
MEANWOOD GENERAL INSURANCE
COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

MEANWOOD GENERAL INSURANCE COMPANY LIMITED
(Incorporated in Zambia)

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

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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 2017 and professional advisors to the Company were:

DIRECTORS

Mr. Eddie Samakai	- Chairman
Mr. Tobias Milambo	- Executive Director
Mr. Chance Kabaghe	- Non Executive Director - Retired 15 May 2017
Mr. Ernest Mwansa	- Non Executive Director - Retired 15 May 2017
Mr. Milton Lukasha	- Non Executive Director -Appointed in 2017
Mrs. Mahungu Mpishi	- Non Executive Director -Appointed in 2017
Dr. Dorothy Rumsey	- Non Executive Director -Appointed in 2017

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
Barclays Bank Zambia Plc
Zambia National Commercial Bank Plc

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 2017.

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 9 to 54 and are summarised below.

The Company made a loss of **K11,778,010** compared to a profit of K1,874,424 in the previous year. The Directors resolved to pay a dividend to the shareholders during the year.

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 2017	Total 2016
Gross premium income written in the year	1 385 176	2 463 257	22 691 144	1 843 889	10 492 577	4 285 994	169 393	43 331 430	37 604 235
Change in unearned premiums provision	(30 779)	(54 825)	(82 158)	(41 359)	(233 727)	(94 260)	(3 847)	(540 955)	(436 633)
Premiums ceded to reinsurers	(614 066)	(97 651)	(1 377 909)	(942 274)	(1 107 437)	(47 271)	(162 751)	(4 349 359)	(5 259 336)
Net premium income	740 331	2 310 781	21 231 077	860 256	9 151 413	4 144 463	2 796	38 441 116	31 908 266
Expenditure								38 020 233	31 908 266
Net claims	(1 059 361)	(171 086)	(8 233 151)	-	-	(106 323)	(112 950)	(9 682 871)	(10 519 215)
Net commissions	(72 622)	(132 871)	(1 169 131)	(112 815)	(722 770)	(218 836)	-	(2 429 045)	(719 716)
Other direct expenses	(9 696)	(17 243)	(156 480)	(12 907)	(73 448)	(30 002)	(1 186)	(300 962)	(225 470)
	(1 141 679)	(321 200)	(9 558 762)	(125 722)	(796 218)	(355 161)	(114 136)	(12 412 878)	(11 464 401)
Underwriting surplus	(401 348)	1 989 581	11 672 315	734 534	8 355 195	3 789 302	(111 340)	26 028 238	20 443 865
Other revenue									
Investment income								(26 028 238)	974 452
Other income								611 557	611 557
Other gains and losses								655 391	94 754
Reinsurance commissions received								3 677 355	272 253
								1 018 927	1 200 279
Other expenses								5 963 230	2 541 738
Employee benefits expenses								(10 954 124)	(9 661 657)
Other indirect operating expenses								(37 015 264)	(9 290 862)
Depreciation and amortisation expense								(1 090 662)	(777 092)
								(49 060 050)	(19 729 611)
(Loss) profit before tax								(17 068 582)	3 255 991
Income tax expense								5 290 572	(1 381 568)
(Loss) income for the year								(11 778 010)	1 874 424

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

INVESTMENTS

The total book value of the investments of the Company reduced from K3,184,005 in 2016 to **K2,890,807** in 2017 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 **K7,646,421** (2016: K4,642,502) and comprised the following:

	2017 K	2016 K
Outstanding claims	7 646 521	5 251 781
Reinsurance share of outstanding claims	-	(609 278)
	<u>7 646 521</u>	<u>4 642 503</u>

EMPLOYEES

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

The total remuneration paid to the employees during the year was **K10,954,124** (2016: K9,661,657).

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

Meanwood General Insurance Company Limited made donations amounting to **K155,050** (2016: K179,232).

EXPORTS

The Company did not export any services during the year.

SHARE CAPITAL

During the year, authorised, issued and fully paid capital of Meanwood General Insurance Company Limited ("the Company") was increased to K15,000,000 divided into 15,000,000 ordinary shares of K1.00 each. Details of share capital are included in note 18 of the financial statements.

PROPERTY AND EQUIPMENT

The additions to property and equipment during the year amounted to **K18,387,640** (2016: K1,439,640) and comprise the following:

	2017 K	2016 K
Leasehold land	17 531 180	-
Motor vehicles	605 000	1 239 136
Computer equipment	163 576	137 374
Furniture and fittings	87 215	63 130
Office equipment	669	-
	<u>18 387 640</u>	<u>1 439 640</u>

Software with a cost of K Nil (2016: K15,000) was 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: 30.04.2018

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 2017;
- 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 2017;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due; and
- the financial statements are drawn up in accordance with applicable International Financial Reporting Standards and in the manner required by the Insurance Act, 1997 (as amended) and the Companies Act, 1994 (as amended).

Signed on behalf of the Board on 30th April 2018 by:

	)	
	)	CHAIRMAN
	)	
	)	
	)	MANAGING DIRECTOR

INDEPENDENT AUDITOR'S REPORT

**To the members of
Meanwood General Insurance Company Limited**

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of Meanwood General Insurance Company Limited, set out on Pages 9 to 54 which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, the statements of changes in equity and the statements 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, the financial statements give a true and fair view of the financial position of Meanwood General Insurance Company Limited, as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Insurance Act 1997 (as amended) and the Companies Act, 1994 (as amended).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

Emphasis of Matter

As disclosed in note 16 to the financial statements, the Company has an unknown amount included in other assets of K4.63 million which represents an asset that can not be supported. This amount is deemed to have been caused by system errors and the Directors have since engaged the system providers to investigate the root cause and the amount was unresolved as at the reporting date. A full provision has been made against the balance as at the year end. However, due to the significance of the amount, we have drawn attention to it but our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
1. Insurance Contract Liabilities (Provision for unearned premium reserve and outstanding claims). As disclosed in note 19, the estimation of outstanding claims is an area of subjectivity, resulting from uncertainty as to the ultimate cost of settling claims in the future. The uncertainty arises because the insurer has committed itself to meeting liabilities arising on claims, within the policy limits, which may expose it to a wide range of possible outcomes and which is often without limit as to time.	In considering reasonableness of the insurance contract liabilities, we performed various procedures, including but not limited to the following: Assessed the design and implementation of the controls around the determination of the liabilities with a focus on the Company's policies as well as the requirements of the Insurance Act, 1997.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters(Continued)

Key Audit Matter	How the matter was addressed in our audit
1. Insurance Contract Liabilities (Provision for unearned premium reserve and outstanding claims) (Continued) The determination of provision for Unearned Premium Reserve (UPR) involves significant judgements and assumptions. We further note that the UPR calculations were carried out using the 24th method on a both gross and net of reinsurance basis. Accordingly, due to the significance of the balances in the financial statements, we have identified the valuation of these liabilities and reserves to be a key audit matter.	• Assessed the appropriateness of the principles used in the Company's valuation methods. We challenged all the key assumptions used by the methods and checked consistency of the application year on year. • We tested the operation of valuation methods, including, where required, building our own independent assessment and comparing our results to those of the Directors. • We assessed the completeness of the liabilities considered by reconciling the totals on the schedules provided to the audited totals. The results of our work was satisfactory.
2. Allowance for doubtful receivables Due to the subjective judgements in the assumptions made by the Directors over the timing of recognition and estimation of the allowance for doubtful receivables, this was considered a key audit matter. The provision for doubtful receivables involves significant management judgement with respect to recoverability based on client history and payments pattern. Further, the allowance for doubtful receivables is considered to be a key audit matter due to the significance of the receivables balance in the financial statements.	• We obtained management's policy for the provision for doubtful debts and recomputed the provision for doubtful debts. We then compared our independent computation to the amount recorded in the general ledger. • We assessed the adequacy of the provision by comparing the current year provision to the prior years provision and obtained reasons for any movements that were outside our expectation and that are not in line with the norms of the business. • We then assessed the reasonableness of the procedures management put in place for the assessment of the bad debts provision. • We reviewed the aging of the receivables and challenged management on all significant receivables not provided • We independently assessed whether management reasons and justifications for not providing for the bad debts was reasonable by testing the subsequent receipts from such debtors and further assessed compliance by the customers with the agreed payment plans or other sufficient appropriate audit evidence to support non impairment.
3. Capital and solvency requirements The Company operates in an industry which is highly regulated. As disclosed in note 29 of the financial statements, the Pensions and Insurance Authority (PIA) requires general insurance companies to have a minimum solvency ratio of 10% and a minimum core capital of K10 million. Non compliance with the solvency ratio and core capital might have a significant impact on the going concern of the Company. Accordingly, we determined compliance with solvency and capital regulations to be a key audit matter.	• We checked the accuracy of the computation of the solvency ratio and the core capital for the current year with reference to the relevant PIA Directive. • We ensured that proper disclosures have been made in the financial statements in respect of both the solvency margin and the core capital (note 29). • We noted that the Company's solvency ratio was above the required minimum of 10%. The Company's solvency ratio was 21%.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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), which we obtained prior to the date of this auditor's 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 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 in the manner required by the Insurance Act, 1997 (as amended) and the Companies Act, 1994 (as amended) and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the audit of the Financial Statements (continued)

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 and regulatory requirements

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

In accordance with the Insurance Act, 1997 (as amended) and the Companies Act, 1994 (as amended), we report that in our opinion:

- The Company made available all necessary information to enable us to comply with the requirements of these Acts;
- The Company has complied with the provisions of these Acts and the regulations, guidelines and prescriptions under these Acts; and
- The Company did meet the minimum solvency margins as required by Section 36(2) of the Insurance Act, 1997 (as amended). The Company recorded a solvency margin of **12%** as disclosed in note 29a(iv) to the financial statements.


DELOITTE & TOUCHE
CHARTERED ACCOUNTANTS



ALICE JERE TEMBO
AUDIT PARTNER

Date: 30th April 2018

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017

	NOTES	2017 K	20 16 K
Revenue			
Gross premium income for the year	4	42 790 475	37 167 602
Less: Premiums ceded to reinsurers	4	(4 349 359)	(5 259 336)
Net premium income		38 441 116	31 908 266
Investment income	5	611 557	974 452
Other income		655 391	94 754
Other gains and losses	6	3 677 355	272 253
Reinsurance commissions received		1 018 927	1 200 279
Other revenue		5 963 230	2 541 738
Total revenue		44 404 346	34 450 004
Gross claims paid	7	(9 682 871)	(10 519 215)
Net claims		(9 682 871)	(10 519 215)
Commissions paid to brokers and agents		(2 429 045)	(719 716)
Employee benefits expenses		(10 954 124)	(9 661 657)
Other direct operating expenses	8	(300 962)	(225 470)
Other indirect operating expenses	8	(37 015 264)	(9 290 862)
Depreciation and amortisation expense	9	(1 090 662)	(777 092)
		(51 790 057)	(20 674 797)
Total claims and other expenses		(61 472 928)	(31 194 012)
(Loss) profit before tax	9	(17 068 582)	3 255 992
Income tax credit (expense)	10	5 290 572	(1 381 568)
(Loss) profit and other comprehensive (loss) income for the year		(11 778 010)	1 874 424

There were no items of other comprehensive income for the year (2016: Nil).

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

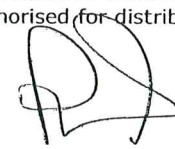
STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	NOTES	2017 K	2016 K
ASSETS			
Property and equipment	11	19 385 606	1 999 235
Intangible asset	12	84 163	173 556
Deferred tax asset	13	7 978 532	2 687 960
Insurance receivables	14	13 174 763	30 377 859
Reinsurance receivables	15	924 813	1 323 474
Other assets	16	1 727 446	1 431 715
Deferred expenses	21	1 310 540	922 949
Bank and cash balances	17	4 376 347	4 838 963
TOTAL ASSETS		48 962 210	43 755 711
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	15 000 000	3 000 000
Share premium	18	5 831 180	300 000
(Deficit on reserves) retained earnings		(7 293 584)	4 627 283
Total equity		13 537 596	7 927 283
LIABILITIES			
Insurance contract liabilities	19	18 572 916	15 027 944
Reinsurance payables	15	7 719 066	6 533 185
Bank overdraft	17	415 433	879 459
Other financial liabilities	20	5 509 909	9 233 644
Amounts due to a related party	22	-	42 000
Current tax liabilities	10	3 207 290	4 112 196
		35 424 614	35 828 428
TOTAL EQUITY AND LIABILITIES		48 962 210	43 755 711

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 9 to 54 were approved and authorised for distribution by the Board of Directors on 25 April 2018 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 2017

	Notes	Share capital K	Share premium K	(Deficit on reserves) Retained earnings K	Total K
Balance at 1 January 2016		3 000 000	300 000	2 752 859	6 052 859
Total comprehensive income for the year		-	-	1 874 424	1 874 424
Balance at 31 January 2016		3 000 000	300 000	4 627 283	7 927 283
Balance at 31 January 2017		3 000 000	300 000	4 627 283	7 927 283
Total comprehensive loss for the year		-	-	(11 778 010)	(11 778 010)
Issue of share capital	18	12 000 000	5 531 180	-	17 531 180
Dividend paid		-	-	(142 857)	(142 857)
Balance at 31 December 2017		15 000 000	5 831 180	(7 293 584)	13 537 596

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	NOTES	2017 K	2016 K
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit for the year		(11 778 010)	1 874 424
Adjusted for non cash items:			
Depreciation expense	11	1 001 269	720 542
Amortisation of intangible asset	9	89 393	56 550
Impairment loss recognised on insurance receivables	14	22 454 605	3 865 025
Impairment loss recognised on reinsurance receivables	15	924 758	-
Impairment loss recognised on other assets	16	4 790 057	263 660
Income tax (credit) expense	10	(5 290 572)	1 381 568
Operating cash flows before working capital changes		12 191 500	9 173 455
Increase in insurance receivables		(5 251 509)	(11 053 356)
Increase in reinsurance receivables		(526 097)	-
Increase in other assets		(5 085 788)	(571 441)
Decrease in deferred expenses		(387 591)	(599 568)
Increase (decrease) in insurance contract liabilities		3 544 972	(138 330)
Increase in reinsurance payables		1 185 881	1 868 666
Decrease in other financial liabilities		(3 723 735)	(3 317 854)
(Decrease) increase in amounts due to a related party		(42 000)	42 000
Cash generated from (used in) operating activities		1 905 633	(5 608 114)
Income tax paid	10	(904 906)	(542 436)
Net cash generated from (used in) operating activities		1 000 727	(6 150 550)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	11	(18 387 640)	(1 439 640)
Purchase of computer software	12	-	(15 000)
Net cash used in investing activities		(18 387 640)	(1 454 640)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	18	12 000 000	-
Issuance of share capital	18	5 531 180	-
Dividends paid		(142 857)	-
Net cash generated from financing activities		17 388 323	-
Increase (decrease) in cash and cash equivalents		1 410	(7 605 190)
Cash and cash equivalents at beginning of year		3 959 504	11 564 694
Cash and cash equivalents at end of year		3 960 914	3 959 504
CASH AND CASH EQUIVALENTS			
Fixed term deposits - maturity within 90 days	17	2 890 807	3 184 005
Bank and cash balances	17	1 485 540	1 654 958
Overdraft	17	(415 433)	(879 459)
		3 960 914	3 959 504

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

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

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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue recognition (continued)

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.

2.3.3 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.

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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.8 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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Property and equipment

Leasehold land is held for use in the production or supply of goods or services, or for administrative purposes, is stated in the statement of financial position at its revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses.

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.

Leasehold land is not depreciated. Depreciation on other assets 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 2017 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.

2.10 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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2.13.1 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.

(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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (continued)

2.13.1 Financial assets (continued)

(g) Derecognition of financial assets

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 24th day method in respect of all classes of business.

Insurance payables

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

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

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

Bank borrowings and overdrafts

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

Outstanding claims

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

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13.2 Financial liabilities and equity

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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2017

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 **K18,993,799** (2016: K15,027,944).

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

for the year ended 31 December 2017

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**3.2 Key sources of estimation uncertainty (Continued)****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.

3.2.3 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**2017****2016****K****K**

Net premium income represents income from insurance contracts and can be analysed as below:

Gross premium income written in the year	43 331 430	37 604 235
Change in unearned premiums provision	(540 955)	(436 633)
Gross premium income for the year	42 790 475	37 167 602
Premiums ceded to reinsurers	(4 349 359)	(5 259 336)
Net premium income	38 441 116	31 908 266

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

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

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

for the year ended 31 December 2017

4. NET PREMIUM INCOME (CONTINUED)

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

	2017	2016
	K	K
By class of business		
Motor	22 691 144	22 488 044
Bonds	10 492 577	8 665 574
Miscellaneous	3 518 770	-
Accident	2 463 257	1 876 106
Engineering	1 843 889	1 812 767
Fire	1 385 176	1 314 502
Agriculture	735 467	-
Marine	169 392	762 453
Legal	31 758	684 789
	<u>43 331 430</u>	<u>37 604 235</u>
By method of business		
Brokers and agents	32 498 573	28 203 176
Direct business	10 832 857	9 401 059
	<u>43 331 430</u>	<u>37 604 235</u>

5. INVESTMENT INCOME

Investment income arise from interest received on term deposits.

6. OTHER GAINS AND LOSSES

Reversal of interest on Value Added Tax
 Net foreign exchange (losses) gains

3 703 048	-
(25 693)	272 253
<u>3 677 355</u>	<u>272 253</u>

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

Mid market exchange rate at 1 January	9.9540	11.0200
Mid market exchange rate at 31 December	9.9500	9.9540
Average appreciation	0.04%	9.6%

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
 Claims ceded to reinsurers

9 682 871	10 519 215
-	-
<u>9 682 871</u>	<u>10 519 215</u>

8. OTHER OPERATING EXPENSES**(i) Direct operating expenses**

PIA levy

300 962	225 470
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(ii) Indirect operating expenses

Provision for insurance receivables	22 454 605	2 911 202
Provision for other assets	4 790 057	263 660
Sundry expenses	2 838 024	706 299
Office rental expenses	1 167 818	984 704
Motor vehicles expenses	1 115 615	840 592
Communication expense	949 148	1 068 229
Provision for reinsurance receivables	924 758	-
Advertising	921 200	717 335
Printing and stationery	612 397	631 436
Directors' fees	573 300	383 600
Consultancy and assessors fees	508 138	520 145
Provision for other assets	160 204	263 660
	<u>37 015 264</u>	<u>9 290 862</u>

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

9. PROFIT BEFORE TAX	2017	2016
	K	K
Profit before tax is stated after crediting:		
Interest income	611 557	974 452
Net exchange gains	-	272 253
and after charging:		
Directors' fees		
- in connection with Management of the Company	1 449 000	1 449 000
- as directors of the Company	573 300	383 600
Depreciation and amortisation expense	1 090 662	777 092
- Depreciation expense (note 11)	1 001 269	720 542
- Amortisation of intangible assets (note 12)	89 393	56 550
Employee benefits expense:		
- pension costs	346 141	296 254
Donations	155 050	179 232
Net exchange loss	25 693	-

10. INCOME TAX

(i) Income tax expense

Income tax at 35%

Based on profit for the year	-	1 026 072
Deferred taxation (note 13)	(5 290 572)	355 496
	(5 290 572)	1 381 568

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 (loss) profit as follows:

(Loss) profit before tax	(17 068 582)	3 255 992
Income tax at 35%	(5 974 004)	1 139 597
Permanent differences	683 432	241 971
Actual income tax expense	(5 290 572)	1 381 568

(iii) Movements on tax account

The movements during the year are as follows:

Arising during the year	-	1 026 072
Payable in respect of previous years	4 112 196	3 628 560
Payments during the year	(904 906)	(542 436)
Current tax liability	3 207 290	4 112 196

Subject to agreement with the Zambia Revenue Authority, the Company has estimated tax losses of approximately **K13,542,339** (2016: Nil) available to carry forward for a period of not more than 5 years from the charge year in which they were incurred, for set off against future taxable profits from the same source. The losses arose as follows:

Year ended 31 December 2017	13 542 339	-
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MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

11. PROPERTY AND EQUIPMENT

COST	Leasehold land	Motor vehicles K	Computer equipment K	Office equipment K	Furniture and fittings K	Total K
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 1 January 2017	-	2 215 236	883 550	39 903	584 299	3 722 988
Additions for the year	17 531 180	605 000	163 576	669	87 215	18 387 640
At 31 December 2017	17 531 180	2 820 236	1 047 126	40 572	671 514	22 110 628
DEPRECIATION						
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 1 January 2017	-	950 331	474 950	28 927	269 545	1 723 753
Charge for the year	-	660 897	198 610	5 296	136 466	1 001 269
At 31 December 2017	-	1 611 228	673 560	34 223	406 011	2 725 022
CARRYING AMOUNT						
At 31 December 2017	17 531 180	1 209 008	373 566	6 349	265 503	19 385 606
At 31 December 2016	-	1 264 905	408 600	10 976	314 754	1 999 235

The Directors consider that the carrying value of property and equipment do 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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

12. INTANGIBLE ASSET

Cost	K
At 1 January 2016	303 019
Additions	15 000
At 31 December 2016	318 019
Additions	-
At 31 December 2017	318 019
Amortisation	
At 1 January 2016	87 913
Amortisation for the year	56 550
At 31 December 2016	144 463
Amortisation for the year	89 393
At 31 December 2017	233 856
Carrying amounts	
At 31 December 2016	173 556
At 31 December 2017	84 163

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

	2017	2016
	K	K
At beginning of year	2 687 960	3 043 456
Arising in the year (note 10)	5 290 572	(355 496)
At end of the year	7 978 532	2 687 960

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

	Accelerated tax depreciation	Other provisions	Tax losses	Total
	K	K	K	K
At 1 January 2016	88 571	(3 132 027)	-	(3 043 456)
Arising in the year	99 824	255 672	-	355 496
At 31 December 2016	188 395	(2 876 355)	-	(2 687 960)
Arising in the year	(157 232)	1 226 928	(6 360 268)	(5 290 572)
At 31 December 2017	31 163	(1 649 427)	(6 360 268)	(7 978 532)

Recoverability and therefore recognition of the deferred tax asset is subject to the Company returning to profitability in the foreseeable future. Should the Company fail to return to profitability, the recognition of this asset would then not be appropriate.

14. INSURANCE RECEIVABLES

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

	2017	2016
	K	K
Gross insurance receivable	39 494 393	34 242 884
Allowance for doubtful debts	(26 319 630)	(3 865 025)
	13 174 763	30 377 859

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

14. INSURANCE RECEIVABLES (CONTINUED)	2017	2016
	K	K
Insurance receivables for the Company can be analysed as follows:		
By customer type:		
Due from policyholders	7 431 649	16 647 798
Due from agents, brokers and intermediaries	5 743 114	13 730 061
	<u>13 174 763</u>	<u>30 377 859</u>
By currency:		
Denominated in Kwacha	<u>13 174 763</u>	<u>30 377 859</u>
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 K9,158,576 (2016: K21,824,901) which are past due at reporting date for which no provision has been made as there has not been a significant change in credit quality and the amounts are still considered recoverable.		
Ageing of past due but not impaired receivables is as analysed below:		
60-90 days	2 048 554	2 819 668
90-120 days	1 595 772	3 230 931
Over 120 days	5 514 250	15 774 302
Total	<u>9 158 576</u>	<u>21 824 901</u>
Ageing of impaired receivables is as analysed below:		
60-90 days	-	-
90-120 days	1 506 207	1 250 050
Over 120 days	24 813 423	2 614 975
	<u>26 319 630</u>	<u>3 865 025</u>
Movement in the allowance for doubtful debts:		
Balance at beginning of year	3 865 025	7 360 897
Balances written off	-	(7 360 897)
Impairment losses recognised on insurance receivables	22 454 605	3 865 025
Balance at end of year	<u>26 319 630</u>	<u>3 865 025</u>
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.		
Included in insurance receivables is an amount totalling K885,048 (2016: K767,765) due from related companies as disclosed in note 22.		
15. REINSURANCE RECEIVABLES AND 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.		
Reinsurance receivables		
At beginning of the year	1 323 474	1 323 474
Received in the year	526 097	-
Impairment loss during the year	(924 758)	-
At the end of the year	<u>924 813</u>	<u>1 323 474</u>
Movement in the allowance for doubtful debts:		
Balance at beginning of year	-	-
Impairment losses recognised on reinsurance receivables	924 758	-
Balance at end of year	<u>924 758</u>	<u>-</u>

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

15. REINSURANCE RECEIVABLES AND PAYABLES (CONTINUED)	2017	2016
	K	K
Reinsurance liabilities		
At beginning of the year	6 533 185	4 664 519
Reinsurance ceded in the year	3 330 432	5 868 614
Payments in the year	(2 144 551)	(3 999 948)
At the end of the year	<u>7 719 066</u>	<u>6 533 185</u>

16. OTHER ASSETS

Other assets*	4 629 853	-
Subrogation debtors	1 525 743	1 390 462
Others receivables	1 237 252	916 598
Salvages stock	400 000	400 000
Allowance for doubtful debts	(6 065 402)	(1 275 345)
	<u>1 727 446</u>	<u>1 431 715</u>

*Other assets represents unknown amounts that could not be reconciled by the reporting date. The Directors attribute this amount to have been caused by system errors as the amounts could not be supported, and have since engaged the system providers to investigate into the root cause for corrective entries to be made. However, a full provision has been made for the balance pending further investigations.

Movement in allowance for doubtful debts is as follows:

	Other assets	Subrogation debtors	Salvages stock	Total
		K	K	K
At 1 January 2016	-	836 685	229 167	1 065 852
Impairment loss during the year	-	263 660	-	263 660
Amounts written off during the year	-	-	(54 167)	(54 167)
At 31 December 2016	-	1 100 345	175 000	1 275 345
Impairment loss during the year	4 629 853	135 204	25 000	4 790 057
At 31 December 2017	<u>4 629 853</u>	<u>1 235 549</u>	<u>200 000</u>	<u>6 065 402</u>

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprise the following:

Fixed term deposits	2 890 807	3 184 005
Bank and cash balance	<u>1 485 540</u>	<u>1 654 958</u>
Positive balances	4 376 347	4 838 963
Bank overdraft	<u>(415 433)</u>	<u>(879 459)</u>
	<u>3 960 914</u>	<u>3 959 504</u>

17.1 Fixed term deposits

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

Investrust Bank Plc	2 890 807	2 409 005
First National Bank Zambia Limited	-	500 000
Meanwood Finance Company Limited	-	275 000
	<u>2 890 807</u>	<u>3 184 005</u>

17.2 Bank and cash balances

Held in bank accounts	1 485 438	1 634 958
Cash in hand	<u>102</u>	<u>20 000</u>
	<u>1 485 540</u>	<u>1 654 958</u>

17.3 Bank overdraft

The Company has a 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 fixed deposit investments of K2.4 million.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

18. SHARE CAPITAL	2017	2016
	K	K
(i) Authorised shares		
Ordinary shares of K1.00 each	15 000 000	3 000 000
(ii) Authorised, issued and fully paid		
At 1 January	3 000 000	3 000 000
Issued during the year	12 000 000	-
	15 000 000	3 000 000
(iii) Share premium		
At 1 January	300 000	300 000
Issuance of share capital	5 531 180	-
	5 831 180	300 000

In order to meet the industry minimum capital requirement, the shareholders injected K17,531,180 in form of land. Accordingly, an amount of K12,000,000 (12,000,000 ordinary shares of K1.00 each) was converted to share capital and the excess of K5,531,180 was transferred to share premium.

19. INSURANCE CONTRACT LIABILITIES	2017	2016
	K	K
Insurance contract liabilities comprise:		
Provision for unearned premium (i)	10 926 395	10 385 441
Outstanding claims (ii)	7 646 521	4 642 503
	18 572 916	15 027 944

(i) Provisions for unearned premium

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

At beginning of the year	10 385 441	9 948 804
Movement for the year	540 954	436 637
At the end of the year	10 926 395	10 385 441

	2017	
	Insurance Contract	Reinsurance of liabilities
	K	K
At beginning of the year	10 385 441	-
Premium written in the year	43 331 428	(3 330 432)
Premium earned in the year	(39 460 042)	-
At end of year	14 256 827	(3 330 432)
		10 926 395
	2016	
	Insurance Contract	Reinsurance of liabilities
	Liabilities	liabilities
		Net
At beginning of the year	9 948 804	-
Premium written in the year	37 604 238	(3 675 838)
Premium earned in the year	(33 491 763)	-
At end of year	14 061 279	(3 675 838)
		10 385 441

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

19. INSURANCE CONTRACT LIABILITIES (CONTINUED)

2017

K

2016

K

(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.

Outstanding claims	6 219 545	4 891 473
Incurred but not reported risks (IBNR)	1 426 976	360 308
Reinsurance share of outstanding claims	-	(609 278)
	7 646 521	4 642 503

		2017	
	Contract Liabilities	Reinsurance of liabilities	Net
	K	K	K
At beginning of the year	5 251 781	(609 278)	4 642 503
Claims incurred in current year	9 682 871	609 278	10 292 149
Claims paid	(7 288 131)	-	(7 288 131)
At end of year	7 646 521	-	7 646 521
		2016	
	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	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	4 642 503

20. 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:

Employee related liabilities (i)	3 539 431	2 287 818
Sundry payables	1 762 167	856 234
Value added tax payable	163 158	5 859 851
Insurance levy payable	45 153	229 741
	5 509 909	9 233 644

i) Gratuity provisions

The employee related liabilities include provisions for gratuity of **K2,104,873** (2016: K1,182,118). The movements in the gratuity account during the year was as follows:

At beginning of the year	1 182 118	294 670
Additional provisions during the year	1 523 183	1 291 598
Paid during the year	(600 428)	(404 150)
At end of the year	2 104 873	1 182 118

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

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

for the year ended 31 December 2017

21. DEFERRED EXPENSES	2017 K	2016 K
The movement in deferred acquisition costs for insurance contracts is shown below:		
At the beginning of the year	922 949	323 381
Charged to profit or loss	(162 776)	(323 381)
Expenses deferred during the year	550 367	922 949
At the end of the year	1 310 540	922 949

22. RELATED PARTY TRANSACTIONS

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

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

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

(i) Trading transactions

The following are the transactions:

Premiums

Meanwood Holdings Limited	87 970	71 683
Norwood Enterprise Limited	25 544	54 938
Midrand Business Systems Limited	26 987	48 196
Meanwood Property Development Limited	44 155	35 332
Meanwood Construction Limited	14 070	24 386
Meanwood Finance Corporation Limited	23 649	19 280
Meanwood Building Society Limited	-	6 003

Expenses

Meanwood Property Development Company	168 000	168 000
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ii) Amounts due from related parties

Norwood Investment Ventures Limited	272 896	235 045
Meanwood Finance Company Limited	226 564	275 000
Meanwood Holdings Limited	211 650	159 446
Meanwood Construction Limited	173 938	98 274
	885 048	767 765

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

iii) Amounts due to a related party

Meanwood Property Development Limited	-	42 000
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The amounts due to Meanwood Property Development Limited include office and car rentals.

iv) Directors and Key management personnel remuneration

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

- Directors emoluments in connection with Management of the Company	1 449 000	1 449 000
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23. CONTINGENT LIABILITIES**Pending litigation**

The Company had contingent liabilities estimated at Nil (2016: K2.6 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.

24. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2017 (2016: Nil).

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

for the year ended 31 December 2017

25. OPERATING LEASE COMMITMENTS

	2017 K	2016 K
Rental expense on leasehold building		
Less than 1 year	168 000	168 000
Between 1 and 5 years	840 000	840 000
	1 008 000	1 008 000

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

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

168 000	168 000
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At the reporting date, the Company had no outstanding commitments under non-cancellable operating leases.

26. GOING CONCERN

The Company incurred a loss for the year ended 31 December 2017 of **K11,778,010** (2016 profit: K1,874,424) and as of that date, the total shareholders' reserves was a deficit of **K7,293,584** (2016 retained earnings of K4,627,283). However, despite the negative results for the year and deficit on reserves, at year end, the shareholders equity was positive and the Company had achieved the regulatory capital and solvency margins.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the

The Company meets its day to day working capital requirements from management of its investments and receivables. Should additional capital be required, funding can be obtained from related parties and Shareholders.

The Directors believe that there is no uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. The Company will therefore, be able to realise its assets and discharge its liabilities in the normal course of business.

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

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 2016.

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 2017 and 2016, 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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
for the year ended 31 December 2017

28. FINANCIAL INSTRUMENTS (CONTINUED)	2017 K	2016 K
Categories of financial instruments		
Financial assets		
Held to maturity investments	2 890 807	3 184 005
Insurance receivables	13 174 763	30 377 859
Reinsurance receivables	924 813	1 323 474
Other assets	1 727 446	1 431 715
Deferred expenses	1 310 540	922 949
Cash and cash equivalents	4 376 347	4 838 963
	24 404 716	42 078 965
Financial liabilities		
Insurance contract liabilities	18 572 916	15 027 944
Insurance payables	7 719 066	6 533 185
Other financial liabilities	5 509 909	9 233 644
Bank overdraft	415 433	879 459
Amounts due to a related party	-	42 000
	32 217 324	31 716 232

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:

Assets	683 159	780 490
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Sensitivity analysis

At 31 December 2017, 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 **K68,316** (2016: K78,049) 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.

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

for the year ended 31 December 2017

28. FINANCIAL INSTRUMENTS (CONTINUED)**Credit risk management**

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

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

	2017 K	2016 K
Insurance receivables and other assets	15 827 022	33 133 048
Held to maturity investments	2 890 807	3 184 005
	18 717 829	36 317 053

Insurance risks

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

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

Liquidity risk management

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

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

	1 to 3 Months K	3 months to 1 year K	1 to 5 Years K
Year ended 31 December 2017			
Financial liabilities			
Insurance contract liabilities	18 572 916	-	-
Insurance payables	7 719 066	-	-
Bank overdraft	415 433	-	-
Other financial liabilities	5 509 909	-	-
	32 217 324	-	-
Financial assets			
Insurance receivables	13 174 763	-	-
Reinsurance receivables	924 813	-	-
Other assets	1 727 446	-	-
Deferred expenses	1 310 540	-	-
Held to maturity investments	2 890 807	-	-
	20 028 369	-	-

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

28. FINANCIAL INSTRUMENTS (CONTINUED)

Year ended 31 December 2016	1 to 3 Months	3 months to 1 year	1 to 5 Years	Total
	K	K	K	K
Financial 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	1 085 975	-	-	1 085 975
	31 880 747	-	-	31 880 747
Financial assets				
Insurance receivables	30 377 859	-	-	30 377 859
Reinsurance receivables	1 323 474	-	-	1 323 474
Other assets	1 431 715	-	-	1 431 715
Deferred expenses	922 949	-	-	922 949
Held to maturity investments	3 184 005	-	-	3 184 005
	37 240 002	-	-	37 240 002

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.

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	K	K	K	K
Financial assets				
Held-to-maturity investments	2 890 807	2 890 807	3 184 005	3 184 005
Insurance receivables	13 174 763	13 174 763	30 377 859	30 377 859
Reinsurance receivables	924 813	924 813	1 323 474	1 323 474
Other assets	1 727 446	1 727 446	1 431 715	3 840 914
Deferred expenses	1 310 540	1 310 540	922 949	922 949
Financial liabilities				
Financial liabilities held at amortised cost:				
- Insurance contract liabilities	18 572 916	18 572 916	15 027 944	15 027 944
- Bank overdrafts	415 433	415 433	879 459	879 459
- Insurance payables	7 719 066	7 719 066	6 533 185	6 533 185
- Other financial liabilities,	5 509 909	5 509 909	9 233 644	9 233 644
- Amounts due to a related party	-	-	42 000	42 000

Fair value hierarchy as at 31 December

	2017	2016
	Level 3	Level 3
	K	K
Financial assets		
Insurance receivables	13 174 763	30 377 859
Reinsurance receivables	924 813	1 323 474
Other assets and deferred expenses	3 037 986	4 763 863
Total	17 137 562	36 465 196

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
for the year ended 31 December 2017**28. FINANCIAL INSTRUMENTS (CONTINUED)****Fair value measurements (Continued)**

	Fair value hierarchy as at 31 December	
	2017	2016
	Level 3	Level 3
	K	K
Financial liabilities		
Financial liabilities held at		
Amortised cost:		
- Insurance contract liabilities	18 572 916	15 027 944
- Bank overdraft	415 433	879 459
- Insurance payables	7 719 066	6 533 185
- Other financial liabilities,	5 509 909	9 233 644
- Amounts due to a related party	-	42 000
Total	32 217 324	31 716 231

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**Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Finance and Audit Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Finance and Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Finance and Audit Committee.

The Company has exposure to the following risks:

(a) Operational risks

The major operational risks related to the following:

- Insurance risk
- Reinsurance risk
- Concentration risk
- Regulatory risk which covers capital management and solvency requirements as disclosed.

(i) 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.

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

for the year ended 31 December 2017

29. INSURANCE AND FINANCIAL RISK (CONTINUED)**(a) Operational risks (continued)****(i) Insurance risk (Continued)****Claims development table (continued)**

Gross non-life insurance contract outstanding claims provision for 2017:

Accident year	2015 K	2016 K	2017 K	Total K
At beginning of accident year	5 682 450	5 251 780	4 467 221	15 401 451
Claims incurred during the year	11 431 617	10 519 215	9 682 872	31 633 704
Claims paid during	(11 862 287)	(11 303 774)	(7 288 230)	(30 454 291)
At the end of the year	5 251 780	4 467 221	6 861 863	16 580 864

Net non-life insurance contract outstanding claims provision for 2016:

Accident year	2015	2016	2017	Total
At beginning of accident year	2 491 190	5 682 450	5 251 780	13 425 420
Claims incurred during the year	11 431 617	11 431 617	9 682 872	32 546 106
Claims paid during the year	(8 240 357)	(11 862 287)	(7 288 230)	(27 390 874)
At the end of the year	5 682 450	5 251 780	7 646 422	18 580 652

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.

(ii) Re-insurance risk

The Company cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, Company risks or defined blocks of business, on a coinsurance, yearly renewable term, excess or catastrophe excess basis. These re-insurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Company's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the re-insurance agreements, the re-insurer agrees to reimburse the ceded amount in the event that the claim is paid. However the Company remains liable to its policy holders with respect to ceded insurance if any re-insurer fails to meet the obligations it assumes.

(iii) Concentration risk

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk and industry. All risks arise within Zambia and mainly under manufacturing, transport and service industry.

(iv) Regulatory risk management**Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business, and to ensure that the Company's net assets do not fall below the minimum required share capital. The Board of Directors monitors the return on capital, which the Company defines as results from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements that the regulator of the insurance market in Zambia requires. In this respect the Company manages its capital on a basis of not less than 100% of its minimum capital position presented in the table below. Management considers the quantitative threshold of 100% sufficient to maximise shareholders' return and to support the capital required to write its businesses in Zambia;

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
for the year ended 31 December 2017**29. INSURANCE AND FINANCIAL RISK (CONTINUED)****(a) Operational risks (continued)****(iv) Regulatory risk management (continued)****Capital management (continued)**

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The defined Company capital includes equity and the share premium.

	2017 K	2016 K
Total shareholder funds	<u>13 537 596</u>	<u>7 927 283</u>
Minimum required share capital	10 000 000	10 000 000
Company issued share capital	<u>15 000 000</u>	<u>3 000 000</u>
Excess	<u>5 000 000</u>	<u>(7 000 000)</u>
Excess as % of minimum capital	50%	(70)%

The Company is compliant with the externally imposed capital requirement in accordance with Section 41 of the Insurance Act of Zambia, which is currently K10 million.

Solvency margin computation as at 31 December 2017

	2017 K	2016 K
ADMITTED ASSETS		
Property and equipment	19 385 606	1 999 235
Intangible asset	84 163	173 556
Deferred tax asset	7 978 532	2 687 960
Insurance receivables	39 494 393	34 242 884
Less: trade receivables over 60 days-not impaired	(9 158 576)	(21 824 901)
trade receivables over 60 -impaired	(26 319 630)	(3 865 025)
Reinsurance receivables	924 813	1 323 474
Other assets	1 727 446	1 431 715
Deferred expenses	1 310 540	162 776
Cash and cash equivalents	<u>4 376 347</u>	<u>4 838 963</u>
Total admitted assets	<u>39 803 634</u>	<u>22 093 586</u>
ADMITTED LIABILITIES		
Insurance contract liabilities	18 572 916	15 027 944
Insurance payables	7 719 066	6 533 185
Other financial liabilities	5 509 909	9 233 644
Amounts due to a related party	-	42 000
Current tax liabilities	3 207 290	4 112 196
Bank overdraft	<u>415 433</u>	<u>879 459</u>
Total admitted liabilities	<u>35 424 614</u>	<u>35 991 204</u>
Margin	<u>4 379 020</u>	<u>(13 897 618)</u>
Solvency margin %	<u>12%</u>	<u>(39)%</u>
Regulatory solvency margin	10%	10%

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks

(i) Credit risks

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

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

- A credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or Company of counterparties, geographical and industry segment (i.e., limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held).
- The Company further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in offsetting the statement of financial position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. At 31 December 2017, the Company had the right to set off financial liabilities amounting to **Nil** (2016: Nil) against financial assets with a fair value of **Nil** (2017: 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.

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).

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

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 2017, the Company had the right to set off financial liabilities amounting to **Nil** (2016: 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.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(i) Credit risks (Continued)

Industry analysis

Year ended 31 December 2017

Financial assets	Financial Institutions K	Government K	Mining K	Others K	Total K
Insurance receivables	-	-	-	13 174 763	13 174 763
Reinsurance receivables	-	-	-	924 813	924 813
Other assets	-	-	-	1 727 446	1 727 446
Deferred expenses	-	-	-	1 310 540	1 310 540
Cash and cash equivalents	4 376 347	-	-	-	4 376 347
Total credit risk exposure	4 376 347	-	-	17 137 562	21 513 909
Year ended 31 December 2016					
Financial assets					
Insurance receivables	-	-	-	30 377 859	30 377 859
Reinsurance receivables	-	-	-	1 323 474	1 323 474
Other assets	-	-	-	1 431 715	1 431 715
Deferred expenses	-	-	-	922 949	922 949
Cash and cash equivalents	4 838 963	-	-	-	4 838 963
Total credit risk exposure	4 838 963	-	-	34 055 997	38 894 960

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 2017

Financial assets

Neither past due nor impaired					Past due but not impaired		Total K
Investment grade K	Non investment grade: satisfactory K	Non investment grade: unsatisfactory K	Unit-linked K	Unit-linked K	Past due but not impaired K	Past due but not impaired K	
-	13 174 763	-	-	-	-	-	13 174 763
-	4 376 347	-	-	-	-	-	4 376 347
-	17 551 110	-	-	-	-	-	17 551 110

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

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

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 2017

	> 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	-	-	-	7 110 022	-	9 158 576
Reinsurance receivables	-	-	2 048 554	924 813	-	924 813
Other assets	-	-	1 727 446	-	-	1 727 446
Total	-	-	3 776 000	8 034 835	-	11 810 835

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	-	-	-	19 005 233	-	21 824 901
Reinsurance receivables	-	-	2 819 668	1 323 474	-	1 323 474
Other Assets	-	-	3 840 914	-	-	3 840 914
	-	-	6 660 582	20 328 707	-	26 989 290

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
for the year ended 31 December 2017**29. INSURANCE AND FINANCIAL RISK (CONTINUED)****(b) Financial risks (Continued)****Impaired financial assets**

At 31 December 2017, there are impaired reinsurance assets of **K924,758** (2016: Nil) impaired loans and receivables of **K26,319,630** (2016: K3,865,025).

For assets to be classified as "past-due and impaired" contractual payments must be in arrears for more than 60 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 insurance receivables is, as follows:

	2017 K	2016 K
At 1 January	3 865 025	7 360 897
Charge for the year	22 454 605	3 865 025
Amounts written off	-	(7 360 897)
At 31 December	<u>26 319 630</u>	<u>3 865 025</u>

(ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries. The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk

- A Company liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations. Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

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

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

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

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

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

Maturity analysis (contractual undiscounted cash flow basis)

Year ended 31 December 2017

Financial assets	Carrying Amount K	Up to 1 year			1 to 3 years		5 to 15 years		No maturity date K	Total K
		K	K	K	K	K	K	K		
Insurance receivables	13 174 763	13 174 763	-	-	-	-	-	-	-	13 174 763
Cash and cash equivalents	4 376 347	4 376 347	-	-	-	-	-	-	-	4 376 347
Total undiscounted assets	17 551 110	17 551 110	-	-	-	-	-	-	-	17 551 110
Financial liabilities										
Insurance liabilities	26 291 982	26 291 982	-	-	-	-	-	-	-	26 291 982
Other liabilities	5 509 909	5 509 909	-	-	-	-	-	-	-	5 509 909
	31 801 891	31 801 891	-	-	-	-	-	-	-	31 801 891
Total liquidity gap	(14 250 781)	(14 250 781)	-	-	-	-	-	-	-	(14 250 781)

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

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

	Carrying Amount K	Up to 1 year K	1 to 3 years K	5 to 15 years K	No maturity date K	Total K
Financial assets						
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

Year ended 31 December 2017

	Current K	Non Current K	Unit-Linked K	Total K
Property and equipment	-	19 385 606	-	19 385 606
Intangible asset	-	84 163	-	84 163
Financial Instruments				
Insurance receivables	13 174 763	-	-	13 174 763
Reinsurance receivables	924 813	-	-	924 813
Other assets	1 727 446	-	-	1 727 446
Deferred expenses	1 310 540	-	-	1 310 540
Cash and cash equivalents	4 376 347	-	-	4 376 347
Total assets	21 513 909	19 469 769	-	40 983 678
Investment contract liabilities				
Insurance Contract liabilities	18 572 916	-	-	18 572 916
Insurance payables	7 719 066	-	-	7 719 066
Other financial liabilities	5 509 909	-	-	5 509 909
Amounts due to a related party	-	-	-	-
Total liabilities	31 801 891	-	-	31 801 891

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

for the year ended 31 December 2017

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 2017	Kwacha	US Dollar	Total
Property and equipment	19 385 606	-	19 385 606
Intangible asset	84 163	-	84 163
Financial Instruments			-
Insurance receivables	13 174 763	-	13 174 763
Reinsurance receivables	924 813	-	924 813
Other assets	1 727 446	-	1 727 446
Cash and cash equivalents	3 960 914	683 159	4 644 073
Total assets	39 257 705	683 159	39 940 864
Insurance contract liabilities	Kwacha	US Dollar	Total
Insurance contract liabilities	18 572 916	-	18 572 916
Insurance payables	7 719 066	-	7 719 066
Other financial liabilities	5 509 909	-	5 509 909
Amounts due to related party	-	-	-
Total liabilities	31 801 891	-	31 801 891
Year ended 31 December 2016			
Property and equipment	2 718 333	-	2 718 333
Investment properties	173 556	-	173 556
Financial instruments			
Insurance receivables	30 377 859	-	30 377 859
Reinsurance receivables	1 323 474	-	1 323 474
Other assets	3 840 914	-	3 840 914
Cash and cash equivalents	1 298 276	3 540 687	4 838 963
Total assets	39 732 412	3 540 687	43 273 099
Insurance 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 related party	42 000	-	42 000
Total liabilities	30 836 772	-	30 836 772

MEANWOOD GENERAL INSURANCE COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
for the year ended 31 December 2017**29. INSURANCE AND FINANCIAL RISK (CONTINUED)****(b) Financial risks (Continued)****(iii) Market risk (Continued)****(a) Currency risk (Continued)**

The Company has no significant concentration of currency risk.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Year ended 31 December 2017			Year ended 31 December 2016		
Currency	Change in Variables	Impact on profit before tax	Impact on equity	Impact on Profit before tax	Impact on equity
USD	10%	68 316	68 316	354 069	354 069
USD	-10%	(68 316)	(68 316)	(354 069)	(354 069)

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

Sensitivity analysis on financial assets

- As part of the Company's investment strategy, in order to reduce both insurance and financial risk, the Company matches its investments to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets whose fair values are recorded in the income statement) and equity (that reflects adjustments to profit before tax and changes in fair value of financial assets whose fair values are recorded in the statement of changes in equity).
- The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets other than derivative financial instruments, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

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

30.1 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 2017.

Amendments to IAS 7 Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

During the year the Company did not engage in any financing activities consisting of borrowings.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the financial statements as the Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs 2014-2016 Cycle

The Company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's financial statements as the Company has no interests in subsidiaries, associates or joint ventures.

30.2 New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications) ¹
IFRS 16	Leases ²
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle ¹
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

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

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

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.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors of the Company are still in the process of assessing the impact of this standard on the operations of the Company. It is expected that this standard will have a material impact on how the company recognises its provisions for doubtful debts and how it classifies its financial assets and financial liabilities which will have to be in line with the business model.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

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

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

IFRS 15 Revenue from Contracts with Customers (Continued)

The core principle of IFRS 15 is that an entity should 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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Company recognises revenue from interest income.

The directors are still in the process of assessing the impact of this standard on the operations of the Company. It is anticipated that the implementation of this standard is likely to have a material impact on the financial statements of the Company.

The Company plans to adopt the new standard on the required effective date using the full retrospective method.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

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 right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

For finance leases where the Company is a lessee, as the Company has already recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the Company is a lessor (for both operating and finance leases), the directors of the Company do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Company financial statements.

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

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

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

Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should there be a change in use of any of its properties.

Annual Improvements to IFRSs 2014 – 2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Company.

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of the amendments in the future will have any impact on the financial statements as the Company is neither a first-time adopter of IFRS nor a venture capital organisation. Furthermore, the Company does not have any associate or joint venture that is an investment entity.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company financial statements. This is because the Company already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.
