MEANWOOD GENERAL INSURANCE COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2016

MEANWOOD GENERAL INSURANCE COMPANY LIMITED
(Incorporated in Zambia)

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2016

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MEANWOOD GENERAL INSURANCE COMPANY LIMITED

THE COMPANY'S DIRECTORS, MANAGEMENT AND ADVISORS

The Directors and Managers who held office during the year ended 31 December 2016 and professional advisors to the Company were:

DIRECTORS

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

MANAGEMENT

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

SECRETARY

Mr. Boyd Katebe

LEGAL ADVISORS

Mosha and Company

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 2016

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 7 to 47 and are summarised below:

The Company made a profit of **K1,874,424** compared to a profit of K1,420,608 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/Misc	Marine	Total 2016	Total 2015
Gross premiums	1 314 502	1 876 106	22 488 044	1 812 767	8 665 574	684 789	762 453	**37 604 235**	41 090 291
Change in insurance funds	-	-	-	-	-	-	-	(436 633)	(2 634 011)
	1 314 502	**1 876 106**	**22 488 044**	**1 812 767**	**8 665 574**	**684 789**	**762 453**	**37 167 602**	38 456 280
Expenditure									
Net claims	(167 376)	(74 851)	(9 743 133)	-	(360 296)	(61 000)	(112 559)	(10 519 215)	(10 982 615)
Net commissions	(36 025)	(31 975)	(481 187)	(63 017)	(61 699)	(10 386)	(35 427)	(719 716)	(2 088 232)
Other direct expenses	(7 756)	(11 069)	(136 285)	(10 695)	(51 126)	(4 040)	(4 498)	(225 470)	(232 241)
	(211 157)	**(117 895)**	**(10 360 605)**	**(73 712)**	**(473 121)**	**(75 426)**	**(152 484)**	**(11 464 401)**	(13 303 088)
Premiums ceded to reinsurers	(658 474)	(369 407)	(1 095 786)	(862 924)	(743 278)	(27 679)	(301 510)	(4 059 058)	(5 190 659)
	(869 631)	**(487 302)**	**(11 456 391)**	**(936 636)**	**(1 216 399)**	**(103 105)**	**(453 994)**	**(15 523 458)**	(18 493 747)
Underwriting surplus	**444 871**	**1 388 804**	**11 031 653**	**876 131**	**7 449 175**	**581 684**	**308 459**	**21 644 144**	19 962 533
Other revenue									
Investment income								974 452	944 751
Other income								94 754	41 320
Other gains and losses								272 253	1 489 781
								1 341 459	2 475 852
Other expenses									
Employee benefits expenses								(9 661 657)	(7 373 011)
Other indirect operating expenses								(9 290 862)	(11 659 783)
Depreciation and amortisation expense								(777 092)	(515 946)
								(19 729 611)	(19 548 740)
Profit before tax								**3 255 992**	2 889 644
Income tax expense								(1 381 568)	(1 469 036)
Income for the year								**1 874 424**	1 420 608

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

INVESTMENTS

The total book value of the investments of the Company reduced from K10,095,061 in 2015 to **K3,184,005** in 2016 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 **K4,642,502** (2015: K5,217,471) and comprised the following:

	2016 **K**	2015 K
Outstanding claims	**5 251 780**	5 826 749
Reinsurance share of outstanding claims	**(609 278)**	(609 278)
	4 642 502	5 217 471

EMPLOYEES

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

The total remuneration paid to the employees during the year was **K9,661,657** (2015: K7,373,011).

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 **K179,232** during the year (2015:K141,379).

EXPORTS

The Company did not export any services during the year.

SHARE CAPITAL

On 31 December 2016, authorised and issued of K10,000,000 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 **K1,454,640** (2015: K705,953) and comprise the following:

	2016 **K**	2015 K
Motor vehicles	**1 239 136**	126 500
Computer equipment	**152 374**	349 622
Furniture and fittings	**63 130**	216 128
Office equipment	-	13 703
	1 454 640	705 953

Software with a cost of **K15,000** (2015: K190,157) 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: 31.03.2017

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 5 and 6.

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 loss for the year ended 31 December 2016;
- 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 2016;
- 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 31 March 2017 on behalf of the Board by:

________________________) **CHAIRMAN**

________________________) **MANAGING DIRECTOR**

Deloitte.

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Lusaka
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INDEPENDENT AUDITOR'S REPORT

To the members of
Meanwood General Insurance Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the financial statements of Meanwood General Insurance Limited (the "Company) set out on pages 7 to 48, which comprise the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the basis for qualified opinion section in our report, the accompanying financial statements present a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS) and the manner required by the Companies Act 1994, (as amended).

Basis for qualified opinion

The insurance receivables are carried in the statement of financial position at K30.3 million. Management has assessed the impairment of receivables as disclosed in note 14, and recognised an impairment loss of K3.8 million. We noted that management assumptions, based on past trends, were not consistent as the assessment did not include assessment of insurance receivables for transactions in 2016 and 2015 financial years. We have noted significant indicators of impairment regarding the insurance receivables balance in line with IAS 39 *Financial instruments: Recognition and measurement* and estimate the impairment to be K20.1 million. We have not been provided with evidence that could mitigate or render these receivables recoverable, and are in disagreement with Management over the additional K16 million impairment loss, if any.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Zambia. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going concern

We draw your attention to note 30 of the financial statements which describes management's assessment of the Company's ability to continue as a going concern despite not achieving the solvency margin and impending new regulations increasing minimum capital requirements from K1 million to K10 million. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 1994 (as amended) and information on management and advisors, which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic conditions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal requirements

The Companies Act, 1994 (as amended) and Insurance Act, 1997 (as amended) requires that in carrying out our audit, we consider and report to you on the following matter: we confirm that, in our opinion, the accounting and other records and registers have been properly kept in accordance with the Act.

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

- The Company has made available all necessary information to enable us to comply with requirements of this Act;
- The Company has complied with 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 **(37%)** as disclosed in the solvency statement on page 48.

Deloitte & Touche

DELOITTE & TOUCHE

ALICE TEMBO

PARTNER

AUD/F000433

DATE: 26/05/2017

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2016

	NOTES	2016 K	2015 K
Revenue			
Gross premium income for the year	4	**37 604 235**	41 090 291
Less: Premiums ceded to reinsurers		**(5 259 336)**	(7 278 317)
		32 344 899	33 811 974
Less: Movement in unearned premium reserve		**(436 633)**	(2 634 011)
Net premium income		**31 908 266**	31 177 963
Investment income	5	**974 452**	944 751
Other income		**94 754**	41 320
Other gains and losses	6	**272 253**	1 489 781
Reinsurance commissions received		**1 200 279**	2 087 657
Other revenue		**2 541 738**	4 563 509
Total revenue		**34 450 004**	35 741 472
Gross claims paid		**(10 519 215)**	(11 786 482)
Change in claims outstanding		-	(1 430 949)
Claims ceded to reinsurers		-	1 084 816
Net claims	7	**(10 519 215)**	(10 982 615)
Commissions paid to brokers and agents		**(719 716)**	(2 088 232)
Employee benefits expenses		**(9 661 657)**	(7 373 011)
Other direct operating expenses	8	**(225 470)**	(232 241)
Other indirect operating expenses	8	**(9 290 862)**	(11 659 783)
Depreciation and amortisation expense	9	**(777 092)**	(515 946)
		(20 674 797)	(21 869 213)
Total claims and other expenses		**(31 194 012)**	(32 851 828)
Profit before tax	9	**3 255 992**	2 889 644
Income tax expense	10	**(1 381 568)**	(1 469 036)
Profit and other comprehensive income for the year		**1 874 424**	1 420 608

There were no items of other comprehensive income for the year (2015: Nil).

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
at 31 December 2016

	NOTES	2016 K	2015 K
ASSETS			
Property and equipment	11	**1 999 235**	1 255 862
Intangible asset	12	**173 556**	239 381
Deferred tax asset	13	**2 687 960**	3 043 456
Insurance receivables	14	**30 377 859**	23 189 528
Other assets	15	**3 840 914**	3 094 170
Cash and cash equivalents	16	**4 838 963**	11 564 695
TOTAL ASSETS		**43 918 487**	42 387 092
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	**3 000 000**	3 000 000
Share premium	18	**300 000**	300 000
Retained earnings		**4 627 283**	2 752 859
Total equity		**7 927 283**	6 052 859
LIABILITIES			
Insurance contract liabilities	19	**15 027 944**	15 166 274
Insurance payables	20	**6 533 185**	4 664 519
Bank overdraft	17	**879 459**	-
Other financial liabilities	21	**9 233 644**	12 551 498
Deferred expenses	22	**162 776**	323 381
Amounts due to a related party	23	**42 000**	-
Current tax liabilities	10	**4 112 196**	3 628 560
		35 991 204	36 334 233
TOTAL EQUITY AND LIABILITIES		**43 918 487**	42 387 092

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 4. The financial statements on pages 7 to 47 were approved and authorised for distribution by the Board of Directors on .... 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 2016

	Share capital K	Share premium K	Retained earnings K	Total K
At 1 January 2015	**3 000 000**	**300 000**	**1 332 251**	**4 632 251**
Total comprehesive income for the year	-	-	1 420 608	1 420 608
At 31 December 2015	**3 000 000**	**300 000**	**2 752 859**	**6 052 859**
At 1 January 2016	3 000 000	300 000	2 752 859	6 052 859
Total comprehesive income for the year	-	-	1 874 424	1 874 424
At 31 December 2016	**3 000 000**	**300 000**	**4 627 283**	**7 927 283**

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	NOTES	2016 K	2015 K
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**1 874 424**	1 420 608
Adjusted for non cash items:			
Income tax expense recognised in profit or loss	10	**1 381 568**	1 469 036
Depreciation expense recognised in profit or loss	11	**720 542**	471 976
Amortisation expense recognised in profit or loss	12	**56 550**	43 970
Impairment loss recognised on other assets	15	**1 275 345**	1 065 852
Impairment loss recognised on insurance receivables	14	**3 865 025**	4 575 987
Operating cash flows before working capital changes		**9 173 455**	9 047 429
Increase in insurance receivables		**(11 053 356)**	(12 749 364)
Increase in other assets		**(2 022 088)**	(3 422 561)
(Decrease) increase in insurance contract liabilities		**(138 330)**	5 360 291
Increase in insurance payables		**1 868 666**	1 002 911
(Decrease) increase in other financial liabilities		**(3 317 854)**	5 469 325
(Decrease) increase in deferred expenses		**(160 605)**	257 332
Increase (decrease) in amounts due to a related party		**42 000**	(214 295)
Cash generated from operating activities		**(5 608 114)**	4 751 068
Income tax paid	10	**(542 436)**	(1 737 767)
Net cash (used in) generated from operating activities		**(6 150 550)**	3 013 301
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	11	**(1 439 640)**	(705 953)
Purchase of computer software	12	**(15 000)**	(190 157)
Net cash used in investing activities		**(1 454 640)**	(896 110)
(Decrease) increase in cash and cash equivalents		**(7 605 190)**	2 117 191
Cash and cash equivalents at beginning of year		**11 564 694**	9 447 503
Cash and cash equivalents at end of year		**3 959 504**	11 564 694
CASH AND CASH EQUIVALENTS			
Fixed term deposits - maturity within 90 days	16	**3 184 005**	10 095 061
Bank and cash balances	16	**1 654 958**	1 469 634
Overdraft	17	**(879 459)**	-
		3 959 504	11 564 695

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 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Statement of compliance

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

2.2 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.

2.3 Revenue recognition

2.3.1 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.

2.3.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue recognition (continued)

2.3.3 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.

2.3.4 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.

2.3.5 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.

2.4 Claims and expenses recognition

2.4.1 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.

2.4.2 Reinsurance claims

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

2.4.3 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.

2.5 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.

2.6 Borrowing costs

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

2.7 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Taxation

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

2.8.1 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.

2.8.2 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.

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.

2.8.3 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.

2.9 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 2016 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (continued)

2.13.1 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (continued)

2.13.1 Financial assets (continued)

(f) Impairment of financial assets (continued)

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.

(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.

2.13.2 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (continued)

Outstanding claims

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

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.

(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.

2.14 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.

2.15 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.

3. 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.

3.1 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.

3.1.1 Revenue recognition

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1.2 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.

3.1.3 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.

3.2 Key sources of estimation uncertainty

3.2.1 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 **K15,027,944** (2015: 15,166,274).

3.2.2 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

3.2.3 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.

3.2.4 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.

3.2.5 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 24th method after providing for deferred acquisition costs.

4. NET PREMIUM INCOME

	2016	2015
Net premium income represents income from insurance contracts and can be analysed as below:	**K**	K
Gross premium income written in the year	**37 604 235**	41 090 291
Change in unearned premiums provision	**(436 633)**	2 634 011
Gross premium income for the year	**37 167 602**	43 724 302
Premiums ceded to reinsurers	**(5 259 336)**	(7 278 317)
Net premium income	**31 908 266**	36 445 985

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.

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

	2016	2015
	K	K
By class of business		
Motor	**22 488 044**	19 095 433
Bonds	**8 665 574**	11 764 078
Accident	**1 876 106**	1 520 080
Engineering	**1 812 767**	4 758 769
Fire	**1 314 502**	1 995 086
Marine	**762 453**	1 909 219
Legal	**684 789**	47 624
	37 604 235	41 090 291
By method of business		
Brokers and agents	**28 203 176**	30 817 718
Direct business	**9 401 059**	10 272 573
	37 604 235	41 090 291

5. INVESTMENT INCOME

Interest received - term deposits	**974 452**	944 751

6. OTHER GAINS AND LOSSES

	2016	2015
	K	K
Net foreign exchange gains	272 253	1 489 781

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

Mid market exchange rate at 1 January	11.0200	6.4722
Mid market exchange rate at 31 December	9.9540	10.6793
Average (appreciation)/ depreciation	(9.6%)	65%

The Zambian Kwacha appreciated against the US Dollar and other major convertible foreign currencies during the year.

7. CLAIMS INCURRED, NET OF REINSURANCE

Claims paid - gross amount	10 519 215	11 786 482
Salvage stocks	-	(1 150 000)
	10 519 215	10 636 482
Change in claims outstanding	-	1 430 949
	10 519 215	12 067 431
Claims ceded to reinsurers	-	(1 084 816)
	10 519 215	10 982 615

8. OTHER OPERATING EXPENSES

(i) Direct operating expenses		
Insurance levy	225 470	232 241
(ii) Indirect operating expenses		
Provision for doubtful debts	2 911 202	5 641 839
Sundry expenses	1 233 619	2 325 525
Communication expense	1 068 229	586 760
Office rental expenses	984 704	548 233
Motor vehicles expenses	840 592	372 384
Advertising	717 335	847 220
Printing and stationery	631 436	799 022
Consultancy and assessors fees	520 145	342 000
Directors' fees	383 600	196 800
	9 290 862	11 659 783

9. PROFIT BEFORE TAX

Profit before tax is stated after crediting:

Interest income	974 452	944 751
Net exchange gains	272 253	1 489 781
and after charging:		
Directors' fees		
- in connection with Management of the Company	1 449 000	1 456 000
- as directors of the Company	383 600	196 800
Depreciation and amortisation expense	777 092	515 946
- Depreciation expense	720 542	471 976
- Amortisation of intangible assets	56 550	43 970
Employee benefits expense:		
- pension costs	296 254	200 945
Donations	179 232	141 379

10. INCOME TAX

	2016	2015
	K	K
(i) Income tax expense		
Income tax at 35%		
Based on profit for the year	**1 026 072**	3 330 669
Deferred taxation (note 13)	**355 496**	(1 861 633)
	1 381 568	1 469 036

Income tax is calculated in accordance with the Third Schedule Section 25,1(1) of the Income Tax Act 1966, as amended.

(ii) Reconciliation of the income tax expense

The total tax expense for the year can be reconciled to the accounting profit as follows:

	2016	2015
Profit before tax	**3 255 992**	2 889 644
Income tax at 35%	**1 139 597**	1 011 375
Permanent differences	**241 971**	539 708
Actual income tax expense	**1 381 568**	1 469 036

(iii) Movements on tax account

The movements during the year are as follows:

	2016	2015
Arising during the year	**1 026 072**	3 330 669
Payable in respect of previous years	**3 628 560**	2 035 658
Payments during the year	**(542 436)**	(1 737 767)
Current tax liability	**4 112 196**	3 628 560

11. PROPERTY AND EQUIPMENT

COST	Motor vehicles K	Computer equipment K	Office equipment K	Furniture and fittings K	Total K
At 1 January 2015	849 600	396 554	26 200	305 041	1 577 395
Additions for the year	126 500	349 622	13 703	216 128	705 953
At 1 January 2016	976 100	746 176	39 903	521 169	2 283 348
Additions for the year	1 239 136	137 374	-	63 130	1 439 640
At 31 December 2016	**2 215 236**	**883 550**	**39 903**	**584 299**	**3 722 988**
DEPRECIATION					
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
At 1 January 2016	510 528	292 084	20 339	180 260	1 003 211
Charge for the year	439 803	182 866	8 588	89 285	720 542
At 31 December 2016	**950 331**	**474 950**	**28 927**	**269 545**	**1 723 753**
CARRYING AMOUNT					
At 31 December 2016	**1 264 905**	**408 600**	**10 976**	**314 754**	**1 999 235**
At 31 December 2015	465 572	429 817	19 564	340 909	1 255 862

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

A schedule listing the properties owned by the Company as required by Section 193 and the Second Schedule of the Companies Act, 1994 (as amended) is available for inspection by the members or their duly authorised representatives at the registered office of the Company.

12. INTANGIBLE ASSETS

	2016 K	2015 K
At 1 January	**303 019**	112 862
Additions	**15 000**	190 157
Amortisation	**(144 463)**	(63 638)
At 31 December	**173 556**	239 381

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

13. DEFERRED TAX

	2016 K	2015 K
At beginning of year	**(3 043 456)**	(1 181 823)
Arising in the year (note 10)	**355 496**	(1 861 633)
At end of the year	**(2 687 960)**	(3 043 456)

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

13. DEFERRED TAX (CONTINUED)

	Accelerated tax depreciation	Other provisions	Tax losses	Total
	K	K	K	K
At 1 January 2015	57 713	(1 239 536)	-	(1 181 824)
Arising in the year	30 858	(1 892 491)		(1 861 633)
At 31 December 2015	88 571	(3 132 027)	-	(3 043 457)
Arising in the year	99 824	255 672	-	355 496
At 31 December 2016	**188 395**	**(2 876 355)**	**-**	**(2 687 961)**

14. INSURANCE RECEIVABLES

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

	2016	2015
	K	K
Gross insurance receivable	**34 242 884**	30 550 426
Allowance for doubtful debts	**(3 865 025)**	(7 360 897)
	30 377 859	23 189 529

Insurance receivables for the Company can be analysed as follows:

	2016	2015
By customer type:		
Due from policyholders	**16 647 798**	14 344 443
Due from agents, brokers and intermediaries	**13 730 061**	8 845 085
	30 377 859	23 189 528
By currency:		
Denominated in Kwacha	**30 377 859**	23 189 528

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 **K25,689,927** (2015: K17,262,436) 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:

	2016	2015
60-90 days	**2 819 668**	3 337 569
90-120 days	**3 230 931**	2 487 219
Over 120 days	**15 774 302**	11 437 648
Total	**21 824 901**	17 262 436

Movement in the allowance for doubtful debts:

	2016	2015
Balance at beginning of year	**7 360 897**	2 784 910
Balances written off	**(7 360 897)**	-
Impairment losses recognised on insurance receivables	**3 865 025**	4 575 987
Balance at end of year	**3 865 025**	7 360 897

In determining the recoverability of the premium receivables, the Company considers any change in the credit quality of the premium receivables. Accordingly, Management believe that there is no further credit provision required in excess of the allowance for doubtful debts.

15. OTHER ASSETS

	2016 K	2015 K
Others receivables	**2 002 323**	437 995
Subrogation debtors	**1 390 462**	1 241 053
Reinsurance debtors	**1 323 474**	1 323 474
Salvages stock	**400 000**	1 150 000
Prepayments	**-**	7 500
	5 116 259	4 160 022
Impairment loss on subrogation debtors	**(1 100 345)**	(836 685)
Impairment loss on salvages stock	**(175 000)**	(229 167)
	3 840 914	3 094 170

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprise the following:

	2016 K	2015 K
Fixed term deposits	**3 184 005**	10 095 061
Bank and cash balance	**1 654 958**	1 469 634
Positive balances	**4 838 963**	11 564 695
Bank overdraft (note 17)	**(879 459)**	-
	3 959 504	11 564 695

16.1 FIXED TERM DEPOSITS

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

	2016 K	2015 K
Investrust Bank Plc	**2 409 005**	2 893 673
First National Bank Zambia Limited	**500 000**	3 988 648
Meanwood Finance Company Limited	**275 000**	450 000
Barclays Bank Zambia Plc	-	1 115 119
BANC ABC Limited	-	1 053 814
Cavmont Bank Zambia Limited	-	593 807
	3 184 005	10 095 061

16.2 BANK AND CASH BALANCES

	2016 K	2015 K
Held in bank accounts	**1 634 958**	1 469 634
Cash in hand	**20 000**	-
	1 654 958	1 469 634

17 BANK OVERDRAFT

The Company has an K1.5 million working capital support overdraft facility with Investrust Bank Plc for a year with an option to renew annually. The interest rate is at 30% per annum. The overdraft facility is secured by a fixed deposit investments of K2.4 million.

18. SHARE CAPITAL

	2016 K	2015 K
Authorised, Issued but not fully paid up 10,000,000 (2015: 3,000,000) ordinary shares of K1 each	**10 000 000**	3 000 000
Paid up	**3 000 000**	3 000 000
Share premium	**300 000**	300 000

On 31 December 2016, authorised and issued share capital was increased to K10,000,000 by a statutory Act.

19. INSURANCE CONTRACT LIABILITIES

	2016 K	2015 K
Insurance contract liabilities comprise:		
Provision for unearned premium (i)	**10 385 441**	9 948 804
Outstanding claims (ii)	**4 642 503**	5 217 471
	15 027 944	15 166 274

(i) Provisions for unearned premium

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

	2016	2015
At beginning of the year	**9 948 804**	7 314 793
Movement for the year	**436 637**	2 634 011
At the end of the year	**10 385 441**	9 948 804

	2016		
	Insurance Contract Liabilities **K**	**Reinsurance of liabilities** **K**	**Net** **K**
At beginning of the year	9 948 804	-	9 948 804
Premium written in the year	37 604 238	3 675 838	33 928 400
Premium earned in the year	(33 491 763)	-	(33 491 763)
At end of year	**14 061 279**	**3 675 838**	**10 385 441**

	2015		
	Insurance Contract Liabilities	Reinsurance of liabilities	Net
At beginning of the year	7 314 793	-	7 314 793
Premium written in the year	41 090 291	5 190 659	35 899 632
Premium earned in the year	(33 265 621)	-	(33 265 621)
At end of year	**15 139 463**	**5 190 659**	**9 948 804**

(ii) Outstanding claims

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.

	2016 K	2015 K
Outstanding claims	**4 891 473**	5 451 273
Incurred but not reported risks (IBNR)	**360 307**	375 476
Reinsurance share of outstanding claims	**(609 278)**	(609 278)
	4 642 502	5 217 471

	2016		
	Insurance Contract Liabilities **K**	**Reinsurance of liabilities** **K**	**Net** **K**
At beginning of the year	4 627 214	2 136 024	2 491 190
Claims incurred in current year	13 332 562	1 442 299	11 890 263
Claims paid	(8 279 126)	1 459 825	(9 738 951)
At end of year	**9 680 650**	**5 038 148**	**4 642 502**

19. INSURANCE CONTRACT LIABILITIES

	2015		
	Insurance Contract Liabilities	Reinsurance of liabilities	Net
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	(10 636 482)	832 547	(11 469 029)
At end of year	**9 628 341**	**4 410 870**	**5 217 471**

20. INSURANCE PAYABLES

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.

	2016 K	2015 K
Reinsurance liabilities		
At beginning of the year	**4 664 519**	3 661 608
Reinsurance ceded in the year	**5 868 614**	7 278 317
Payments in the year	**(3 999 948)**	(6 275 406)
At the end of the year	**6 533 185**	4 664 519

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.

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

	2016	2015
Value added tax payable (i)	**5 859 851**	9 682 580
Insurance levy payable	**2 287 818**	1 428 379
Sundry payables	**856 234**	1 440 539
Employee related liabilities (ii)	**229 741**	-
	9 233 644	12 551 498

i) Value Added Tax Payable

The Company has paid for several VAT remittances for 2015, 2014 and 2013. As at 1 Janaury 2016, The law removed Valued Added Tax for insurance companies and introduced insurance levy.

ii) Gratuity provisions

The employee related liabilities include provisions for gratuity of **K1,182,118** (2015: K294,670).

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

	2016	2015
At beginning of the year	**294 670**	556 750
Additional provisions during the year	**1 291 598**	916 920
Paid during the year	**(404 150)**	(1 179 000)
At end of the year	**1 182 118**	294 670

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

22. DEFERRED EXPENSES

	2016	2015
	K	K
The movement in deferred acquisition costs for insurance contracts is shown below:		
At the beginning of the year	**323 381**	66 049
Charged to profit or loss	**(323 381)**	(66 049)
Expenses deferred during the year	**162 776**	323 381
At the end of the year	**162 776**	323 381

23. RELATED PARTY TRANSACTIONS

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

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

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

(i) Trading transactions

The following are the transactions:

	2016	2015
Premiums		
Norwood Enterprise Limited	**71 683**	129 364
Meanwood Holdings Limited	**54 938**	-
Midrand Business Systems Limited	**48 196**	-
Meanwood Property Development Limited	**35 332**	-
Meanwood Construction Limited	**24 386**	30 457
Meanwood Finance Corporation Limited	**19 280**	-
Meanwood Building Society Limited	**6 003**	-
Norwood Investment Ventures Limited	**-**	53 679
Expenses		
Meanwood Property Development Company	**168 000**	381 154

ii) Amounts due from related parties

	2016	2015
Norwood Investment Ventures Limited	**275 000**	450 000
Meanwood Finance Company Limited	**235 045**	207 631
Meanwood Holdings Limited	**159 446**	19 858
Meanwood Construction Limited	**98 274**	493 794
	767 765	1 171 283

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

	2016	2015
Meanwood Property Development Limited	**42 000**	-

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:

	2016	2015
- Directors emoluments in connection with Management of the Company	**1 449 000**	1 456 000

	2016	2015
24. CONTINGENT LIABILITIES	**K**	K

Pending litigation

The Company had contingent liabilities estimated at **K2.6 million** (2015: K1.8 million) relating to claims against the Company. No provision has been made in these financial statements as the directors do not consider that there is any probable loss that will arise following the finalisation of these matters.

25. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2016 (2015: Nil).

26. OPERATING LEASE COMMITMENTS

Rental expense on leasehold building

	2016 K	2015 K
Less than 1 year	**168 000**	447 216
Between 1 and 5 years	**840 000**	909 432
	1 008 000	1 356 648

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.	**168 000**	213 154

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.

28. FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2015.

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 2016 and 2015, the Company had not sourced funding externally. The Company has a gearing ratio of 0% (2016 : 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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

	2016 K	2015 K
Financial assets		
Held to maturity investments	**3 184 005**	10 095 061
Insurance receivables	**30 377 859**	23 189 528
Other assets, less taxes	**3 808 492**	1 788 453
Bank and cash balances	**1 654 958**	1 469 634
	35 841 309	36 542 676
Financial liabilities		
Insurance contract liabilities	**15 027 944**	15 166 274
Insurance payables	**6 533 185**	4 664 519
Other financial liabilities, less taxes	**1 085 975**	1 440 539
Bank overdraft	**879 459**	-
Amounts due to a related party	**42 000**	-
	23 568 562	21 271 332

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

Financial risk management objectives

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

The Company does not enter into derivative financial instruments.

Market risk

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

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

Foreign currency risk management

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

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

	2016 K	2015 K
Assets	**780 490**	3 540 687

Sensitivity analysis

At 31 December 2016, if the US Dollar had appreciated or depreciated by 10% against the Kwacha, with all other variables held constant, the impact on the profit for the year would have been **K78,049** (2015: K354,068) higher or lower, mainly arising from insurance receivables, cash and amounts due to reinsurers.

Interest rate risk management

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

Credit risk management

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk management (Continued)

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

	2016 K	2015 K
Insurance receivables and other assets	**34 186 351**	33 284 589
Held to maturity investments	**3 184 005**	10 095 061
	37 370 356	43 379 650

Insurance risks

The Company issues contracts that transfer insurance risk or financial risk or both. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be.

In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

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

Year ended 31 December 2016	1 to 3 Months K	3 months to 1 year K	1 to 5 Years K	Total K
Financial liabilities				
Insurance contract liabilities	15 027 944	-	-	15 027 944
Insurance payables	6 533 185	-	-	6 533 185
Bank overdraft	879 459	-	-	
Other financial liabilities, less taxes	1 085 975	-	-	1 085 975
Amounts due to a related party	-	-	-	-
	23 526 562	-	-	**22 647 103**
Financial assets				
Insurance receivables	30 377 859	-	-	30 377 859
Other assets, less taxes	3 840 914	-	-	3 840 914
Held to maturity investments	3 184 005	-	-	3 184 005
	37 402 778	-	-	37 402 778

28. FINANCIAL INSTRUMENTS (CONTINUED)

Year ended 31 December 2015

Financial liabilities	1 to 3 Months K	3 months to 1 year K	1 to 5 Years K	Total K
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	-	-	-	-
	22 699 714	-	-	22 699 714
Financial assets				
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
	36 378 759	-	-	36 378 759

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.

	2016 Carrying amount K	2016 Fair value K	2015 Carrying amount K	2015 Fair value K
Financial assets				
Held-to-maturity investments	**3 184 005**	**3 184 005**	10 095 061	10 095 061
Insurance receivables	**30 377 859**	**30 377 859**	15 016 151	15 016 151
Other assets, less taxes	**3 840 914**	**3 840 914**	3 094 170	3 094 170
Financial liabilities				
Financial liabilities held at amortised cost:	**23 526 562**	**23 526 562**	22 699 714	22 699 714
- Insurance contract liabilities	**15 027 944**	**15 027 944**	15 166 274	15 166 274
- Bank overdrafts	**879 459**	**879 459**	-	-
- Insurance payables	**6 533 185**	**6 533 185**	4 664 522	4 664 522
- Other financial liabilities,	**1 085 975**	**1 085 975**	2 868 918	2 868 918
- Amounts due to a related party	**-**	**-**	-	-

Fair value hierarchy as at 31 December

	2016 Level 3 K	2015 Level 3 K
Financial assets		
Insurance receivables	30 377 859	15 016 151
Other assets, less taxes	3 840 914	3 094 170
Total	34 218 773	18 110 321

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements (Continued)

	Fair value hierarchy as at 31 December	
	2016	2015
	Level 3	Level 3
	K	K
Financial liabilities		
Financial liabilities held at		
Amortised cost:		
- Insurance contract liabilities	15 027 944	15 166 274
- Insurance payables	6 533 185	4 664 522
- Other financial liabilities.	1 085 975	2 868 918
- Amounts due to a related party	-	-
Total	**22 647 103**	**22 699 714**

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.

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.

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.

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(a) Insurance risk (Continued)

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

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 580% of shareholders' equity on a gross basis and 0.7% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 203% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors. The Company uses its own risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event. As a further guide to the level of catastrophe exposure written by the Company, the following table shows hypothetical claims arising for various realistic disaster scenarios based on the Company's average risk exposures during 2016.

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

	Year ended 31 December 2016		Year ended 31 December 2015	
	Gross Liabilities	**Reinsurance of Liabilities**	Gross Liabilities	Reinsurance of Liabilities
	K	**K**	K	K
Engineering	**8 872 139**	**2 456 918**	13 703 972	4 728 976
Motor	**21 392 261**	**1 095 786**	14 902 746	1 411 778
Marine	**1 726 934**	**398 137**	1 726 934	347 906
Fire	**656 028**	**876 646**	1 425 202	627 738
Accident	**1 506 699**	**376 139**	1 352 856	161 918
Agric	**636 247**			
Legal	**20 863**	**55 710**	47 624	-
Total	**34 811 171**	**5 259 336**	33 159 334	7 278 316

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 2016

	Change in assumptions	**Impact on Profit before tax**	**Impact on equity**
Average claim cost	10%	325 599	325 599
Average number of claims	10%	325 599	325 599
Average claim settlement period	Reduce from 3 months to 1 month	-	-

Year ended 31 December 2016

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	-	-

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

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(a) Insurance risk (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 2016:

Accident year	2014 K	2015 K	2016 K	Total K
At beginning of accident year	1 571 510	5 682 450	5 251 780	12 505 740
Claims incurred during the year	10 339 363	11 431 617	10 519 215	32 290 195
Claims paid	(7 283 659)	(11 862 287)	(11 303 774)	(30 449 720)
At the end of the year	4 627 214	5 251 780	4 467 221	14 346 215

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

Accident year	2014	2015	2016	Total
At beginning of accident year	1 019 387	2 491 190	5 682 450	9 193 027
Claims incurred during the year	8 356 794	11 431 617	11 431 617	31 220 028
Claims paid during the year	(6 884 991)	(8 240 357)	(11 862 287)	(26 987 635)
At the end of the year	2 491 190	5 682 450	5 251 780	13 425 420

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).

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (continued)

(i) Credit risks (continued)

- 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 2016,the Company had the right to set off financial liabilities amounting to **Nil** (2015: Nil) against financial assets with a fair value of **Nil** (2016: 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.

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

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

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 parl 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 2016,the Company had the right to set off financial liabilities amounting to **Nil** (2015: Nil) against financial assets with a fair value of **Nil** (2015: Nil) under such arrangements.

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (continued)

(i) Credit risks (continued)

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

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

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(i) Credit risks (Continued)

Industry analysis

Year ended 31 December 2016

Financial assets	Financial Institutions K	Government K	Mining K	Others K	Total K
Insurance receivables	-	-	-	30 377 859	30 377 859
Cash and cash equivalents	4 838 963	-	-	-	4 838 963
Total credit risk exposure	**4 838 963**	-	-	**30 377 859**	**35 216 822**
Year ended 31 December 2015					
Financial assets					
Held to maturity investments	-	-	-	-	-
Insurance receivables	-	-	-	23 189 528	23 189 528
Cash and cash equivalents	11 564 695	-	-	-	11 564 695
Total credit risk exposure	11 564 695	-	-	23 189 528	34 754 223

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 2016

Financial assets	Neither past due nor impaired					
	Investment grade K	Non investment grade: satisfactory K	Non investment grade: unsatisfactory K	Unit-linked K	Past due but not impaired K	Total K
Insurance receivables	-	30 377 859	-	-	-	30 377 859
Cash and cash equivalents	-	4 838 963	-	-	-	4 838 963
	-	35 216 822	-	-	-	35 216 822

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

Year ended 31 December 2015

Financial assets	Neither past due nor impaired					
	Investment grade K	Non investment grade: satisfactory K	Non investment grade: unsatisfactory K	Unit-linked K	Past due but not impaired K	Total 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.

Age analysis of financial assets past due but not impaired

Year ended 31 December 2016

	> 30 days K	31 to 60 days K	61 to 90 days K	> 90 days K	Unit-linked K	Total past due but not impaired K
Insurance receivables	-	-	2 819 668	19 005 233	-	21 824 901
Other assets	-	-	3 840 914	-	-	3 840 914
Total	-	-	6 660 582	19 005 233	-	25 665 816

Year ended 31 December 2015

	> 30 days K	31 to 60 days K	61 to 90 days K	> 90 days K	Unit-linked K	Total past due but not impaired K
Insurance receivables	-	-	3 337 569	13 924 867	-	17 262 436
Other Assets	-	-	737 460	-	-	737 460
			4 075 029	13 924 867	-	17 999 896

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

Impaired financial assets

At 31 December 2016, there are impaired reinsurance assets of Nil (2015: Nil) impaired loans and receivables of **K3,865,025** (2015: K7,360,897).

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:

	2016 K	2015 K
At 1 January	**7 360 897**	2 784 910
Charge for the year	**2 911 202**	4 575 987
Written off	**(6 407 074)**	-
At 31 December	**3 865 025**	7 360 897

(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.
- 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.

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

Maturity analysis (contractual undiscounted cash flow basis)

Year ended 31 December 2016

	Carrying Amount	Up to 1 year	1 to 3 years	5 to 15 years	No maturity date	Total
Financial assets	K	K	K	K	K	K
Insurance receivables	30 377 859	30 377 859	-	-	-	30 377 859
Cash and cash equivalents	4 838 963	4 838 963	-	-	-	4 838 963
Total undiscounted assets	35 216 822	35 216 822	-	-	-	35 216 822
Financial liabilities						
Insurance liabilities	21 561 129	21 561 129	-	-	-	21 561 129
Other liabilities	9 233 644	9 233 644	-	-	-	9 233 644
Total undiscounted liabilities	30 794 772	30 794 772	-	-	-	30 794 772
Total liquidity gap	4 422 049	4 422 049	-	-	-	4 422 049

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2016

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

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

Year ended 31 December 2016

Financial assets	Carrying Amount K	1 to 3 years K	5 to 15 years K	No maturity date K	Total K
Insurance receivables	30 377 859	-	-	-	30 377 859
Cash and cash equivalents	4 838 963	-	-	-	4 838 963
Total undiscounted assets	**35 216 822**	-	-	-	**35 216 822**
Financial liabilities					
Insurance liabilities	21 561 129	-	-	-	21 561 129
Other liabilities	9 233 644	-	-	-	9 233 644
Total undiscounted liabilities	**30 794 772**	-	-	-	**30 794 772**
Total liquidity gap	**4 422 049**	-	-	-	**4 422 049**

Year ended 31 December 2016

	Current K	Non Current K	Unit-Linked K	Total K
Property and equipment	-	1 999 235	-	1 999 235
Intangible asset	-	173 556	-	173 556
Financial Instruments				
Insurance receivables	30 377 859	-	-	30 377 859
Other assets, net of taxes	3 840 914	-	-	3 840 914
Cash and cash equivalents	11 564 695	-	-	11 564 695
Total assets	45 783 468	2 172 791	-	47 956 259
Investment contract liabilities				
Insurance Contract liabilities	15 027 944	-	-	15 027 944
Insurance payables	6 533 185	-	-	6 533 185
Other financial liabilities	9 233 644	-	-	9 233 644
Amounts due to a related party	42 000	-	-	42 000
Total liabilities	30 836 772	-	-	30 836 772

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 K	Non current K	Unit-linked K	Total K
Property and equipment	-	1 255 862	-	1 255 862
Intangible asset	-	239 381	-	239 381
Financial Instruments				-
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
Total assets	37 848 393	1 495 243	-	39 343 636
Investment contract liabilities				
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	-	-	-	-
Total assets	32 382 291	-	-	32 382 291

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 2016	**Kwacha**	**US Dollar**	**Total**
Property and equipment	1 999 235	-	1 999 235
Intangible asset	173 556	-	173 556
Financial Instruments			-
Insurance receivables	30 377 859	-	30 377 859
Other assets	3 840 914	-	3 840 914
Cash and cash equivalents	1 298 276	3 540 687	4 838 963
Total assets	**37 689 840**	**3 540 687**	**41 230 527**
Insurance contract liabilities	**Kwacha**	**US Dollar**	**Total**
Insurance contract liabilities	15 027 944	-	15 027 944
Insurance payables	6 533 185	-	6 533 185
Other financial liabilities	9 233 644	-	9 233 644
Amounts due to related party	42 000	-	42 000
Total liabilities	**30 836 772**	**-**	**30 836 772**
Year ended 31 December 2015			
Property and equipment	1 255 862	-	1 255 862
Investment properties	239 381	-	239 381
Financial instruments			
Insurance receivables	23 189 528	-	23 189 528
Other assets	3 094 170	-	3 094 170
Cash and cash equivalents	11 502 264	62 431	11 564 695
Total assets	39 281 205	62 431	39 343 636
Insurance contract liabilities			
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	-	-	-
Total liabilities	32 382 291	-	32 382 291

The Company has no significant concentration of currency risk.

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(iii) Market risk (Continued)

(a) Currency risk (Continued)

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.

	Year ended 31 December 2016			Year ended 31 December 2015	
Currency	**Change in Variables**	**Impact on profit before tax**	**Impact on equity**	**Impact on Profit before tax**	**Impact on equity**
USD	10%	354 069	354 069	6 243	6 243
USD	-10%	(354 069)	(354 069)	(6 243)	(6 243)

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).

30. GOING CONCERN

As at 31 December 2016, the Company is insolvent, with a deficit of K13,018,159 of admitted liabilities over admitted assets as shown in the Solvency statement on page 48. The Company meets its day to day working capital requirements from management of its investments and receivables. However, the Solvency margin has deteriorated further during 2016 due largely to the following:

I. High incidence of trade receivables over 60 days; and
II. Significant statutory tax liabilities

Management and the Directors have put up plans to reduce the exposure on premium receivables through such actions as aggressive and more focused collection plans and robust credit worthiness checks before granted credit. Further, Management intends to strictly adhere to the policy of ensuring a down payment of at least 20% is received on each policy issued.

The Zambia Revenue Authority has also provided a tax amnesty to all tax payers , which is open until 31 July 2017 and efforts are already in place to ensure the Company takes advantage of the tax amnesty to drop off penalties on tax liabilities which are estimated to be over K3 million.

The Directors' are of the considered view that the preparation of the financial statements on a going concern basis remains appropriate as should additional capital be required, funding can be obtained from related parties and shareholders. There is new regulation that has increased the minimum paid up capital from K1 million to K10 million effective 1st October 2017. The Shareholders and Directors are in discussions on various options available to them to recapitalise the Company and improve the solvency margins going forward. Currently, in light of the upcoming deadline, Management, through the various options presented to the Directors and Shareholders and which are in discussions, believe that the minimum capital requirement of K10 million will be met as at 1st October 2017.

With the existing plans and initiatives to achieve high profitability, growth in revenue, improved credit management, financial support from shareholders and other related parties, the Directors are confident that the solvency margin will regularize as the plans in place to improve solvency and recapitalise the Company are deemed reasonable. The basis of preparation of the financial statements on a going concern is deemed appropriate.

31. EVENTS AFTER THE REPORTING DATE

There have been no subsequent events that have a material effect on the financial statements.

32. ADOPTION OF NEW REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

32.1 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 accounting period that begins on or after 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.
  As the company already uses the straight line and units of production methods for depreciation and amortisation for its property, plant and equipment and intangible assets, the application of these amendments has had no impact on the Company's financial statements.

- **Annual Improvements to IFRSs 2012 – 2014 Cycle**
  The amendments to IFRS 5 introduce specific guidance in IFRS 5 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 clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

  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. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (ie the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

  The application of these amendments has had no impact on the disclosures or amounts recognised in the Company's financial statements.

- ***Amendments to IAS 1 Disclosure Initiative***
  The application of amendments has had no impact on the disclosures or amounts recognised in the Company's financial statements.

32.2 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	Standards, amendments and Interpretations
1 January 2018	**IFRS 9 *Financial Instruments***
	IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.
1 January 2018	**IFRS 9 *Financial Instruments***
	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.

32. ADOPTION OF NEW REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

32.2 Standards and Interpretations in issue, not yet effective (continued)

Effective date	Standards, amendments and Interpretations
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. This core principle is delivered in a five-step model framework:

i) Identify the contract(s) with a customer
ii) Identify the performance obligations in the contract
iii) Determine the transaction price
iv) Allocate the transaction price to the performance obligations in the contract

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

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. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e all on balance sheet) except for short-term leases and leases of low value assets.

The application of these amendments has had no impact on the disclosures or amounts recognised in the Company's financial statements.

1 January 2017 — ***Amendments to* IAS 7 *Disclosure Initiative***

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

This Standard and Interpretation in future periods will have no significant impact on the financial statements of the Company.

1 January 2017 — ***Amendments to IAS 12 Recognition of Deferred Tax assets for unrealised losses***

The amendments clarify the following;

i) Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the user will pay all the contractual cash flows;

ii) when an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;

iii) The estimate of probable future taxable profit may include the recovery of some of entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

32. ADOPTION OF NEW REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

32.2 Standards and Interpretations in issue, not yet effective (continued)

Effective date	Standards, amendments and Interpretations
1 January 2017	***Amendments to IAS 12 Recognition of Deferred Tax assets for unrealised losses***
	iv) In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.
	The amendments apply retrospectively for annual periods beginning on or after 1 January 2017.'The application of amendments has had no impact on the disclosures or amounts recognised in the Company's financial statements.

Other standards, amendments and Interpretations in issue which are not applicable to the entity include:

1 January 2018	***IFRS 2 Classification and Measurement of Share - based payment transactions***
1 January 2016	***Amendments to* IAS 27*: Equity Method in Separate Financial Statements***
1 January 2017	***Amendments to IAS 12 Recognition of Deferred Tax assets for unrealised losses***
Date yet to be determined	***Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***