|----------------------------|------------------|---------------|
| Net foreign exchange gains | <u>1 489 781</u> | <u>16 307</u> |
|----------------------------|------------------|---------------|

The movements in the US Dollar exchange rates during the year was at follows:

|                                         |            |            |
|-----------------------------------------|------------|------------|
| Mid market exchange rate at 1 January   | 6.4722     | 5.5780     |
| Mid market exchange rate at 31 December | 10.6793    | 6.4000     |
| Average depreciation                    | <u>65%</u> | <u>15%</u> |

The Zambian Kwacha depreciated against the US Dollar and other major convertible foreign currencies during the latter part of the year.

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

for the year ended 31 December 2015

| 8.  | <b>CLAIMS INCURRED, NET OF REINSURANCE</b>   | <b>2015</b>       | <b>2014</b>       |
|-----|----------------------------------------------|-------------------|-------------------|
|     |                                              | <b>K</b>          | <b>K</b>          |
|     | Claims paid - gross amount                   | 11 786 482        | 7 283 659         |
|     | Salvage stocks                               | (1 150 000)       | -                 |
|     |                                              | <u>10 636 482</u> | <u>7 283 659</u>  |
|     | Change in claims outstanding                 | 1 430 949         | 3 055 704         |
|     |                                              | <u>12 067 431</u> | <u>10 339 363</u> |
|     | Claims ceded to reinsurers                   | (1 084 816)       | (4 384 752)       |
|     |                                              | <u>10 982 615</u> | <u>5 954 611</u>  |
| 9.  | <b>OTHER OPERATING EXPENSES</b>              |                   |                   |
|     | <b>(i) Direct operating expenses</b>         |                   |                   |
|     | Insurance levy                               | <u>232 241</u>    | <u>134 407</u>    |
|     | <b>(ii) Indirect operating expenses</b>      |                   |                   |
|     | Provision for doubtful debts                 | 5 641 839         | 1 774 036         |
|     | Sundry expenses                              | 2 325 525         | 1 167 497         |
|     | Advertising                                  | 847 220           | 778 913           |
|     | Printing and stationery                      | 799 022           | 539 020           |
|     | Communication expense                        | 586 760           | 418 895           |
|     | Office rental expenses                       | 548 233           | 287 936           |
|     | Motor vehicles expenses                      | 372 384           | 551 380           |
|     | Consultancy and assessors fees               | 342 000           | 718 615           |
|     | Directors' fees                              | 196 800           | 100 200           |
|     |                                              | <u>11 659 783</u> | <u>6 336 492</u>  |
| 10. | <b>PROFIT BEFORE TAX</b>                     |                   |                   |
|     | Profit before tax is stated after crediting: |                   |                   |
|     | Net exchange gains                           | 1 489 781         | 16 307            |
|     | Interest income                              | 944 751           | 590 530           |
|     | and after charging:                          |                   |                   |
|     | Directors remuneration as management         | 1 456 000         | 1 295 000         |
|     | Directors fees                               | 196 800           | 100 200           |
|     | Depreciation and amortisation expense        | 515 946           | 308 711           |
|     | Pension costs                                | 200 945           | 112 416           |
|     | Donations                                    | <u>141 379</u>    | <u>110 201</u>    |



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

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

for the year ended 31 December 2015

| <b>11. INCOME TAX</b>                                                                                                  | <b>2015<br/>K</b>         | <b>2014<br/>K</b>       |
|------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------|
| <b>(i) Income tax expense</b>                                                                                          |                           |                         |
| Income tax at 35%                                                                                                      |                           |                         |
| Based on profit for the year                                                                                           | <b>3 330 669</b>          | 2 035 658               |
| Deferred taxation (note 14)                                                                                            | <b>(1 861 633)</b>        | (808 719)               |
|                                                                                                                        | <b><u>1 469 036</u></b>   | <b><u>1 226 939</u></b> |
| Income tax is calculated in accordance with the Third Schedule Section 25,1(1) of the Income Tax Act 1966, as amended. |                           |                         |
| <b>(ii) Reconciliation of the income tax expense</b>                                                                   |                           |                         |
| The total tax expense for the year can be reconciled to the accounting profit as follows:                              |                           |                         |
| Profit before tax                                                                                                      | <b><u>2 889 644</u></b>   | <b><u>3 053 396</u></b> |
| Income tax at 35%                                                                                                      | <b>1 011 375</b>          | 1 068 689               |
| Permanent differences                                                                                                  | <b><u>539 708</u></b>     | <b><u>158 250</u></b>   |
| <b>Actual income tax expense</b>                                                                                       | <b><u>1 469 036</u></b>   | <b><u>1 226 939</u></b> |
| <b>(iii) Movements on tax account</b>                                                                                  |                           |                         |
| The movements during the year are as follows:                                                                          |                           |                         |
| Arising during the year                                                                                                | <b>3 330 669</b>          | 2 035 658               |
| Payable in respect of previous years                                                                                   | <b>2 035 658</b>          | 356 126                 |
| Payments during the year                                                                                               | <b><u>(1 737 767)</u></b> | <b><u>(356 126)</u></b> |
| <b>Current tax liability</b>                                                                                           | <b><u>3 628 560</u></b>   | <b><u>2 035 658</u></b> |

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

for the year ended 31 December 2015

**12. PROPERTY AND EQUIPMENT**

| <b>COST</b>                | <b>Motor<br/>vehicles<br/>K</b> | <b>Computer<br/>equipment<br/>K</b> | <b>Office<br/>equipment<br/>K</b> | <b>Furniture<br/>and<br/>fittings<br/>K</b> | <b>Total<br/>K</b> |
|----------------------------|---------------------------------|-------------------------------------|-----------------------------------|---------------------------------------------|--------------------|
| At 1 January 2014          | 339 000                         | 236 169                             | 24 080                            | 183 009                                     | 782 258            |
| Additions for the year     | 510 600                         | 160 385                             | 2 120                             | 122 032                                     | 770 862            |
| At 1 January 2015          | 849 600                         | 396 554                             | 26 200                            | 305 041                                     | 1 553 120          |
| Additions for the year     | 126 500                         | 349 622                             | 13 703                            | 216 128                                     | 705 953            |
| <b>At 31 December 2015</b> | <b>976 100</b>                  | <b>746 176</b>                      | <b>39 903</b>                     | <b>521 169</b>                              | <b>2 259 073</b>   |
| <b>DEPRECIATION</b>        |                                 |                                     |                                   |                                             |                    |
| 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 1 January 2015          | 269 138                         | 146 095                             | 12 764                            | 103 238                                     | 531 235            |
| Charge for the year        | 241 390                         | 145 989                             | 7 575                             | 77 022                                      | 471 976            |
| <b>At 31 December 2015</b> | <b>510 528</b>                  | <b>292 084</b>                      | <b>20 339</b>                     | <b>180 260</b>                              | <b>1 003 211</b>   |
| <b>CARRYING AMOUNT</b>     |                                 |                                     |                                   |                                             |                    |
| <b>At 31 December 2015</b> | <b>465 572</b>                  | <b>429 817</b>                      | <b>19 564</b>                     | <b>340 909</b>                              | <b>1 255 862</b>   |
| At 31 December 2014        | 580 462                         | 250 459                             | 13 436                            | 201 803                                     | 1 021 885          |

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 2015 to ensure that at least their carrying values as reflected in the statement of financial position equal to their fair values.

**13. INTANGIBLE ASSET**

|                       | <b>2015<br/>K</b> | <b>2014<br/>K</b> |
|-----------------------|-------------------|-------------------|
| At 1 January          | 112 862           | 99 207            |
| Additions             | 190 157           | 37 931            |
| Amortisation          | (87 913)          | (43 943)          |
| <b>At 31 December</b> | <b>239 381</b>    | <b>93 195</b>     |

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 2015

| 14. DEFERRED TAX              | 2015<br>K                 | 2014<br>K                 |
|-------------------------------|---------------------------|---------------------------|
| At beginning of year          | (1 181 823)               | (373 104)                 |
| Arising in the year (note 11) | <u>(1 861 633)</u>        | <u>(808 719)</u>          |
| <b>At end of the year</b>     | <b><u>(3 043 456)</u></b> | <b><u>(1 181 823)</u></b> |

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

|                            | Accelerated<br>tax depreciation<br>K | Other<br>provisions<br>K  | Tax<br>losses<br>K | Total<br>K                |
|----------------------------|--------------------------------------|---------------------------|--------------------|---------------------------|
| At 1 January 2014          | 32 731                               | (405 835)                 | -                  | (373 104)                 |
| Arising in the year        | <u>24 982</u>                        | <u>(833 701)</u>          |                    | <u>(808 719)</u>          |
| At 31 December 2014        | 57 713                               | (1 239 536)               | -                  | (1 181 823)               |
| Arising in the year        | <u>30 858</u>                        | <u>(1 892 491)</u>        | -                  | <u>(1 861 633)</u>        |
| <b>At 31 December 2015</b> | <b><u>88 571</u></b>                 | <b><u>(3 132 027)</u></b> | <b>-</b>           | <b><u>(3 043 456)</u></b> |

| 15. INSURANCE RECEIVABLES | 2015<br>K | 2014<br>K |
|---------------------------|-----------|-----------|
|---------------------------|-----------|-----------|

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

|                              |                          |                          |
|------------------------------|--------------------------|--------------------------|
| Gross insurance receivable   | 30 550 425               | 17 801 061               |
| Allowance for doubtful debts | <u>(7 360 897)</u>       | <u>(2 784 910)</u>       |
|                              | <b><u>23 189 528</u></b> | <b><u>15 016 151</u></b> |

Insurance receivables for the Company can be analysed as follows:

**By customer type:**

|                                             |                          |                          |
|---------------------------------------------|--------------------------|--------------------------|
| Due from policyholders                      | 14 344 443               | 10 645 577               |
| Due from agents, brokers and intermediaries | <u>8 845 085</u>         | <u>4 370 574</u>         |
|                                             | <b><u>23 189 528</u></b> | <b><u>15 016 151</u></b> |

**By currency:**

|                       |                   |                   |
|-----------------------|-------------------|-------------------|
| Denominated in Kwacha | <u>23 189 528</u> | <u>15 016 151</u> |
|-----------------------|-------------------|-------------------|

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

for the year ended 31 December 2015

|                                              |             |             |
|----------------------------------------------|-------------|-------------|
| <b>15. INSURANCE RECEIVABLES (CONTINUED)</b> | <b>2015</b> | <b>2014</b> |
|                                              | <b>K</b>    | <b>K</b>    |

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 **K17,262,436** (2014: K5,709,284) 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    | 3 337 569  | 1 617 630 |
| 90-120 days   | 2 487 219  | 3 204 003 |
| Over 120 days | 11 437 648 | 887 651   |

|              |                   |                  |
|--------------|-------------------|------------------|
| <b>Total</b> | <b>17 262 436</b> | <b>5 709 284</b> |
|--------------|-------------------|------------------|

Movement in the allowance for doubtful debts:

|                                                       |           |           |
|-------------------------------------------------------|-----------|-----------|
| Balance at beginning of year                          | 2 784 910 | 1 010 874 |
| Impairment losses recognised on insurance receivables | 4 575 987 | 1 774 036 |

|                               |                  |                  |
|-------------------------------|------------------|------------------|
| <b>Balance at end of year</b> | <b>7 360 897</b> | <b>2 784 910</b> |
|-------------------------------|------------------|------------------|

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**

|                     |           |         |
|---------------------|-----------|---------|
| Reinsurance debtors | 1 323 474 | -       |
| Subrogation debtors | 1 241 053 | -       |
| Salvages stock      | 1 150 000 | -       |
| Others receivables  | 437 995   | 718 297 |
| Prepayments         | 7 500     | 19 163  |

|                                        |           |         |
|----------------------------------------|-----------|---------|
|                                        | 4 160 022 | 737 460 |
| Impairment loss on subrogation debtors | (836 685) | -       |
| Impairment loss on salvages stock      | (229 167) | -       |

|  |                  |                |
|--|------------------|----------------|
|  | <b>3 094 170</b> | <b>737 460</b> |
|--|------------------|----------------|



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015**17. CASH AND CASH EQUIVALENTS****2015**                      **2014**  
**K**                                      **K**

Investments comprise term deposits held with the following commercial banks and financial institutions:

|                                    |           |           |
|------------------------------------|-----------|-----------|
| First National Bank Zambia Limited | 3 988 648 | 1 097 113 |
| Investrust Bank Plc                | 2 893 673 | 2 622 369 |
| Barclays Bank Zambia Plc           | 1 115 119 | 1 000 000 |
| BANC ABC Limited                   | 1 053 814 | 921 885   |
| Cavmont Bank Zambia Limited        | 593 807   | 1 074 971 |
| Meanwood Finance Company Limited   | 450 000   | 2 731 165 |

**10 095 061**                      **9 447 503**

Cash and cash equivalents comprise the following:

|                       |            |           |
|-----------------------|------------|-----------|
| Fixed term deposits   | 10 095 061 | 6 716 338 |
| Bank and cash balance | 1 469 634  | 2 731 165 |

**11 564 695**                      **9 447 503****18. SHARE CAPITAL**

**Authorised, issued and fully paid up**  
3,000,000 (2014: 3,000,000) ordinary shares

**3 000 000**                      **3 000 000**

**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. INSURANCE CONTRACT LIABILITIES****2015**                      **2014**  
**K**                                      **K**

Insurance contract liabilities comprise:

|                                    |           |           |
|------------------------------------|-----------|-----------|
| Provision for unearned premium (i) | 9 948 804 | 7 314 793 |
| Outstanding claims (ii)            | 5 217 471 | 2 491 190 |

**15 166 274**                      **9 805 983**

# **MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

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

for the year ended 31 December 2015

### **19. INSURANCE CONTRACT LIABILITIES (CONTINUED)**

**2015  
K**

**2014  
K**

#### **(i) Provisions for unearned premium**

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

|                          |                  |           |
|--------------------------|------------------|-----------|
| At beginning of the year | <b>7 314 793</b> | 5 621 673 |
| Movement for the year    | <b>2 634 011</b> | 1 693 120 |
| At the end of the year   | <b>9 948 804</b> | 7 314 793 |

|                             | <b>2015</b>                                         |                                       |
|-----------------------------|-----------------------------------------------------|---------------------------------------|
|                             | <b>Gross insurance<br/>Contract<br/>Liabilities</b> | <b>Reinsurance<br/>of liabilities</b> |
|                             |                                                     | <b>Net</b>                            |
| At beginning of the year    | 7 314 793                                           | -                                     |
| Premium written in the year | 41 090 291                                          | 5 190 659                             |
| Premium earned in the year  | (33 265 621)                                        | -                                     |
| <b>At end of year</b>       | <b>15 139 463</b>                                   | <b>5 190 659</b>                      |

|                             | <b>2014</b>                               |                                       |
|-----------------------------|-------------------------------------------|---------------------------------------|
|                             | <b>Insurance Contract<br/>Liabilities</b> | <b>Reinsurance<br/>of liabilities</b> |
|                             |                                           | <b>Net</b>                            |
| At beginning of the year    | 5 621 673                                 | -                                     |
| Premium written in the year | 27 826 687                                | 5 621 676                             |
| Premium earned in the year  | (20 511 891)                              | -                                     |
| <b>At end of year</b>       | <b>12 936 469</b>                         | <b>5 621 676</b>                      |

#### **(ii) Outstanding claims**

**2015  
K**

**2014  
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                      | <b>5 451 273</b> | 3 091 665   |
| Incurred but not reported risks (IBNR)  | <b>375 476</b>   | 414 000     |
| Reinsurance share of outstanding claims | <b>(609 278)</b> | (1 014 475) |
|                                         | <b>5 217 471</b> | 2 491 190   |



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

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

for the year ended 31 December 2015

**19. INSURANCE CONTRACT LIABILITIES**

(CONTINUED)

**(ii) Outstanding claims**

|                                 |                                                     | 2015                                  |                         |
|---------------------------------|-----------------------------------------------------|---------------------------------------|-------------------------|
|                                 | <u>Gross insurance<br/>Contract<br/>Liabilities</u> | <u>Reinsurance<br/>of liabilities</u> | <u>Net</u>              |
| At beginning of the year        | 4 627 214                                           | 2 136 024                             | 2 491 190               |
| Claims incurred in current year | 15 637 609                                          | 1 442 299                             | 14 195 310              |
| Claims paid                     | <u>(10 636 482)</u>                                 | <u>832 547</u>                        | <u>(11 469 029)</u>     |
| At end of year                  | <u><b>9 628 341</b></u>                             | <u><b>4 410 870</b></u>               | <u><b>5 217 471</b></u> |
|                                 |                                                     | 2014                                  |                         |
|                                 | <u>Insurance Contract<br/>Liabilities</u>           | <u>Reinsurance<br/>of liabilities</u> | <u>Net</u>              |
| 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                     | <u>(7 283 659)</u>                                  | <u>569 427</u>                        | <u>(7 853 086)</u>      |
| At end of year                  | <u><b>4 627 214</b></u>                             | <u><b>2 136 024</b></u>               | <u><b>2 491 190</b></u> |

**20. INSURANCE PAYABLES**

2015  
K

2014  
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      | 3 661 608               | 842 814                 |
| Reinsurance ceded in the year | 7 278 317               | 6 679 002               |
| Payments in the year          | <u>(6 275 406)</u>      | <u>(3 860 208)</u>      |
| At the end of the year        | <u><b>4 664 519</b></u> | <u><b>3 661 608</b></u> |

**21. 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.

**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

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

for the year ended 31 December 2015

**21. OTHER FINANCIAL LIABILITIES (CONTINUED)**

**2015**  
**K**

**2014**  
**K**

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

|                                   |                   |                  |
|-----------------------------------|-------------------|------------------|
| Value added tax payable (i)       | 9 682 580         | 4 668 103        |
| Sundry payables                   | 1 440 539         | 1 408 449        |
| Employee related liabilities (ii) | 1 428 379         | 1 005 621        |
|                                   | <u>12 551 498</u> | <u>7 082 173</u> |

**i) Value Added Tax Payable**

The Company has not paid for several VAT remittances for 2015, 2014 and 2013. The Company has accrued for penalties and the amounts payable.

**ii) Gratuity provisions**

The employee related liabilities include provisions for gratuity of **K294,670** (2014: K556,750).

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

|                                       |                       |                       |
|---------------------------------------|-----------------------|-----------------------|
| At beginning of the year              | 556 750               | -                     |
| Additional provisions during the year | 916 920               | 556 750               |
| Paid during the year                  | (1 179 000)           | -                     |
| <b>At end of the year</b>             | <u><b>294 670</b></u> | <u><b>556 750</b></u> |

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

**22. DEFERRED EXPENSES**

The movement in deferred acquisition costs for insurance contracts is shown below:

|                                   |                       |                      |
|-----------------------------------|-----------------------|----------------------|
| At the beginning of the year      | 66 049                | -                    |
| Charged to profit or loss         | (66 049)              | -                    |
| Expenses deferred during the year | 323 381               | 66 049               |
| <b>At the end of the year</b>     | <u><b>323 381</b></u> | <u><b>66 049</b></u> |



# MEANWOOD GENERAL INSURANCE COMPANY LIMITED

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** for the year ended 31 December 2015

### **23. RELATED PARTY TRANSACTIONS**

2015  
K

2014  
K

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**

|                                       |         |         |
|---------------------------------------|---------|---------|
| Meanwood Property Development Limited | 129 364 | 42 369  |
| Norwood Investment Ventures Limited   | 53 679  | 146 795 |
| Meanwood Construction Limited         | 30 457  | 35 143  |
| Midrand Business Systems Limited      | -       | 164 710 |
| Meanwood Finance Corporation Limited  | -       | 9 540   |

##### **Expenses**

|                                       |         |         |
|---------------------------------------|---------|---------|
| Meanwood Property Development Company | 381 154 | 431 390 |
|---------------------------------------|---------|---------|

#### **ii) Amounts due from related parties**

|                                     |                  |          |
|-------------------------------------|------------------|----------|
| Norwood Investment Ventures Limited | 493 794          | -        |
| Meanwood Finance Company Limited    | 450 000          | -        |
| Meanwood Holdings Limited           | 207 631          | -        |
| Meanwood Construction Limited       | 19 858           | -        |
|                                     | <u>1 171 283</u> | <u>-</u> |

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 |
|---------------------------------------|---|---------|

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 | <u>1 456 800</u> | <u>1 295 000</u> |
|---------------------------------------------------------------------|------------------|------------------|

**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

**24. CONTINGENT LIABILITIES**

2015  
K

2014  
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.

The Company is undergoing a tax assesment of all principal taxes from 2012 to 2015. Upon completion of the assesment, the charges and related liabilities due would be determined, if any.

Except for the above, there were no other material contingent liabilities at 31 December 2015 and 2014.

**25. CAPITAL COMMITMENTS**

There were no capital commitments as at 31 December 2015 (2014: Nil).

**26. OPERATING LEASE COMMITMENTS**

**Rental expense on leasehold building**

|                       |                  |                |
|-----------------------|------------------|----------------|
| Less than 1 year      | 447 216          | 152 000        |
| Between 1 and 5 years | 909 432          | 309 216        |
|                       | <u>1 356 648</u> | <u>461 216</u> |

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.

|                |                |
|----------------|----------------|
| <u>213 154</u> | <u>287 936</u> |
|----------------|----------------|

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

**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.



# **MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

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

for the year ended 31 December 2015

### **28. FINANCIAL INSTRUMENTS (CONTINUED)**

#### **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 2014.

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 2015 and 2014, the Company had not sourced funding externally. The Company has a gearing ratio of 0% (2014 : 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**

|                                         | 2015<br>K         | 2014<br>K         |
|-----------------------------------------|-------------------|-------------------|
| <b><i>Financial assets</i></b>          |                   |                   |
| Held to maturity investments            | 10 095 061        | 6 716 338         |
| Insurance receivables                   | 23 189 528        | 15 016 151        |
| Other assets, less taxes                | 1 788 453         | 718 297           |
| Bank and cash balances                  | 1 469 634         | 2 731 165         |
|                                         | <u>26 447 615</u> | <u>25 181 951</u> |
| <b><i>Financial liabilities</i></b>     |                   |                   |
| Insurance contract liabilities          | 15 166 274        | 9 805 983         |
| Insurance payables                      | 4 664 519         | 3 661 608         |
| Other financial liabilities, less taxes | 2 868 918         | 2 414 070         |
| Amounts due to a related party          | -                 | 214 295           |
|                                         | <u>22 699 711</u> | <u>16 095 956</u> |

## MEANWOOD GENERAL INSURANCE COMPANY LIMITED

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

for the year ended 31 December 2015

---

#### **28. FINANCIAL INSTRUMENTS (CONTINUED)**

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**

2015

2014

K

K

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

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

Assets

3 540 687

298 769

##### **Sensitivity analysis**

At 31 December 2015, if the US Dollar had appreciated or depreciated by 20% against the Kwacha, with all other variables held constant, the increase or decrease in the profit for the year would have been **K708,137** (2014: K59,753) higher or lower, mainly arising from insurance receivables, cash and amounts due to reinsurers.



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

---

**28. FINANCIAL INSTRUMENTS (CONTINUED)**

**Interest rate risk management**

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

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.

**Credit risk management (Continued)**

| 2015 | 2014 |
|------|------|
| K    | K    |

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

|                                        |                   |                   |
|----------------------------------------|-------------------|-------------------|
| Insurance receivables and other assets | 24 977 981        | 21 732 489        |
| Held to maturity investments           | 10 095 061        | 6 716 338         |
|                                        | <u>35 073 042</u> | <u>28 448 827</u> |

**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.

**MEANWOOD GENERAL INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015**28. FINANCIAL INSTRUMENTS (CONTINUED)****Insurance risks (continued)**

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.

|                                         | 1 to 3 Months<br>K | 3 months<br>to 1 year<br>K | 1 to 5 Years<br>K | Total<br>K        |
|-----------------------------------------|--------------------|----------------------------|-------------------|-------------------|
| <b>Year ended 31 December 2015</b>      |                    |                            |                   |                   |
| <b>Financial liabilities</b>            |                    |                            |                   |                   |
| Insurance contract liabilities          | 15 166 274         | -                          | -                 | 15 166 274        |
| Insurance payables                      | 4 664 522          | -                          | -                 | 4 664 522         |
| Other financial liabilities, less taxes | 2 868 918          | -                          | -                 | 2 868 918         |
| Amounts due to a related party          | -                  | -                          | -                 | -                 |
|                                         | <b>22 699 714</b>  | <b>-</b>                   | <b>-</b>          | <b>22 699 714</b> |
| <b>Financial assets</b>                 |                    |                            |                   |                   |
| Insurance receivables                   | 23 189 528         | -                          | -                 | 23 189 528        |
| Other assets, less taxes                | 3 094 170          | -                          | -                 | 3 094 170         |
| Held to maturity investments            | 10 095 061         | -                          | -                 | 10 095 061        |
|                                         | <b>36 378 759</b>  | <b>-</b>                   | <b>-</b>          | <b>36 378 759</b> |



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

**28. FINANCIAL INSTRUMENTS (CONTINUED)**

|                                         | 1 to 3 Months<br>K | 3 months<br>to 1 year<br>K | 1 to 5 Years<br>K | Total<br>K        |
|-----------------------------------------|--------------------|----------------------------|-------------------|-------------------|
| <b>Year ended 31 December 2014</b>      |                    |                            |                   |                   |
| <b>Financial liabilities</b>            |                    |                            |                   |                   |
| 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           |
|                                         | <b>16 095 956</b>  | <b>-</b>                   | <b>-</b>          | <b>16 095 956</b> |
| <b>Financial assets</b>                 |                    |                            |                   |                   |
| Insurance receivables                   | 15 774 888         | -                          | -                 | 15 774 888        |
| Other assets, less taxes                | 718 297            | -                          | -                 | 718 297           |
| Held to maturity investments            | 9 447 503          | -                          | -                 | 9 447 503         |
|                                         | <b>25 940 688</b>  | <b>-</b>                   | <b>-</b>          | <b>25 940 688</b> |

**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.

|                              | 2015<br>Carrying<br>amount<br>K | Fair value<br>K | 2014<br>Carrying<br>amount<br>K | Fair value<br>K |
|------------------------------|---------------------------------|-----------------|---------------------------------|-----------------|
| <b>Financial assets</b>      |                                 |                 |                                 |                 |
| Held-to-maturity investments | 10 095 061                      | 10 095 061      | 9 447 503                       | 9 447 503       |
| Insurance receivables        | 23 189 528                      | 23 189 528      | 15 016 151                      | 15 016 151      |
| Other assets, less taxes     | 3 094 170                       | 3 094 170       | 718 297                         | 718 297         |

**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

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

for the year ended 31 December 2015

**28. FINANCIAL INSTRUMENTS (CONTINUED)**

|                                                  | 2015               |            | 2014               |            |
|--------------------------------------------------|--------------------|------------|--------------------|------------|
|                                                  | Carrying<br>amount | Fair value | Carrying<br>amount | Fair value |
|                                                  | K                  | K          | K                  | K          |
| <b>Financial liabilities</b>                     |                    |            |                    |            |
| Financial liabilities held at<br>amortised cost: |                    |            |                    |            |
|                                                  | 22 699 714         | 22 699 714 | 16 095 956         | 16 095 956 |
| – Insurance contract liabilities                 | 15 166 274         | 15 166 274 | 9 805 983          | 9 805 983  |
| – Insurance payables                             | 4 664 522          | 4 664 522  | 3 661 608          | 3 661 608  |
| – Other financial liabilities,                   | 2 868 918          | 2 868 918  | 2 414 070          | 2 414 070  |
| – Amounts due to a related party                 | -                  | -          | 214 295            | 214 295    |

**Fair value hierarchy as at 31 December**

|                          | 2015              | 2014              |
|--------------------------|-------------------|-------------------|
|                          | Level 3           | Level 3           |
|                          | K                 | K                 |
| <b>Financial assets</b>  |                   |                   |
| Insurance receivables    | 23 189 528        | 15 016 151        |
| Other assets, less taxes | 3 094 170         | 718 297           |
| <b>Total</b>             | <b>26 283 698</b> | <b>15 734 448</b> |

**Fair value hierarchy as at 31 December**

|                                                  | 2015              | 2014              |
|--------------------------------------------------|-------------------|-------------------|
|                                                  | Level 3           | Level 3           |
|                                                  | K                 | K                 |
| <b>Financial liabilities</b>                     |                   |                   |
| Financial liabilities held at<br>Amortised cost: |                   |                   |
|                                                  | 15 166 274        | 9 805 983         |
| – Insurance contract liabilities                 | 4 664 522         | 3 661 608         |
| – Insurance payables                             | 2 868 918         | 2 414 070         |
| – Other financial liabilities,                   | -                 | 214 295           |
| – Amounts due to a related party                 |                   |                   |
| <b>Total</b>                                     | <b>22 699 714</b> | <b>16 095 956</b> |

The fair values of the financial assets and financial liabilities included in the level 3 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.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

---

**29. INSURANCE AND FINANCIAL RISK**

**(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.

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.



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

for the year ended 31 December 2015

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

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.

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 2015.

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

|              | Year ended 31 December 2015 |                            | Year ended 31 December 2014 |                            |
|--------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
|              | Gross Liabilities           | Reinsurance of Liabilities | Gross Liabilities           | Reinsurance of Liabilities |
|              | K                           | K                          | K                           | K                          |
| Engineering  | 13 703 972                  | 4 728 976                  | 6 467 351                   | 3 788 864                  |
| Motor        | 14 902 746                  | 1 411 778                  | 5 822 886                   | 678 262                    |
| Marine       | 1 726 934                   | 347 906                    | 2 501 748                   | 1 886 743                  |
| Fire         | 1 425 202                   | 627 738                    | 581 628                     | 325 133                    |
| Accident     | 1 352 856                   | 161 918                    | 441 670                     | -                          |
| Legal        | 47 624                      | -                          | 65 255                      | -                          |
| <b>Total</b> | <b>33 159 334</b>           | <b>7 278 316</b>           | <b>15 880 538</b>           | <b>6 679 002</b>           |



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015**29. INSURANCE AND FINANCIAL RISK (CONTINUED)****(i) Non-life insurance contracts (which comprise marine, motor, accident and fire (continued))****(a) Insurance risk (Continued)****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.

**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 2015**

|                                 | Change in assumptions           | Impact on Profit before tax | Impact on equity |
|---------------------------------|---------------------------------|-----------------------------|------------------|
| Average claim cost              | 10%                             | 288 964                     | 288 964          |
| Average number of claims        | 10%                             | 288 964                     | 288 964          |
| Average claim settlement period | Reduce from 3 months to 1 month | -                           | -                |

**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 | -                           | -                |

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



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015**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**

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.

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 2015:

| <b>Accident year</b>            | <b>2013</b>      | <b>2014</b>      | <b>2015</b>      | <b>Total</b>      |
|---------------------------------|------------------|------------------|------------------|-------------------|
|                                 | <b>K</b>         | <b>K</b>         | <b>K</b>         | <b>K</b>          |
| At beginning of accident year   | 112 178          | 1 571 510        | 4 627 214        | 6 310 902         |
| Claims incurred during the year | 2 504 719        | 10 339 363       | 12 672 670       | 25 516 752        |
| Claims paid during              | (1 045 387)      | (7 283 659)      | (11 786 482)     | (20 115 528)      |
| <b>At the end of the year</b>   | <b>1 571 510</b> | <b>4 627 214</b> | <b>5 513 402</b> | <b>11 712 126</b> |

Net non-life insurance contract outstanding claims provision for 2015:

| <b>Accident year</b>            | <b>2013</b>      | <b>2014</b>      | <b>2015</b>      | <b>Total</b>     |
|---------------------------------|------------------|------------------|------------------|------------------|
| At beginning of accident year   | 112 178          | 1 019 387        | 2 491 190        | 3 622 755        |
| Claims incurred during the year | 1 952 596        | 8 356 794        | 11 431 617       | 21 741 007       |
| Claims paid during the year     | (1 045 387)      | (6 884 991)      | (8 240 357)      | (16 170 735)     |
| <b>At the end of the year</b>   | <b>1 019 387</b> | <b>2 491 190</b> | <b>5 682 450</b> | <b>9 193 027</b> |



## **MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** for the year ended 31 December 2015

---

#### **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)**

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 2015, the Company had the right to set off financial liabilities amounting to **Nil** (2014: Nil) against financial assets with a fair value of **Nil** (2014: Nil) under such arrangements.
- 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.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

---

**29. INSURANCE AND FINANCIAL RISK (CONTINUED)**

**(b) Financial risks (continued)**

**(i) Credit risks (continued)**

- 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
- 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 2015

---

**29. INSURANCE AND FINANCIAL RISK (CONTINUED)**

**(b) Financial risks (continued)**

**(i) Credit risks (continued)**

- 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
- 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 2015

**29. INSURANCE AND FINANCIAL RISK (CONTINUED)**

**(b) Financial risks (Continued)**

**(i) Credit risks (Continued)**

**Industry analysis**

**Year ended 31 December 2015**

| Financial assets                  | Financial<br>Institutions<br>K | Government<br>K | Mining<br>K | Others<br>K       | Total<br>K        |
|-----------------------------------|--------------------------------|-----------------|-------------|-------------------|-------------------|
| Insurance receivables             | -                              | -               | -           | 23 189 528        | 23 189 528        |
| Cash and cash equivalents         | 11 564 695                     | -               | -           | -                 | 11 564 695        |
| <b>Total credit risk exposure</b> | <b>11 564 695</b>              | <b>-</b>        | <b>-</b>    | <b>23 189 528</b> | <b>34 754 223</b> |

**Year ended 31 December 2014**

**Financial assets**

|                                   |                  |          |          |                   |                   |
|-----------------------------------|------------------|----------|----------|-------------------|-------------------|
| Held to maturity investments      | -                | -        | -        | -                 | -                 |
| Insurance receivables             | -                | -        | -        | 15 016 151        | 15 016 151        |
| Cash and cash equivalents         | 9 447 503        | -        | -        | -                 | 9 447 503         |
| <b>Total credit risk exposure</b> | <b>9 447 503</b> | <b>-</b> | <b>-</b> | <b>15 016 151</b> | <b>24 463 654</b> |



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

**29. INSURANCE AND FINANCIAL RISK (CONTINUED)**

**(b) Financial 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 2015**

| Financial assets          | Neither past due nor impaired |                                                  |                                                    |                  |                                   |
|---------------------------|-------------------------------|--------------------------------------------------|----------------------------------------------------|------------------|-----------------------------------|
|                           | Investment<br>grade<br>K      | Non<br>investment<br>grade:<br>satisfactory<br>K | Non<br>investment<br>grade:<br>unsatisfactory<br>K | Unit-linked<br>K | Past due but<br>not impaired<br>K |
| Insurance receivables     | -                             | 23 189 528                                       | -                                                  | -                | 23 189 528                        |
| Cash and cash equivalents | -                             | 11 564 695                                       | -                                                  | -                | 11 564 695                        |
|                           | -                             | 34 754 223                                       | -                                                  | -                | 34 754 223                        |

**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

**29. INSURANCE AND FINANCIAL RISK (CONTINUED)**

**(b) Financial risks (Continued)**

**Year ended 31 December 2014**

| Financial assets          | Neither past due nor impaired |                                                  |                                                    |                  |                                   | Total      |
|---------------------------|-------------------------------|--------------------------------------------------|----------------------------------------------------|------------------|-----------------------------------|------------|
|                           | Investment<br>grade<br>K      | Non<br>investment<br>grade:<br>satisfactory<br>K | Non<br>investment<br>grade:<br>unsatisfactory<br>K | Unit-linked<br>K | Past due but<br>not impaired<br>K |            |
| Insurance receivables     | -                             | 15 016 151                                       | -                                                  | -                | 1 485 045                         | 16 501 196 |
| Cash and cash equivalents | -                             | 9 447 503                                        | -                                                  | -                | -                                 | 9 447 503  |
|                           | -                             | 24 463 654                                       | -                                                  | -                | 1 485 045                         | 25 948 699 |

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 2015

**29. INSURANCE AND FINANCIAL RISK (CONTINUED)**

**(b) Financial risks (Continued)**

**Age analysis of financial assets past due but not impaired**

**Year ended 31 December 2015**

|                       | > 30 days<br>K | 31 to 60 days<br>K | 61 to 90 days<br>K | > 90 days<br>K | Unit-linked<br>K | Total past<br>due but not<br>impaired<br>K |
|-----------------------|----------------|--------------------|--------------------|----------------|------------------|--------------------------------------------|
| Insurance receivables | -              | -                  | 3 337 569          | 13 924 867     | -                | 17 262 436                                 |
| Other assets          | -              | -                  | 3 094 170          | -              | -                | 3 094 170                                  |
| <b>Total</b>          | -              | -                  | 6 431 739          | 13 924 867     | -                | -                                          |

**Year ended 31 December 2014**

|                       | > 30 days<br>K | 31 to 60 days<br>K | 61 to 90 days<br>K | > 90 days<br>K | Unit-linked<br>K | Total past<br>due but not<br>impaired<br>K |
|-----------------------|----------------|--------------------|--------------------|----------------|------------------|--------------------------------------------|
| Insurance receivables | -              | -                  | 1 617 630          | 4 091 654      | -                | 5 709 284                                  |
| Other Assets          | -              | -                  | 737 460            | -              | -                | 737 460                                    |
|                       | -              | -                  | 2 355 090          | 4 091 654      | -                | 6 446 744                                  |

**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

**29. INSURANCE AND FINANCIAL RISK (CONTINUED)**

**(b) Financial risks (Continued)**

**Impaired financial assets**

At 31 December 2015, there are impaired reinsurance assets of Nil (2014: Nil) impaired loans and receivables of **K7,360,897** (2014: K2,784,910).

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:

|                     | 2015<br>K               | 2014<br>K               |
|---------------------|-------------------------|-------------------------|
| At 1 January        | 2 784 910               | 1 010 874               |
| Charge for the year | <u>4 575 987</u>        | <u>1 774 036</u>        |
| At 31 December      | <u><u>7 360 897</u></u> | <u><u>2 784 910</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 2015

---

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 2015

**29. INSURANCE AND FINANCIAL RISK (CONTINUED)**

**(b) Financial risks (Continued)**

**Maturity analysis (contractual undiscounted cash flow basis)**

**Year ended 31 December 2015**

| Financial assets                      | Carrying<br>Amount<br>K | Up to 1 year<br>K | 1 to 3 years<br>K | 5 to 15 years<br>K | No maturity<br>date<br>K | Total<br>K        |
|---------------------------------------|-------------------------|-------------------|-------------------|--------------------|--------------------------|-------------------|
|                                       |                         |                   |                   |                    |                          |                   |
| Insurance receivables                 | 23 189 528              | 23 189 528        | -                 | -                  | -                        | 23 189 528        |
| Cash and cash equivalents             | 11 564 695              | 11 564 695        | -                 | -                  | -                        | 11 564 695        |
| <b>Total undiscounted assets</b>      | <b>34 754 223</b>       | <b>34 754 223</b> | <b>-</b>          | <b>-</b>           | <b>-</b>                 | <b>34 754 223</b> |
| <b>Financial liabilities</b>          |                         |                   |                   |                    |                          |                   |
| Insurance liabilities                 | 19 830 793              | 19 830 793        | -                 | -                  | -                        | 19 830 793        |
| Other liabilities                     | 12 551 498              | 12 551 498        | -                 | -                  | -                        | 12 551 498        |
| <b>Total undiscounted liabilities</b> | <b>32 382 291</b>       | <b>32 382 291</b> | <b>-</b>          | <b>-</b>           | <b>-</b>                 | <b>32 382 291</b> |
| <b>Total liquidity gap</b>            | <b>2 371 932</b>        | <b>2 371 932</b>  | <b>-</b>          | <b>-</b>           | <b>-</b>                 | <b>2 371 932</b>  |



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

**29. INSURANCE AND FINANCIAL RISK (CONTINUED)**

**(b) Financial risks (Continued)**

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

**Year ended 31 December 2015**

| <b>Financial assets</b>               | <b>Carrying<br/>Amount<br/>K</b> | <b>1 to 3 years<br/>K</b> | <b>5 to 15 years<br/>K</b> | <b>No maturity<br/>date<br/>K</b> | <b>Total<br/>K</b> |
|---------------------------------------|----------------------------------|---------------------------|----------------------------|-----------------------------------|--------------------|
| Insurance receivables                 | 23 189 528                       | -                         | -                          | -                                 | 23 189 528         |
| Cash and cash equivalents             | 11 564 695                       | -                         | -                          | -                                 | 11 564 695         |
| <b>Total undiscounted assets</b>      | <b>34 754 223</b>                | <b>-</b>                  | <b>-</b>                   | <b>-</b>                          | <b>34 754 223</b>  |
| <b>Financial liabilities</b>          |                                  |                           |                            |                                   |                    |
| Insurance liabilities                 | 19 830 793                       | -                         | -                          | -                                 | 19 830 793         |
| Other liabilities                     | 12 551 498                       | -                         | -                          | -                                 | 12 551 498         |
| <b>Total undiscounted liabilities</b> | <b>32 382 291</b>                | <b>-</b>                  | <b>-</b>                   | <b>-</b>                          | <b>32 382 291</b>  |
| <b>Total liquidity gap</b>            | <b>2 371 932</b>                 | <b>-</b>                  | <b>-</b>                   | <b>-</b>                          | <b>2 371 932</b>   |

**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
for the year ended 31 December 2015

**29. INSURANCE AND FINANCIAL RISK (CONTINUED)**

**(b) Financial risks (Continued)**

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

**Year ended 31 December 2015**

|                                        | Current<br>K      | Non Current<br>K | Unit-Linked<br>K | Total<br>K        |
|----------------------------------------|-------------------|------------------|------------------|-------------------|
| Property and equipment                 | -                 | 1 255 862        | -                | 1 255 862         |
| Intangible asset                       | -                 | 239 381          | -                | 239 381           |
| <b>Financial Instruments</b>           |                   |                  |                  |                   |
| Insurance receivables                  | 23 189 528        | -                | -                | 23 189 528        |
| Other assets, net of taxes             | 3 094 170         | -                | -                | 3 094 170         |
| Cash and cash equivalents              | 11 564 695        | -                | -                | 11 564 695        |
| <b>Total assets</b>                    | <b>37 848 393</b> | <b>1 495 243</b> | <b>-</b>         | <b>39 343 636</b> |
| <b>Investment contract liabilities</b> |                   |                  |                  |                   |
| Insurance Contract liabilities         | 15 166 274        | -                | -                | 15 166 274        |
| Insurance payables                     | 4 664 519         | -                | -                | 4 664 519         |
| Other financial liabilities            | 12 551 498        | -                | -                | 12 551 498        |
| Amounts due to a related party         | -                 | -                | -                | -                 |
| <b>Total liabilities</b>               | <b>32 382 291</b> | <b>-</b>         | <b>-</b>         | <b>32 382 291</b> |



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

**29. INSURANCE AND FINANCIAL RISK (CONTINUED)**

**(b) Financial risks (Continued)**

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

**Year ended 31 December 2014**

|                              | Current<br>K      | Non current<br>K | Unit-linked<br>K | Total<br>K        |
|------------------------------|-------------------|------------------|------------------|-------------------|
| Property and equipment       | -                 | 1 021 885        | -                | 1 021 885         |
| Intangible asset             | -                 | 93 195           | -                | 93 195            |
| <b>Financial Instruments</b> |                   |                  |                  |                   |
| 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         |
| <b>Total assets</b>          | <b>25 201 114</b> | <b>1 115 080</b> | <b>-</b>         | <b>26 316 194</b> |

**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   |

|                     |                   |          |          |                   |
|---------------------|-------------------|----------|----------|-------------------|
| <b>Total assets</b> | <b>20 764 059</b> | <b>-</b> | <b>-</b> | <b>20 764 059</b> |
|---------------------|-------------------|----------|----------|-------------------|

**MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

**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 2015  | Kwacha            | US Dollar        | Total             |
|------------------------------|-------------------|------------------|-------------------|
| Property and equipment       | 1 255 862         | -                | 1 255 862         |
| Intangible asset             | 239 381           | -                | 239 381           |
| <b>Financial Instruments</b> |                   |                  | -                 |
| Insurance receivables        | 23 189 528        | -                | 23 189 528        |
| Other assets                 | 3 094 170         | -                | 3 094 170         |
| Cash and cash equivalents    | 8 024 008         | 3 540 687        | 11 564 695        |
| <b>Total assets</b>          | <b>35 802 949</b> | <b>3 540 687</b> | <b>39 343 636</b> |



**MEANWOOD GENERAL INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015**29. INSURANCE AND FINANCIAL RISK (CONTINUED)****(b) Financial risks (Continued)****(iii) Market risk (Continued)****(a) Currency risk (Continued)**

| <b>Insurance contract liabilities</b> | <b>Kwacha</b>     | <b>US Dollar</b> | <b>Total</b>      |
|---------------------------------------|-------------------|------------------|-------------------|
| Insurance contract liabilities        | 15 166 274        | -                | 15 166 274        |
| Insurance payables                    | 4 664 519         | -                | 4 664 519         |
| Other financial liabilities           | 12 551 498        | -                | 12 551 498        |
| Amounts due to related party          | -                 | -                | -                 |
| <b>Total liabilities</b>              | <b>32 382 291</b> | <b>-</b>         | <b>32 382 291</b> |

**Year ended 31 December 2014**

|                        |           |   |           |
|------------------------|-----------|---|-----------|
| Property and equipment | 1 021 885 | - | 1 021 885 |
| Investment properties  | 93 195    | - | 93 195    |

**Financial instruments**

|                           |                   |               |                   |
|---------------------------|-------------------|---------------|-------------------|
| Insurance receivables     | 15 016 151        | -             | 15 016 151        |
| Other assets              | 737 460           | -             | 737 460           |
| Cash and cash equivalents | 9 385 072         | 62 431        | 9 447 503         |
| <b>Total assets</b>       | <b>26 253 763</b> | <b>62 431</b> | <b>26 316 194</b> |

**Insurance 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 related party   | 214 295           | -        | 214 295           |
| <b>Total liabilities</b>       | <b>20 764 059</b> | <b>-</b> | <b>20 764 059</b> |

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.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2015

**29. INSURANCE AND FINANCIAL RISK (CONTINUED)**

(b) Financial risks (Continued)

(iii) Market risk (Continued)

(a) Currency risk (Continued)

|          | Year ended 31 December 2015 |                                   |                     | Year ended 31 December 2014       |                     |  |
|----------|-----------------------------|-----------------------------------|---------------------|-----------------------------------|---------------------|--|
| Currency | Change<br>in<br>Variables   | Impact on<br>profit before<br>tax | Impact on<br>equity | Impact on<br>Profit before<br>tax | Impact on<br>equity |  |
| USD      | 10%                         | 288 964                           | 288 964             | 305 340                           | 305 340             |  |
| USD      | -10%                        | (288 964)                         | (288 964)           | (305 340)                         | (305 340)           |  |

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. GOING CONCERN**

The Company had a deficit of **K9,038,848** of admitted liabilities over admitted assets as shown in the Solvency statement on page 68.

The Company meets its day to day working capital requirements from management of its investments and receivables. Should additional capital be required, funding can be obtained from related parties. Significant statutory tax payable and high receivables over 60 days have contributed to the solvency position of the Company being reduced from a margin of (5%) to (25%). The solvency position can be cured with an injection of additional capital from shareholders and recovery of the receivable balances.



## **MEANWOOD GENERAL INSURANCE COMPANY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** for the year ended 31 December 2015

---

#### **30. GOING CONCERN (CONTINUED)**

The Company has set plan and initiatives to achieve high profitability, growth in revenue and improved credit management. The Company through these plans can achieve and cure concerns of solvency. In any case, continuing financial support from its shareholders and related parties is available. Although the weak solvency margin may be indicative of an uncertainty about the Company's ability to continue as going concern should these set plans and initiatives be unsuccessful and financial support from shareholders and related parties not be available, the Directors are confident that the solvency margin will regularise as the plans in place to improve credit management are deemed reasonable. The Directors are also engaged in discussions with the regulator on this matter.

Accordingly, the Directors are of the opinion that the preparation of these financial statements on the going concern basis is appropriate.

#### **31. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors and authorised for issue on 27 May 2016.

---

**MEANWOOD GENERAL INSURANCE COMPANY LIMITED****SOLVENCY STATEMENT**

for the year ended 31 December 2015

|                                        | 2015<br>K          | 2 014<br>K         |
|----------------------------------------|--------------------|--------------------|
| <b>ADMITTED ASSETS</b>                 |                    |                    |
| Property and equipment                 | 1 255 862          | 1 021 885          |
| Intangible asset                       | 239 381            | 93 195             |
| Deferred tax asset                     | 3 043 456          | 1 181 823          |
| Insurance receivables                  | 30 550 425         | 17 801 061         |
| Less: Premium receivables over 60 days | (22 452 604)       | (8 494 194)        |
| Other assets                           | 3 094 170          | 737 460            |
| Cash and cash equivalents              | 11 564 695         | 9 447 503          |
| <b>Total admitted assets</b>           | <b>27 295 385</b>  | <b>21 788 733</b>  |
| <b>ADMITTED LIABILITIES</b>            |                    |                    |
| Insurance contract liabilities         | 15 166 274         | 9 805 983          |
| Insurance payables                     | 4 664 519          | 3 661 608          |
| Other financial liabilities            | 12 551 498         | 7 082 173          |
| Deferred expenses                      | 323 381            | 66 049             |
| Amounts due to a related party         | -                  | 214 295            |
| Current tax liabilities                | 3 628 560          | 2 035 658          |
| <b>Total admitted liabilities</b>      | <b>36 334 232</b>  | <b>22 865 766</b>  |
| <b>Margin</b>                          | <b>(9 038 847)</b> | <b>(1 077 033)</b> |
| <b>Solvency margin %</b>               | <b>(25%)</b>       | <b>(5%)</b>        |
| <b>Regulatory solvency margin</b>      | <b>10%</b>         | <b>10%</b>         |