MEANWOOD GENERAL INSURANCE COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2018

MEANWOOD GENERAL INSURANCE COMPANY LIMITED
(Incorporated in Zambia)

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2018

CONTENTS

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 2018 and professional advisors to the Company were:

DIRECTORS

Mrs. Mahungu Mpishi	- Acting Board Chairperson
Mr. Tobias Milambo	- Executive Director - Retired 30 April 2018
Mr. Milton Lukasha	- Non Executive Director
Dr. Dorothy Rumsey	- Non Executive Director

MANAGEMENT

Mr. Tobias Milambo	- Managing Director - Retired 30 April 2018
Mr. Prince Nkhata	- Managing Director - Appointed 1 September 2018
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 2018.

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 **K3,939,475** compared to a loss of K11,778,010 in the previous year. The Directors resolved not 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 2018	Total 2017
Gross premium income written in the year	1 455 915	1 379 693	20 892 992	2 295 942	6 587 170	7 179 415	343 723	**40 134 850**	43 331 430
Change in unearned premiums provision	(97 939)	(126 200)	(1 785 000)	(159 000)	(425 000)	(308 235)	(25 000)	(2 926 374)	(540 955)
Gross premium income for the year	**1 357 976**	**1 253 493**	**19 107 992**	**2 136 942**	**6 162 170**	**6 871 180**	**318 723**	**37 208 476**	42 790 475
Less: Premiums ceded to reinsurers	(725 538)	(375 938)	(2 160 133)	(978 970)	(589 887)	-	(190 522)	(5 020 988)	(4 349 359)
Net premium income	**632 438**	**877 555**	**16 947 859**	**1 157 972**	**5 572 283**	**6 871 180**	**128 201**	**32 187 488**	38 441 116
Expenditure									
Net claims	(2 203 340)	(10 010)	(11 449 072)	(8 800)	(533 193)	(1 036 132)	(2 503)	(15 243 050)	(9 682 871)
Net commissions	(145 867)	(58 350)	(1 384 004)	(97 866)	(459 115)	(502 967)	(404)	(2 648 573)	(2 429 045)
Other direct expenses	(8 735)	(8 278)	(114 913)	(13 776)	(39 523)	(42 014)	(2 062)	(229 301)	(300 962)
	(2 357 942)	**(76 638)**	**(12 947 989)**	**(120 442)**	**(1 031 831)**	**(1 581 113)**	**(4 969)**	**(18 120 924)**	(12 412 878)
Underwriting surplus	**(1 725 504)**	**800 917**	**3 999 870**	**1 037 530**	**4 540 452**	**5 290 067**	**123 232**	**14 066 564**	26 028 238
Other revenue									
Investment income								558 852	611 557
Other income								277 765	655 391
Other gains and losses								(133 086)	3 677 355
Reinsurance commissions received								1 186 180	1 018 927
								1 889 711	5 963 230
Other expenses									
Employee benefits expenses								(11 866 104)	(10 954 124)
Other indirect operating expenses								(13 663 962)	(37 015 264)
Depreciation and amortisation expense								(773 578)	(1 090 662)
								(26 303 644)	(49 060 050)
Loss before tax								**(10 347 369)**	**(17 068 582)**
Income tax credit								6 407 894	5 290 572
Loss for the year								**(3 939 475)**	(11 778 010)

INVESTMENTS

The total book value of the investments of the Company increased to **K3,369,958** in 2018 from K2,890,807 in 2017 and comprised fixed term deposits with Investrust Bank Plc.

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

INSURANCE CONTRACT LIABILITIES

The insurance contract liabilities at the year end were **K25,748,083** (2017: K18,572,916) and comprised the following:

	2018	2017
	K	K
Provision for unearned premium	**13 852 769**	10 926 395
Outstanding claims	**11 895 314**	7 646 521
	25 748 083	18 572 916

EMPLOYEES

The average number of employees during the year was less than 100. The total remuneration paid to the employees during the year was **K11,866,104** (2017: K10,954,124).

RESEARCH AND DEVELOPMENT

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

HEALTH AND SAFETY OF EMPLOYEES

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

DONATIONS

The Company made donations amounting to **K106,199** (2017: K155,050).

EXPORTS

The Company did not export any services during the year.

SHARE CAPITAL

During the year the paid up primary capital of the Company remained unchanged from previous year at K15,000,000.

PROPERTY AND EQUIPMENT

The additions to property and equipment during the year amounted to **K150,555** (2017: K18,387,640) and comprise the following:

	2018	2017
	K	K
Computer equipment	**127 775**	163 576
Furniture and fittings	**19 280**	87 215
Office equipment	**3 500**	669
Leasehold land	-	17 531 180
Motor vehicles	-	605 000
	150 555	18 387 640

AUDITORS

The term of office for Messrs Deloitte & Touche expires at the next Annual General Meeting. 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:

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The Companies Act, 2017 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Directors are further required to ensure the Company adhere to the corporate governance principles or practices contained in Part VII's Sections 82 to 122 of the Companies Act, 2017.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2017 and the Insurance Act, 1997.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, and for such internal controls as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error. In addition, the Directors are responsible for preparing the Directors' report.

The Directors are of the opinion that the financial statements set out on pages 9 to 54 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with International Financial Reporting Standards, the Companies Act, 2017. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Part VII, Sections 82 to 122 of the Companies Act, 2017.

The Directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern for at least twelve (12) months from the date of this statement.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework described above.

Approval of the annual financial statements

The annual financial statements of Meanwood General Insurance Company Limited, set out on pages 9 to 54, were approved by the Board of Directors on 10 May 2019 and signed on its behalf by:

	) **ACTING CHAIRPERSON**
M. MPISHI	)
	)
	)
	)
	) **MANAGING DIRECTOR**
P. NKHATA	)

Deloitte.

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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 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Meanwood General Insurance Company Limited, as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Insurance Act 1997 (as amended) and the Companies Act, 2017.

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.

Emphases of matters

Without qualifying our opinion, we draw attention to the following:

(i) We draw attention to Note 26 in the financial statements, which indicates that the Company incurred a loss of K3,939,475 (2017: K11,778,010) during the year ended 31 December 2018 and as of that date, the total shareholders' deficit was K11,233,059 (2017: K7,293,584). As stated in Note 26, these events or conditions, along with other matters as set forth in Note 26, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

(ii) Note 13 to the financial statements which indicate that recognition of the deferred tax asset of K11,185,670 (2017: K7,978,532) as shown in the financial position 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.

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 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).	
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. 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 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.	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. • 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 managements' 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. All noted exceptions were adjusted in full.

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, 2017 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, 2017 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.

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 compiled 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

Insurance Act, 1997 (as amended)

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

- The Company made available all necessary information to enable us to comply with the requirements of these Acts;
- The Company has complied with the provisions of these Acts and the regulations, guidelines and prescriptions under these Acts; and
- The Company met the minimum solvency margins as required by Section 36(2) of the Insurance Act, 1997 (as amended). The Company recorded a solvency margin of 11% as disclosed in note 29a(iv) to the financial statements.

Companies Act, 2017

The Companies Act, 2017 requires that in carrying out our audit of Meanwood General Insurance Company Limited, we report on whether:

- there is a relationship, interest or debt which us, as the Company's auditor, have in the Company;
- there are serious breaches by the Company's directors, of corporate governance principles or practices contained in Part VII's Sections 82 to 112 of the Zambia Companies Act of 2017; and
- there is an omission in the financial statements as regards particulars of loans made to a Company Officer (a director, Company secretary or executive officer of a Company) during the year, and if reasonably possible, disclose such information in our opinion.

In respect of the foregoing requirements, we have no matters to report.

Deloitte & Touche

DELOITTE & TOUCHE
CHARTERED ACCOUNTANTS

ALICE JERE TEMBO
AUDIT PARTNER

DATE: 14/06/2019

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

	NOTES	2018 K	2017 K
Revenue			
Gross premium income for the year	4	**37 208 476**	42 790 475
Less: Premiums ceded to reinsurers	4	**(5 020 988)**	(4 349 359)
Net premium income		**32 187 488**	38 441 116
Investment income	5	**558 852**	611 557
Other income		**277 765**	655 391
Other gains and losses	6	**(133 086)**	3 677 355
Reinsurance commissions received		**1 186 180**	1 018 927
Other revenue		**1 889 711**	5 963 230
Total revenue		**34 077 199**	44 404 346
Gross claims paid	7	**(15 243 050)**	(9 682 871)
Net claims		**(15 243 050)**	(9 682 871)
Commissions paid to brokers and agents		**(2 648 573)**	(2 429 045)
Employee benefits expenses		**(11 866 104)**	(10 954 124)
Other direct operating expenses	8	**(229 301)**	(300 962)
Other indirect operating expenses	8	**(13 663 962)**	(37 015 264)
Depreciation and amortisation expense	9	**(773 578)**	(1 090 662)
		(29 181 518)	(51 790 057)
Total claims and other expenses		**(44 424 568)**	(61 472 928)
Loss before tax	9	**(10 347 369)**	(17 068 582)
Income tax credit	10	**6 407 894**	5 290 572
Loss and other comprehensive loss for the year		**(3 939 475)**	(11 778 010)

There were no items of other comprehensive income for the year (2017: Nil).

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
at 31 December 2018

	NOTES	2018 K	2017 K
ASSETS			
Property and equipment	11	**18 671 188**	19 385 606
Intangible asset	12	**26 183**	84 163
Deferred tax asset	13	**11 185 670**	7 978 532
Insurance receivables	14	**15 419 755**	13 174 763
Reinsurance receivables	15	**247 515**	924 813
Current tax assets	10	**459 681**	-
Other assets	16	**2 424 857**	1 727 446
Deferred expenses	21	**1 653 648**	1 310 540
Bank and cash balances	17	**3 793 331**	4 376 347
TOTAL ASSETS		**53 881 828**	48 962 210
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	**15 000 000**	15 000 000
Share premium	18	**5 831 180**	5 831 180
Deficit on reserves		**(11 233 059)**	(7 293 584)
Total equity		**9 598 121**	13 537 596
LIABILITIES			
Insurance contract liabilities	19	**25 748 083**	18 572 916
Reinsurance payables	15	**8 470 741**	7 719 066
Bank overdraft	17	**2 516 785**	415 433
Other financial liabilities	20	**6 826 963**	5 509 909
Amounts due to a related party	22	**721 135**	-
Current tax liabilities	10	**-**	3 207 290
		44 283 707	35 424 614
TOTAL EQUITY AND LIABILITIES		**53 881 828**	48 962 210

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 **10 May 2019** 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 2018

	Notes	Share capital K	Share premium K	Deficit on reserves K	Total K
Balance at 1 January 2017		**3 000 000**	**300 000**	**4 627 283**	**7 927 283**
Issue of share capital		12 000 000	5 531 180	-	17 531 180
Total comprehensive income for the year		-	-	(11 778 010)	(11 778 010)
Dividend paid		-	-	(142 857)	(142 857)
Balance at 31 December 2017		**15 000 000**	**5 831 180**	**(7 293 584)**	**13 537 596**
Balance at 31 January 2018		15 000 000	5 831 180	(7 293 584)	13 537 596
Total comprehensive loss for the year		-	-	(3 939 475)	(3 939 475)
Balance at 31 December 2018		**15 000 000**	**5 831 180**	**(11 233 059)**	**9 598 121**

MEANWOOD GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	NOTES	2018 K	2017 K
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(3 939 475)**	(11 778 010)
Adjusted for non cash items:			
Loss on assets disposed	6	**133 086**	-
Depreciation expense	11	**715 598**	1 001 269
Amortisation of intangible asset	12	**57 980**	89 393
Impairment loss recognised on insurance receivables	14	**4 856 583**	22 454 605
Impairment loss recognised on reinsurance receivables	15	**677 298**	924 758
Impairment loss recognised on other assets	16	**-**	4 790 057
Income tax credit	10	**(6 407 894)**	(5 290 572)
Operating cash flows before working capital changes		**(3 906 824)**	12 191 500
Increase in insurance receivables		**(7 101 575)**	(5 251 509)
Increase in reinsurance receivables		**-**	(526 097)
Increase in other assets		**(697 411)**	(5 085 788)
Decrease in deferred expenses		**(343 108)**	(387 591)
Increase in insurance contract liabilities		**7 175 167**	3 544 972
Increase in reinsurance payables		**751 675**	1 185 881
Increase (decrease) in other financial liabilities		**1 317 054**	(3 723 735)
Increase (decrease) in amounts due to a related party		**721 135**	(42 000)
Cash (used in) generated from operating activities		**(2 083 887)**	1 905 633
Income tax paid	10	**(466 215)**	(904 906)
Net cash (used in) generated from operating activities		**(2 550 102)**	1 000 727
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment*	11	**(150 555)**	(18 387 640)
Proceeds from sale of property and equipment		**16 289**	-
Net cash used in investing activities		**(134 266)**	(18 387 640)
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
(Decrease) Increase in cash and cash equivalents		**(2 684 368)**	1 410
Cash and cash equivalents at beginning of year		**3 960 914**	3 959 504
Cash and cash equivalents at end of year		**1 276 546**	3 960 914
CASH AND CASH EQUIVALENTS			
Fixed term deposits - maturity within 90 days	17	**3 369 958**	2 890 807
Bank and cash balances	17	**423 373**	1 485 540
Overdraft	17	**(2 516 785)**	(415 433)
		1 276 546	3 960 914

* The acquisition of property and equipment in 2017 includes non-cash transaction of the land provided to the Company as part of capital injection of K17,531,180.

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 and 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.

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.

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.

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 2018 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (continued)

2.13.1 Financial assets (continued)

(c) Cash and cash equivalents

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

(d) Hold to collect investments

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

(e) Effective interest rate method

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

(f) Impairment of financial assets

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

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

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

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

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

(g) Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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.

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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1.2 Hold to collect contractual cash-flow - Amortised cost

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

(a) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(b) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 K25,748,083 (2018: K18,572,916).

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

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

	2018	2017
	K	K
Gross premium income written in the year	**40 134 850**	43 331 430
Change in unearned premiums provision	**(2 926 374)**	(540 955)
Gross premium income for the year	**37 208 476**	42 790 475
Premiums ceded to reinsurers	**(5 020 988)**	(4 349 359)
Net premium income	**32 187 488**	38 441 116

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.

4. NET PREMIUM INCOME (CONTINUED)

The gross premium written during the year is analysed as follows:	**2018** **K**	2017 K
By class of business		
Motor	**20 892 992**	22 691 144
Miscellaneous	**6 721 001**	3 518 770
Bonds	**6 587 170**	10 492 577
Engineering	**2 295 942**	1 843 889
Fire	**1 455 915**	1 385 176
Accident	**1 379 693**	2 463 257
Agriculture	**446 871**	735 467
Marine	**343 723**	169 392
Legal	**11 543**	31 758
	40 134 850	43 331 430
By method of business		
Brokers and agents	**30 101 138**	32 498 573
Direct business	**10 033 712**	10 832 857
	40 134 850	43 331 430

5. INVESTMENT INCOME

Investment income arise from interest received on term deposits.

6. OTHER GAINS AND LOSSES

Loss on disposal of assets	**(133 086)**	-
Reversal of interest on Value Added Tax	-	3 703 048
Net foreign exchange losses	-	(25 693)
	(133 086)	3 677 355

The movements in the US Dollar exchange rates during the year was at follows:		
Mid market exchange rate at 1 January	**10.0677**	9.9540
Mid market exchange rate at 31 December	**11.9498**	9.9500
Average appreciation	**18.69%**	0.04%

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	**15 243 050**	9 682 871

8. OTHER OPERATING EXPENSES

(i) Direct operating expenses		
PIA levy	**229 301**	300 962
(ii) Indirect operating expenses		
Provision for insurance receivables	**4 856 583**	22 454 605
Sundry expenses	**2 593 023**	2 998 228
Provision for reinsurance receivables	**1 412 633**	924 758
Office rental expenses	**1 281 766**	1 167 818
Motor vehicles expenses	**813 784**	1 115 615
Consultancy and assessors fees	**605 633**	508 138
Communication expense	**586 654**	949 148
Printing and stationery	**582 108**	612 397
Advertising	**411 964**	921 200
Directors' fees	**315 000**	573 300
Provision for other assets	**204 814**	4 790 057
	13 663 962	37 015 264

9. LOSS BEFORE TAX

	2018 K	2017 K
Loss before tax is stated after crediting:		
Interest income	**558 852**	611 557
and after charging:		
Directors' fees		
- in connection with Management of the Company	**1 218 000**	1 449 000
- as directors of the Company	**315 000**	573 300
Depreciation and amortisation expense	**773 578**	1 090 662
- Depreciation expense (note 11)	**715 598**	1 001 269
- Amortisation of intangible assets (note 12)	**57 980**	89 393
Employee benefits expense:		
- pension costs	**383 804**	346 141
Donations	**106 199**	155 050
Net exchange loss	**-**	25 693

10. INCOME TAX

(i) Income tax credit

	2018 K	2017 K
Income tax at 35%		
Based on profit for the year	**-**	-
Overprovision from prior years*	**(3 200 756)**	-
Deferred taxation (note 13)	**(3 207 138)**	(5 290 572)
	(6 407 894)	(5 290 572)

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 as follows:

	2018 K	2017 K
Loss before tax	**(10 347 369)**	(17 068 582)
Income tax at 35%	**(3 621 579)**	(5 974 004)
Overprovision from prior years*	**(3 200 756)**	-
Permanent differences	**414 441**	683 432
Actual income tax credit	**(6 407 894)**	(5 290 572)

(iii) Movements on tax account

The movements during the year are as follows:

	2018 K	2017 K
Arising during the year	**-**	-
Payable in respect of previous years	**3 207 290**	4 112 196
Overprovision from prior years*	**(3 200 756)**	-
Payments during the year	**(466 215)**	(904 906)
Current tax (assets) liabilities	**(459 681)**	3 207 290

Subject to agreement with the Zambia Revenue Authority, the Company has estimated tax losses of approximately K20,108,920 (2017: K18,172,194) 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:

	2018 K	2017 K
2018 tax losses available till 2023	**1 936 726**	-
2017 tax losses available till 2022	**18 172 194**	18 172 194
	20 108 920	18 172 194

* The overprovision of income tax mainly arise from correction of income tax following the submission of amended income tax return for the charge year 2015. Management have aligned its accounting records with that of the Zambia Revenue Authority, during the tax amnesty period granted by the Authority.

11. PROPERTY AND EQUIPMENT

	Leasehold land K	Motor vehicles K	Computer equipment K	Office equipment K	Furniture and fittings K	Total K
COST						
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 1 January 2018	17 531 180	2 820 236	1 047 126	40 572	671 514	22 110 628
Additions for the year	-	-	127 775	3 500	19 280	150 555
Disposals	-	(865 000)	-	-	-	(865 000)
At 31 December 2018	**17 531 180**	**1 955 236**	**1 174 901**	**44 072**	**690 794**	**21 396 183**
DEPRECIATION						
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 1 January 2018	-	1 611 228	673 560	34 223	406 011	2 725 022
Charge for the year		403 595	207 961	4 607	99 435	715 598
Eliminated on disposal	-	(715 625)	-	-	-	(715 625)
At 31 December 2018	**-**	**1 299 198**	**881 521**	**38 830**	**505 446**	**2 724 995**
CARRYING AMOUNT						
At 31 December 2018	**17 531 180**	**656 038**	**293 380**	**5 242**	**185 348**	**18 671 188**
At 31 December 2017	17 531 180	1 209 008	373 566	6 349	265 503	19 385 606

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 279 of the Companies Act 2017 is available for inspection by the members or their duly authorised representatives at the registered office of the Company.

12. INTANGIBLE ASSET

	2017
Cost	K
At 1 January 2017	318 019
Additions	-
At 31 December 2017	318 019
Additions	-
At 31 December 2018	**318 019**
Amortisation	
At 1 January 2017	144 463
Amortisation for the year	89 393
At 31 December 2017	233 856
Amortisation for the year	57 980
At 31 December 2018	**291 836**
Carrying amounts	
At 31 December 2017	84 163
At 31 December 2018	**26 183**

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

13. DEFERRED TAX

	2018	2017
	K	K
At beginning of year	**7 978 532**	2 687 960
Arising in the year (note 10)	**3 207 138**	5 290 572
At end of the year	**11 185 670**	7 978 532

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 2017	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)
Arising in the year	51 250	(2 580 534)	(677 854)	(3 207 138)
At 31 December 2018	**82 413**	**(4 229 961)**	**(7 038 122)**	**(11 185 670)**

Recoverability and therefore recognition of the deferred tax asset arising on tax losses 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:

	2018	2017
	K	K
Gross insurance receivable	**42 395 821**	39 494 393
Allowance for doubtful debts	**(26 976 066)**	(26 319 630)
	15 419 755	13 174 763

14. INSURANCE RECEIVABLES (CONTINUED)

	2018 K	2017 K
Insurance receivables for the Company can be analysed as follows:		
By customer type:		
Due from policyholders	**8 392 863**	7 431 649
Due from agents, brokers and intermediaries	**7 026 892**	5 743 114
	15 419 755	13 174 763
By currency:		
Denominated in Kwacha	**15 419 755**	13 174 763

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 **K4,763,013** (2017: K9,158,576) 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:

	2018 K	2017 K
60-90 days	**2 687 610**	2 048 554
90-120 days	**1 104 622**	1 595 772
Over 120 days	**970 781**	5 514 250
Total	**4 763 013**	9 158 576

Ageing of impaired receivables is as analysed below:

	2018 K	2017 K
60-90 days	-	-
90-120 days	-	1 506 207
Over 120 days	**26 976 066**	24 813 423
	26 976 066	26 319 630

Movement in the allowance for doubtful debts:

	2018 K	2017 K
Balance at beginning of year	**26 319 630**	3 865 025
Written off during the year	**(4 200 147)**	-
Impairment losses recognised on insurance receivables	**4 856 583**	22 454 605
Balance at end of year	**26 976 066**	26 319 630

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 K698,895 (2017: K885,048) 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

	2018 K	2017 K
At beginning of the year	**924 813**	1 323 474
Received in the year	-	526 097
Impairment loss during the year	**(677 298)**	(924 758)
At the end of the year	**247 515**	924 813
Movement in the allowance for doubtful debts:		
Balance at beginning of year	-	-
Impairment losses recognised on reinsurance receivables	**677 298**	974 758
Balance at end of year	**677 298**	924 758

15. REINSURANCE RECEIVABLES AND PAYABLES (CONTINUED)

	2018 K	2017 K
Reinsurance payables		
At beginning of the year	**7 719 066**	6 533 185
Reinsurance ceded in the year	**3 834 805**	3 330 432
Payments in the year	**(3 083 130)**	(2 144 551)
At the end of the year	**8 470 741**	7 719 066

16. OTHER ASSETS

	2018 K	2017 K
Other assets*	**4 629 853**	4 629 853
Subrogation debtors	**2 536 884**	1 525 743
Others receivables	**1 101 309**	1 237 252
Salvages stock	**400 000**	400 000
Allowance for doubtful debts	**(6 243 189)**	(6 065 402)
	2 424 857	1 727 446

*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 K	Salvages stock K	Total K
At 1 January 2017	-	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	4 629 853	1 235 549	200 000	6 065 402
Impairment loss during the year	-	77 787	100 000	177 787
At 31 December 2018	**4 629 853**	**1 313 336**	**300 000**	**6 243 189**

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprise the following:

	2018 K	2017 K
Fixed term deposits	**3 369 958**	2 890 807
Bank and cash balance	**423 373**	1 485 540
Positive balances	**3 793 331**	4 376 347
Bank overdraft	**(2 516 785)**	(415 433)
	1 276 546	3 960 914

17.1 Fixed term deposits

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

	2018 K	2017 K
Investrust Bank Plc	**3 369 958**	2 890 807

17.2 Bank and cash balances

	2018 K	2017 K
Held in bank accounts	**412 424**	1 485 438
Cash in hand	**10 949**	102
	423 373	1 485 540

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.

18. SHARE CAPITAL

	2018 K	2017 K
(i) Authorised shares		
Ordinary shares of K1.00 each	**15 000 000**	15 000 000
(ii) Authorised, issued and fully paid		
At 1 January	**15 000 000**	3 000 000
Issued during the year	-	12 000 000
	15 000 000	15 000 000
(iii) Share premium		
At 1 January	**5 831 180**	300 000
Issuance of share capital	-	5 531 180
	5 831 180	5 831 180

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 in the prior year.

19. INSURANCE CONTRACT LIABILITIES

	2018 K	2017 K
Insurance contract liabilities comprise:		
Provision for unearned premium (i)	**13 852 769**	10 926 395
Outstanding claims (ii)	**11 895 314**	7 646 521
	25 748 083	18 572 916

(i) Provisions for unearned premium

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

	2018 K	2017 K
At beginning of the year	**10 926 395**	10 385 441
Movement for the year	**2 926 374**	540 954
At the end of the year	**13 852 769**	10 926 395

2018	Insurance Contract K	Reinsurance of liabilities K	Net K
At beginning of the year	14 256 827	(3 330 432)	10 926 395
Premium written in the year	40 134 850	(3 834 805)	36 300 045
Premium earned in the year	(33 373 671)	-	(33 373 671)
At end of year	**21 018 006**	**(7 165 237)**	**13 852 769**

2017	Insurance Contract Liabilities	Reinsurance of liabilities	Net
At beginning of the year	10 385 441	-	10 385 441
Premium written in the year	43 331 428	(3 330 432)	40 000 996
Premium earned in the year	(39 460 042)	-	(39 460 042)
At end of year	14 256 827	(3 330 432)	10 926 395

19. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(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.

	2018 K	2017 K
Outstanding claims	**9 939 574**	6 219 545
Incurred but not reported risks (IBNR)	**1 955 739**	1 426 976
	11 895 314	7 646 521

2018	Insurance Contract Liabilities K	Reinsurance of liabilities K	Net K
At beginning of the year	7 646 521	-	7 646 521
Claims incurred in current year	15 243 050	(2 086 004)	13 157 046
Claims paid	(8 908 253)	-	(8 908 253)
At end of year	**13 981 318**	-	**11 895 314**

2017	Insurance Contract Liabilities	Reinsurance of liabilities	Net
At beginning of the year	5 251 781	(609 278)	5 861 059
Claims incurred in current year	9 682 871	609 278	9 073 593
Claims paid	(7 288 131)	-	(7 288 131)
At end of year	7 646 521	-	7 646 521

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:

	2018	2017
Employee related liabilities (i)	**4 053 985**	3 539 431
Sundry payables	**2 684 813**	1 762 167
Insurance levy payable	**88 165**	45 153
Value added tax payable	-	163 158
	6 826 963	5 509 909

i) Gratuity provisions

The employee related liabilities include provisions for gratuity of K2,414,183 (2017: K2,104,873). The movements in the gratuity account during the year was as follows:

	2018	2017
At beginning of the year	**2 104 873**	1 182 118
Additional provisions during the year	**1 748 832**	1 523 183
Paid during the year	**(1 439 523)**	(600 428)
At end of the year	**2 414 183**	2 104 873

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

21. DEFERRED EXPENSES

	2018 K	2017 K
The movement in deferred acquisition costs for insurance contracts is shown below:		
At the beginning of the year	**1 310 540**	922 949
Charged to profit or loss	**275 237**	(162 776)
Expenses deferred during the year	**67 871**	550 367
At the end of the year	**1 653 648**	1 310 540

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:

	2018	2017
Premiums		
Meanwood Property Development Limited	**58 633**	44 155
Meanwood Finance Corporation Limited	**24 440**	23 649
Meanwood Construction Limited	**12 370**	14 070
Norwood Enterprise Limited	**9 106**	25 544
Midrand Business Systems Limited	**2 054**	26 987
Meanwood Holdings Limited	**-**	87 970
Expenses		
Meanwood Property Development Company	**199 500**	168 000

ii) Amounts due from related parties

	2018	2017
Meanwood Holdings Limited	**249 136**	211 650
Norwood Investment Ventures Limited	**194 045**	272 896
Meanwood Construction Limited	**163 851**	173 938
Meanwood Finance Company Limited	**91 863**	226 564
	698 895	885 048

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

	2018	2017
Meanwood Finance Corporation	**637 135**	-
Meanwood Property Development Limited	**84 000**	-
	721 135	-

The amounts due to Meanwood Property Development Limited include office rentals while Meanwood Finance are for short term loan.

iv) Directors and Key management personnel remuneration

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

	2018	2017
- Directors emoluments in connection with Management of the Company	**1 218 000**	1 449 000

23. CONTINGENT LIABILITIES

Pending litigation

The Company had contingent liabilities estimated at Nil (2017: Nil) 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 2018 (2017: Nil).

25. OPERATING LEASE COMMITMENTS

	2018 K	2017 K
Rental expense on leasehold building		
Less than 1 year	**199 500**	168 000
Between 1 and 5 years	**1 050 000**	840 000
	1 249 500	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.	**199 500**	168 000

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 2018 of K3,939,475 (2017 : K11,778,010) and as of that date, the total shareholders' reserves was a deficit of K11,233,059 (2017: K7,293,584). Further, the Company recorded a deferred tax asset of K11,185,670 (2017: K7,978,532) as indicated in note 13 to the financial statements. The recoverability of the deferred tax assets arising on tax losses 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.

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 realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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 2017.

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 11 in the statement of changes in equity.

Gearing ratio

The Company reviews the capital structure on an ongoing basis. As at years ended 2018 and 2017, the Company had not sourced funding externally. The Company has a gearing ratio of 0% (2017 : 0%).

Significant accounting policies

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

	2018 K	2017 K
Categories of financial instruments		
Financial assets		
Insurance receivables	**15 419 755**	13 174 763
Cash and cash equivalents	**3 793 331**	4 376 347
Hold to collect investments	**3 369 958**	2 890 807
Other assets	**2 424 857**	1 727 446
Deferred expenses	**1 653 648**	1 310 540
Reinsurance receivables	**247 515**	924 813
	26 909 064	24 404 716
Financial liabilities		
Insurance contract liabilities	**25 748 083**	18 572 916
Insurance payables	**8 470 741**	7 719 066
Other financial liabilities	**6 826 963**	5 509 909
Bank overdraft	**2 516 785**	415 433
Amounts due to a related party	**721 135**	-
	44 283 707	32 217 324

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	**200 708**	683 159

Sensitivity analysis

At 31 December 2018, 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 K20,071 (2017: K68,316) 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.

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:

	2018	2017
	K	K
Insurance receivables and other assets	**17 844 612**	15 827 022
Hold to collect investments	**3 369 958**	2 890 807
	21 214 570	18 717 829

Insurance risks

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

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

Liquidity risk management

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

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

	1 to 3 Months	**3 months to 1 year**	1 to 5 Years
	K	**K**	K
Year ended 31 December 2018			
Financial liabilities			
Insurance contract liabilities	25 748 083	-	-
Insurance payables	8 470 741	-	-
Amounts due to a related party	721 135	-	-
Bank overdraft	2 516 785	-	-
Other financial liabilities	6 826 963	-	-
	44 283 707	-	-
Financial assets			
Insurance receivables	15 419 755	-	-
Other assets	2 424 857	-	-
Deferred expenses	1 653 648		
Hold to collect investments	3 369 958	-	-
	22 868 218	-	-

28. FINANCIAL INSTRUMENTS (CONTINUED)

Year ended 31 December 2017	1 to 3 Months	3 months to 1 year	1 to 5 Years	Total
Financial liabilities	K	K	K	K
Insurance contract liabilities	18 572 916	-	-	18 572 916
Insurance payables	7 719 066	-	-	7 719 066
Bank overdraft	415 433	-	-	415 433
Other financial liabilities	5 509 909	-	-	5 509 909
	32 217 324	-	-	**32 217 324**
Financial assets				
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
Hold to collect investments	2 890 807	-	-	2 890 807
	20 028 369	-	-	**20 028 369**

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.

	2018		2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	K	**K**	K	K
Financial assets				
Hold to collect investments	**3 369 958**	**3 369 958**	2 890 807	2 890 807
Insurance receivables	**15 419 755**	**15 419 755**	13 174 763	13 174 763
Reinsurance receivables	**247 515**	247 515	924 813	924 813
Other assets	**2 424 857**	**2 424 857**	1 727 446	1 727 446
Deferred expenses	**1 653 648**	**1 653 648**	1 310 540	1 310 540
Financial liabilities				
Financial liabilities held at amortised cost:				
- Insurance contract liabilities	**25 748 083**	**25 748 083**	18 572 916	18 572 916
- Amounts due to a related party	**721 135**	**721 135**	-	-
- Bank overdrafts	**2 516 785**	**2 516 785**	415 433	415 433
- Insurance payables	**8 470 741**	**8 470 741**	7 719 066	7 719 066
- Other financial liabilities,	**6 826 963**	**6 826 963**	5 509 909	5 509 909

	Fair value hierarchy as at 31 December	
	2018	**2017**
	Level 3	**Level 3**
	K	**K**
Financial assets		
Insurance receivables	15 419 755	13 174 763
Reinsurance receivables	247 515	924 813
Other assets and deferred expenses	4 078 505	3 037 986
Total	**19 745 775**	**17 137 562**

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements (Continued)

	Fair value hierarchy as at 31 December	
	2018	2017
	Level 3	Level 3
	K	K
Financial liabilities		
Financial liabilities held at		
Amortised cost:		
- Insurance contract liabilities	25 748 083	18 572 916
- Amounts due to a related party	721 135	-
- Bank overdraft	2 516 785	415 433
- Insurance payables	8 470 741	7 719 066
- Other financial liabilities,	6 826 963	5 509 909
Total	**44 283 707**	32 217 324

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.

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(a) Operational risks (continued)

(i) Insurance risk (Continued)

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

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

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

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

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

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

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

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors. The Company uses its own risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event. As a further guide to the level of catastrophe exposure written by the Company, the following table shows hypothetical claims arising for various realistic disaster scenarios based on the Company's average risk exposures during 2018.

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

	Year ended 31 December 2018		Year ended 31 December 2017	
	Gross Liabilities K	**Reinsurance of Liabilities K**	Gross Liabilities K	Reinsurance of Liabilities K
Engineering	**2 295 942**	**678 970**	1 843 889	589 804
Motor	**20 892 992**	**1 660 133**	22 691 144	1 334 130
Marine	**343 723**	**154 338**	169 392	-
Fire	**1 455 915**	**725 538**	1 385 176	408 296
Accident	**1 379 693**	**175 938**	2 463 257	-
Agric	**446 871**	**-**	4 254 237	-
Legal	**11 543**	**-**	31 758	55 710
Total	**26 826 679**	**3 394 917**	32 838 853	2 387 940

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(a) Operational risks (continued)

(i) Insurance risk (Continued)

Key assumptions

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

Sensitivities

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

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

Year ended 31 December 2018	**Change in assumptions**	**Impact on loss before tax K**	**Impact on equity K**
Average claim cost	10%	(1 034 737)	(1 034 737)
Average number of claims	10%	(1 034 737)	(1 034 737)
Average claim settlement period	Reduce from 3 months to 1 month	-	-
Year ended 31 December 2017		K	K
Average claim cost	10%	(1 706 858)	(1 706 858)
Average number of claims	10%	(1 706 858)	(1 706 858)
Average claim settlement period	Reduce from 3 months to 1 month	-	-

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

Claims development table

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

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

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

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 2018:

Accident year	**2016**	**2017**	**2018**	**Total**
	K	**K**	**K**	**K**
At beginning of accident year	5 251 780	4 467 221	6 861 863	16 580 864
Claims incurred during the year	10 519 215	9 682 872	15 243 050	35 445 137
Claims paid during	(11 303 774)	(7 288 230)	(8 908 253)	(27 500 257)
At the end of the year	4 467 221	6 861 863	13 196 660	24 525 744

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

	2015	**2016**	**2017**	**Total**
Accident year				
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	9 682 572	31 633 404
Claims paid during the year	(11 862 287)	(11 303 774)	(7 288 230)	(30 454 291)
At the end of the year	5 251 780	4 467 221	6 861 563	16 580 564

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;

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.

	2018 K	2017 K
Total shareholder funds	**9 598 121**	13 537 596
Minimum required share capital	**10 000 000**	10 000 000
Company issued share capital	**15 000 000**	15 000 000
Excess	**5 000 000**	5 000 000
Excess as % of minimum capital	**50%**	50%

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 2018

	2018 K	2017 K
ADMITTED ASSETS		
Property and equipment	**18 671 188**	19 385 606
Intangible asset	**26 183**	84 163
Deferred tax asset	**11 185 670**	7 978 532
Insurance receivables	**42 395 821**	39 494 393
Less: trade receivables over 60 days-not impaired	**(4 763 013)**	(9 158 576)
trade receivables over 60 -impaired	**(26 976 066)**	(26 319 630)
Reinsurance receivables	**247 515**	924 813
Current tax assets	**459 681**	-
Other assets	**2 424 857**	1 727 446
Deferred expenses	**1 653 648**	1 310 540
Cash and cash equivalents	**3 793 331**	4 376 347
Total admitted assets	**49 118 815**	39 803 634
ADMITTED LIABILITIES		
Insurance contract liabilities	**25 748 083**	18 572 916
Insurance payables	**8 470 741**	7 719 066
Other financial liabilities	**6 826 963**	5 509 909
Amounts due to a related party	**721 135**	-
Current tax liabilities	**-**	3 207 290
Bank overdraft	**2 516 785**	415 433
Total admitted liabilities	**44 283 707**	35 424 614
Margin	**4 835 108**	4 379 020
Solvency margin %	**11%**	12%
Regulatory solvency margin	**10%**	10%

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 2018,the Company had the right to set off financial liabilities amounting to Nil (2017: Nil) against financial assets with a fair value of Nil (2018: 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).

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 2018, the Company had the right to set off financial liabilities amounting to Nil (2017: 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.

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

(i) Credit risks (Continued)

Industry analysis

Year ended 31 December 2018

Financial assets	Financial Institutions K	Government K	Mining K	Others K	Total K
Insurance receivables	-	-	-	15 419 755	15 419 755
Reinsurance receivables	-	-	-	3 369 958	3 369 958
Other assets	-	-	-	2 424 857	2 424 857
Deferred expenses	-	-	-	1 653 648	1 653 648
Cash and cash equivalents	3 793 331	-	-	-	3 793 331
Total credit risk exposure	**3 793 331**	**-**	**-**	**22 868 218**	**26 661 549**

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

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 2018

Financial assets	Neither past due nor impaired					
	Investment grade K	Non investment grade: satisfactory K	Non investment grade: unsatisfactory K	Unit-linked K	Past due but not impaired K	Total K
Insurance receivables	-	15 419 755	-	-	-	15 419 755
Cash and cash equivalents	-	3 793 331	-	-	-	3 793 331
	-	19 213 086	-	-	-	19 213 086

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

Year ended 31 December 2018

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 2018	> 30 days K	31 to 60 days K	61 to 90 days K	> 90 days K	Unit-linked K	Total past due but not impaired K
Insurance receivables	-	-	2 687 610	2 075 403	-	4 763 013
Reinsurance receivables	-	-	-	3 369 958	-	3 369 958
Other assets	-	-	2 424 857	-	-	2 424 857
Total	-	-	5 112 467	5 445 361	-	10 557 828

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

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

Impaired financial assets

At 31 December 2018, there are impaired reinsurance assets of Nil (2017: K924,813) impaired loans and receivables of K26,976,066 (2017: K26,319,630).

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:

	2018 K	2017 K
At 1 January	**26 319 630**	3 865 025
Charge for the year	**4 856 583**	22 454 605
Written off during the year	**(4 200 147)**	-
At 31 December	**26 976 066**	26 319 630

(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. Unit linked liabilities are repayable or transferable on demand and are included in the up to a year column. Repayments which are subject to notice are treated as if notice were to be given immediately.

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

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

Maturity analysis (contractual undiscounted cash flow basis)

Year ended 31 December 2018

	Carrying Amount	Up to 1 year	1 to 3 years	5 to 15 years	No maturity date	Total
	K	K	K	K	K	K
Financial assets						
Insurance receivables	15 419 755	15 419 755	-	-	-	15 419 755
Cash and cash equivalents	3 793 331	3 793 331	-	-	-	3 793 331
Total undiscounted assets	19 213 086	19 213 086	-	-	-	19 213 086
Financial liabilities						
Insurance liabilities	34 218 824	34 218 824	-	-	-	34 218 824
Other liabilities	6 826 963	6 826 963	-	-	-	6 826 963
	41 045 787	41 045 787	-	-	-	41 045 787
Total liquidity gap	(21 832 701)	(21 832 701)	-	-	-	(21 832 701)

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

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

Year ended 31 December 2017

	Carrying Amount K	Up to 1 year	1 to 3 years K	5 to 15 years K	No maturity date K	Total K
Financial assets						
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
Total undiscounted liabilities	**31 801 891**	**31 801 891**	**-**	**-**	**-**	**31 801 891**
Total liquidity gap	(14 250 781)	(14 250 781)	-	-	-	(14 250 781)

Year ended 31 December 2018

	Current K	Non Current K	Unit-Linked K	Total K
Property and equipment	-	18 671 188	-	18 671 188
Intangible asset	-	26 183	-	26 183
Financial Instruments				
Insurance receivables	15 419 755	-	-	15 419 755
Other assets	2 424 857	-	-	2 424 857
Deferred expenses	1 653 648	-	-	1 653 648
Cash and cash equivalents	3 793 331	-	-	3 793 331
Total assets	23 291 591	18 697 371	-	41 988 962
Investment contract liabilities				
Insurance Contract liabilities	25 748 083	-	-	25 748 083
Insurance payables	8 470 741	-	-	8 470 741
Other financial liabilities	6 826 963	-	-	6 826 963
Amounts due to a related party	721 135	-	-	721 135
Total liabilities	41 766 922	-	-	41 766 922

29. INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risks (Continued)

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

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
Total assets	31 801 891	-	-	31 801 891

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 2018	**Kwacha**	**US Dollar**	**Total**
Property and equipment	18 671 188	-	18 671 188
Intangible asset	26 183	-	26 183
Financial Instruments			-
Insurance receivables	15 419 755	-	15 419 755
Other assets	2 424 857	-	2 424 857
Cash and cash equivalents	1 276 546	683 159	1 959 705
Total assets	**37 818 529**	**683 159**	**38 501 688**
Insurance contract liabilities	**Kwacha**	**US Dollar**	**Total**
Insurance contract liabilities	25 748 083	-	25 748 083
Insurance payables	8 470 741	-	8 470 741
Other financial liabilities	6 826 963	-	6 826 963
Amounts due to related party	721 135	-	721 135
Total liabilities	**41 766 922**	**-**	**41 766 922**
Year ended 31 December 2017			
Property and equipment	19 385 606	-	19 385 606
Investment properties	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			
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

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 2018			Year ended 31 December 2017	
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	68 316	68 316
USD	-10%	(68 316)	(68 316)	(68 316)	(68 316)

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

Sensitivity analysis on financial assets

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

30 ADOPTION OF NEW AND REVISED STANDARDS

30.1 New and amended IFRS Standards that are effective for the current year

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. Given insurance contracts are scoped out of IFRS 15, the Company. There has been no impact in the application of IFRS 15 Revenue from Contracts with Customers in the current year as the revenue which consists of premium income and reinsurance commission income are measured in line with the requirements of IAS 4.

30 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

30.1 New and amended IFRS Standards that are effective for the current year (continued)

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if:

(i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and

(ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.
During the year, the reached the conclusion that the activities of a Company are predominantly connected with insurance. During 2018, there had been no significant change in the activities of the Company. The Company intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

30.2 New and revised IFRS standards in issue but not yet effective

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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 (for example, 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.

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19 Employee benefits	Plan Amendment, Curtailment or Settlement
IFRIC 23	Uncertainty over Income Tax Treatments

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

30. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

30.2 New and revised IFRS Standards in issue but not yet effective (continued)
IFRS 16 Leases

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements 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 for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company will be 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.
The Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Company will:

a) Recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.
For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Company will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

30. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

30.2 New and revised IFRS Standards in issue but not yet effective (continued)

IFRS 16 Leases (continued)

Impact on Lessor Accounting (continued)

Because of this change the Company will reclassify certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses will be recognised on the finance lease receivables. The leased assets will be derecognised and finance lease asset receivables recognised. This change in accounting will change the timing of recognition of the related revenue (recognised in finance income).

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied.

The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

The Annual Improvements include amendments to four Standards.

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

30. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

30.2 New and revised IFRS Standards in issue but not yet effective (continued)

IFRIC 23 Uncertainty over Income Tax Treatments (continued)

• determine whether uncertain tax positions are assessed separately or as a Company; and
• assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.