ZAMBIA
REINSURANCE PLC

HARNESSING OPPORTUNITIES AS WE NAVIGATE TOWARDS RESILIENT GROWTH

ANNUAL REPORT 2021

...Covering your risks beyond...

WELCOME TO THE 2021 ANNUAL REPORT

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Message from the Chairperson

Continued

On behalf of the Board of Directors, I am pleased to present the 2021 results of Zambia Reinsurance PLC (Zambia Re).

Overview

As the Covid-19 pandemic has brought havoc in every sector of our lives, both business and personal, it can neither be ignored nor should it be ignored.

As we reflect on the ominous business environment faced not only by Zambia Re but the whole business community, we wish to pay tribute to all our colleagues within and outside the insurance industry who have been adversely affected by this pandemic, especially by the loss of loved ones.

Economic Overview

The Zambian economy experienced turbulence during the year, even as the global economy began to show some recovery.

The Central Bank of Zambia raised the key interest rate at its November 2021 meeting in order to anchor inflation expectations, while supporting economic growth and financial stability; it was the first hike in the rate since February 2021.
The economy continued to recover towards the end of the third quarter and copper prices remained buoyant during the year, peaking at an all-time high of well over USD 9,000 per tonne by December 2021.

In December 2021, Zambia reached a Staff Level Agreement with the International Monetary Fund (IMF) on an extended credit facility for 2022-2025 to support the restoration of macroeconomic stability and provide the foundation for an inclusive economic recovery.

This signalled confidence in the economy which was seen in the renewed interest and oversubscription in various Government instruments.

Industry Review

The insurance industry has shown resilience in the face of turbulence in our economy and despite that, 2021 saw the entry of new players in the insurance space, such as reinsurance broking services and reinsurance.

Mrs Joyce Muwo-Mwansa
Board Chairperson

“As we adapt to the changed operating environment, we project significant growth in 2022 on the back of a stronger balance sheet, despite downward pressure on pricing.......”.

Message from the Chairperson

Continued

During the year, our Parliament passed the long-awaited Insurance Act No. 38 of 2021 which was assented by the Republican President and is awaiting the commencement order from the Ministry of Finance. The Act contains several progressive clauses which have been welcomed generally, although it has not gone as far as imposing cash and carry conditions on insurance services. Thus, the debtors' situation on the domestic market remains a grave concern.

An upward trajectory for growth is projected in the industry under the new Act and, going forward, we expect the insurance industry to contribute significantly to the country's GDP.

Our Performance

Due to travel restrictions, our marketing activities beyond borders were curtailed, precluding us from engaging with would-be partners in other African territories.

Our efforts were therefore focused on consolidating the domestic market, particularly as new players entered the market. As a result, the remarkable top line growth reported in the year, arose mainly from the domestic market, despite the challenging market and economic conditions.
Zambia Re delivered a strong performance which increased shareholder value.
I am pleased to report that during 2021, Zambia Re registered a growth of 55% in Gross Written Premium over the previous year of K 78.759 million, and posted a profit before tax of K 2.827 million, for the year, although it was less than initially projected due to exchange losses recorded at the end of the year.
The total comprehensive income for the year was K 2.905 million.

The strengthened balance sheet allowed us to write larger shares on risks, thus driving growth of the top line.
The Company's total assets as at 31st December 2021 amounted to K112.964 million while liabilities amounted to K20.684 million.
The Basic Earnings per Share was K0.03.

As we continue to navigate the changes and challenges brought about by the pandemic, alongside its disruptions and uncertainties, our response to Covid-19 will remain consistently focused on ensuring that our partners continue to receive quality service whilst providing a safe work environment for all our staff.

"The Company's financial performance for 2021 was resilient in the face of economic turbulences and a year-end profit was recorded".

Governance

On behalf of the Board, I would like to thank Messrs. Mateyo Kaluba and Muchindu Kasongola for the services they rendered to the Company during their tenure of office; they stepped down from the Board of Directors during the year.

Dividend

The Company's financial performance for 2021 was resilient in the face of economic turbulences and a year-end profit was recorded.

The Directors will make a recommendation for the declaration of a dividend to the Shareholders at their forthcoming Annual General Meeting.

Outlook for 2022

Moderate growth of real GDP is projected for Zambia over the medium term and it is expected to rise by 3.5% and 3.6%, in 2022 and 2023, respectively.

Going forward, business-friendly policies are expected to be enacted which will support capital spending. Moreover, the Staff Level Agreement with the IMF bodes well for a stable economy. A key downside risk is the possibility of the emergence of new and stronger Covid-19 strains that could derail economic recoveries of trading partners.

Message from the Chairperson

Continued

Outlook for 2022 (Cont.)

Fiscal pressures are expected to be contained with inflation projected to continue its downwards trend in 2022. As the Company adapts to the changed operating environment, we project significant growth in 2022 on the back of a stronger balance sheet, despite downward pressure on pricing, expected to be exerted by both local and international competition. The new Insurance Act No. 38 of 2021 favours domestic growth through increased local retention of premiums and Zambia Re is well positioned to take advantage of this.

Zambia Re's future prospects remain positive and with the strengthened balance sheet and strong liquidity metrics, we are confident that we shall continue to deliver Shareholder value.

On behalf of the Board of Directors, I would like thank you, the Shareholders, for your continued confidence and support rendered to the Board.

Let me also thank the Staff and Management of our Company for their commitment and continued hard work as demonstrated by the positive results.

On behalf of the Board of Directors and Management I also thank all our business partners for their continued support and loyalty during the year.

I would like to thank my fellow Directors for providing effective oversight and direction to the Company.

Mrs Joyce Muwo-Mwansa
Chairperson

If you think you are too small to make a difference, you haven't spent the night with a mosquito.

Message from the Managing Director

Another challenging year has come and gone.

Over the last two years, we have come to realize that we needed to adapt in the way we do business in the face of the ongoing pandemic and the uncertainties of possibly more variants yet to come.

At Zambia Re, we threw ourselves into this adaptation, with great enthusiasm, as we strived to achieve the goals that we had set for ourselves for the year. We have managed monumental changes over this period and we have come to understand how we can achieve even greater growth.

Building on this momentum to overcome the challenges that we encountered in 2020, the team delivered strong results across the top line and on the bottom line for 2021. Our focus on consolidating our position in the domestic market paid off, with much of the organic growth coming from the domestic market.

Gross written premiums grew by a record 55%, with the largest growth coming from Fire class of business, followed by Engineering and Miscellaneous Accident classes of business. Our Life business has continued to thrive.

Premium collections showed significant improvement, largely attributed to the setting up of a special unit to specifically focus on debt management through intensified premium collections. As a result of this, there was a reduction in debtor days.

The net loss ratio for the year remained within the projected parameters and a positive technical result was achieved.

Exchange losses were recorded towards the end of the year that hit the bottom line; however, this was mitigated by the increased investment income.

We have shown a resilient financial performance in 2021 and to crown it all, we were awarded an A- rating for financial strength, with a Stable outlook.

Thank you to the team for the commitment and endurance which enabled us to deliver a seamless service in challenging circumstances.

Looking Ahead

2022 promises to be an interesting year for the insurance industry, when the new Insurance Act No. 38 of 2021 is expected to become operational. There are many anticipated benefits to the industry.

"...there are exciting times ahead...... we see opportunities for growth through digitization, stronger partnerships and prudent investment".

Looking Ahead (Cont.)

Another change in the landscape is the introduction of 20% withholding tax on all reinsurance premiums paid to reinsurers who are not registered in Zambia, which came into effect on 1st January 2022.

For us at Zambia Re, there are exciting times ahead.

Our strategy remains relevant and we see opportunities for growth through digitization, sound partnerships and prudent investment.

We are confident in our overall performance as the business inflows from the domestic market and from our digital footprint across the continent continue to thrive.

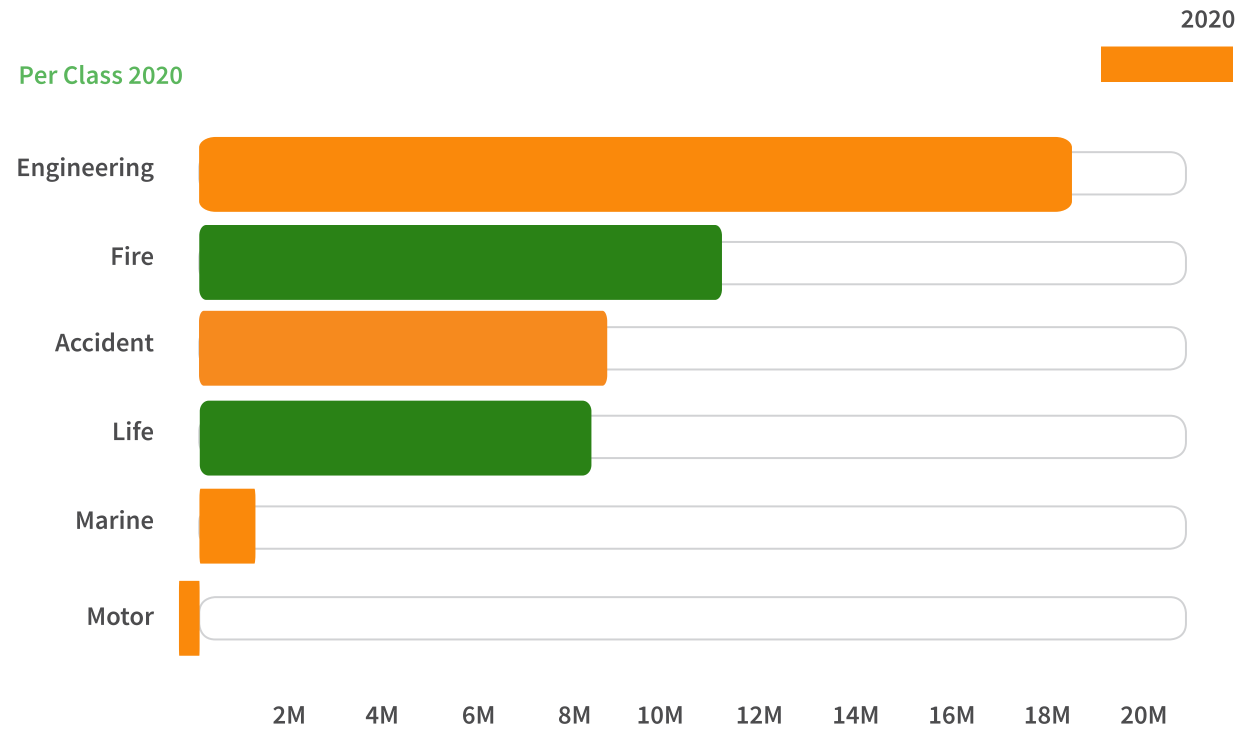
With a strong balance sheet, we will be able to give significant capacity to the local market to increase their retentions. The domestic market will remain the key driver for growth even as we continue to extend our geographic reach on the continent.

We are well capitalised and well positioned for the year ahead.

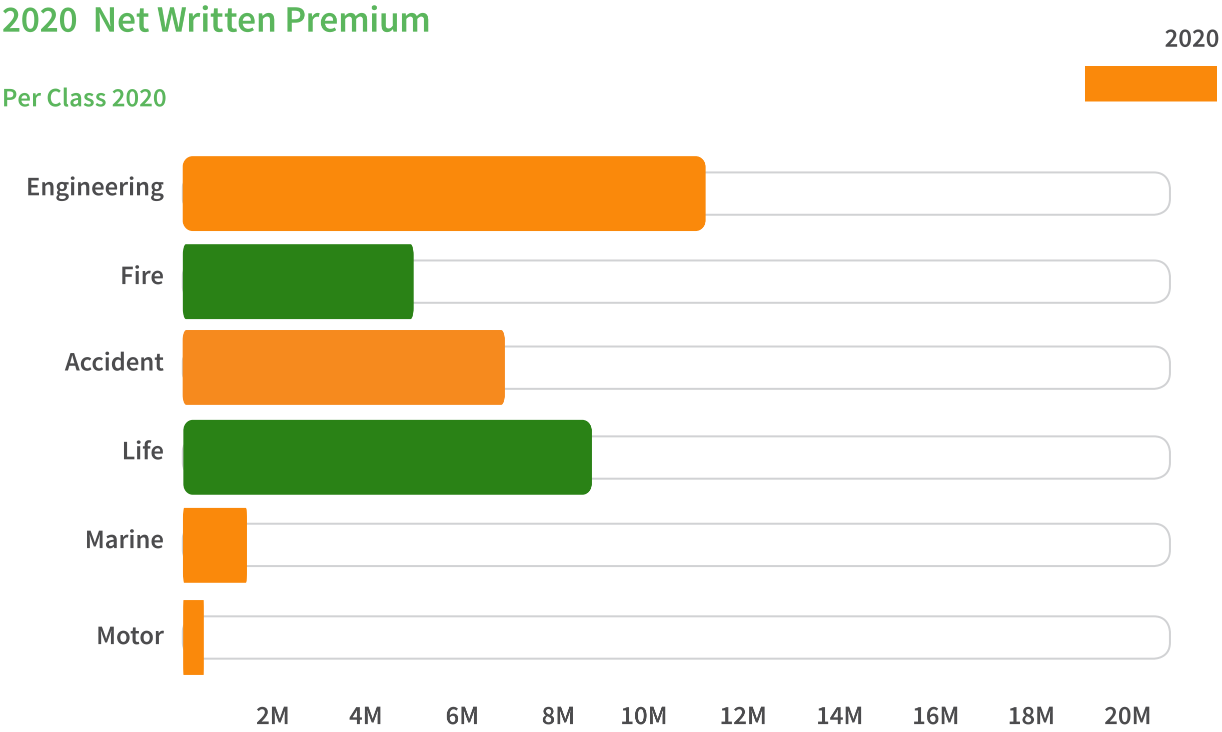
Exhilda Lumbwe
Managing Director

Performance Highlights

2020 Gross Written Premium



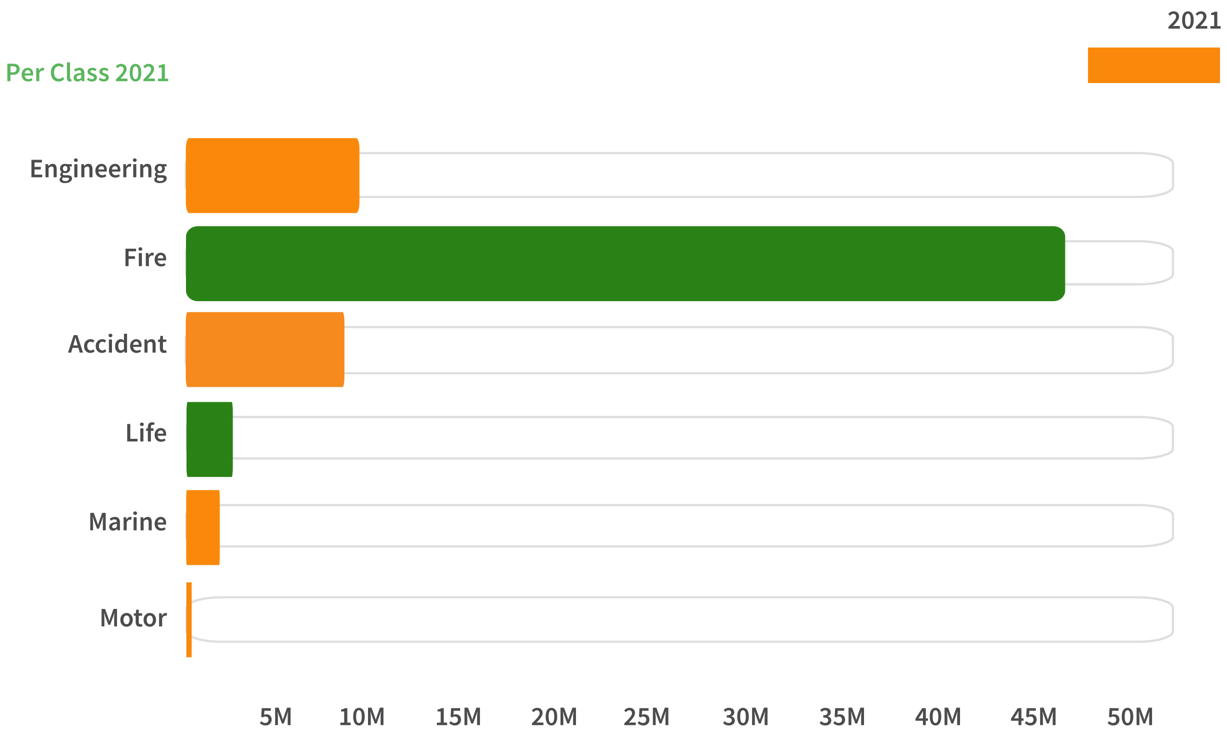
2020 Net Written Premium



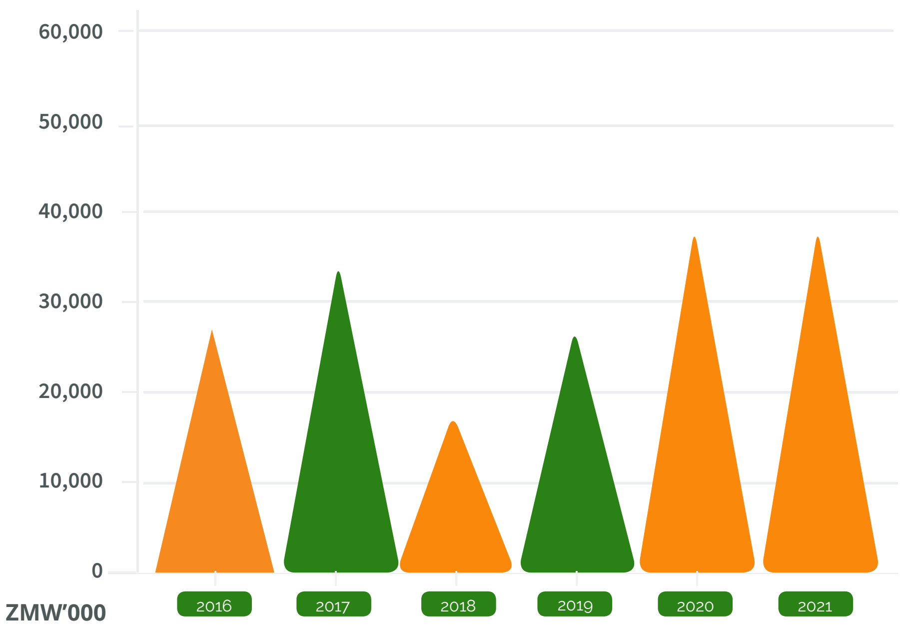
Performance Highlights

Continued

2021 Gross Written Premium



2021 Net Written Premium



Board of Directors

Joyce Muwo-Mwansa
Board Chairperson

Exhilda Lumbwe
Managing Director

Munakopa Sikaulu
Director

Mateyo Kaluba
Director

Simomo Akapelwa
Director

Nathan DeAssis
Director

Mwelwa Kyamulanda
Director

Muchindu Kasongola
Director

Senior Management

Exhilda Lumbwe
Managing Director

Brian Mateyo
Underwritting Manager

Chama Chipulu
Finance Manager

Corporate Governance Report

Statement of Corporate Governance

The Board and Management continue to take responsibility for ensuring that high standards of corporate governance are maintained, which are based on accountability, transparency and integrity.

The Board believes that it has, throughout the year, complied with the Corporate Governance principles of the Lusaka Stock Exchange (LuSE) Corporate Governance Code for listed and quoted companies.

The Board And Board Committees

The Board is responsible for the strategic direction of the Company and monitoring the implementation of set strategies and policies.

During the year, the Board of Directors comprised of the Chairperson, the Managing Director with six (6) other non – executive directors.

The Board has an ongoing focus on ensuring that it has appropriate diversity of skills, experience and strategic thinking capabilities relevant to the Company's strategic priorities.

It is not dominated by any one individual or group in its decision-making processes and neither is there any undue reliance on any one individual or individuals. All the Directors have the same rights, responsibilities and duties, with one vote.

The Board meets formally at least four (4) times during the year, as well as when required, to review and monitor the performance of the Company and management.

The Board is chaired by a non- executive Chairperson.

In carrying out its mandate, the Board is assisted by three (3) Committees, namely the Audit and Risk Committee, the Remuneration Committee and the Investments Committee. Each committee has a charter, which sets out purpose, responsibilities and procedural matters. The charters are reviewed from time to time.

Senior Management

The Senior Management is responsible for the day-to-day management of the company, development and implementation of strategies and policies, the Company's operations and overall organization. They are led by the Managing Director, who also has the responsibility of timely reporting to the Board of Directors.

Record of Directors Attendance

	26 Mar	15 Jun	10 Aug	30 Nov	Total
Mrs Joyce Muwo-Mwansa | Non-Executive Chairperson	✓	✓	✓	✓	4
Mr Nathan DeAssis | Non-Executive Director	✓	✓	✓	✓	4
Mr Simomo Akapelwa | Non-Executive Director	✓	✓	✓	✓	4
Mr Munakopa Sikaulu | Non-Executive Director	✓	✓	✓	✓	4
Mr. Mwewa Kyamulanda | Non-Executive Director	×	✓	✓	✓	3
Mr Mateyo Kaluba | Non-Executive Director	✓	✓	✓	✓	4
Mr. Muchindu Kasongola | Non-Executive Director	✓	✓	✓	Resigned	3
Mrs. Exhilda Lumbwe | Managing Director	✓	✓	✓	✓	4

Present ✓ Absent ×

Corporate Governance Report

Continued

Audit and Risk Committee

The Audit and Risk Committee is chaired by an independent member who does not sit on the Board. The Committee comprises of four members, three of whom are non-executive members of the Board.

The Committee assists the Board of Directors mainly with overseeing the independence of external auditors and the internal audit function; overseeing and reviewing financial and ESG reporting, financial risk management, internal controls, regulatory and legal compliance. It meets with the external auditors at least once a year.

The Committee also oversees the handling of unethical business behaviors reported through the Company's Whistle Blowing Policy.

The Committee also monitors the effectiveness of the Company's Enterprise Risk Management (ERM). This includes ensuring the implementation of an on-going process of risk identification, mitigation and management.

The Committee meets at least once in a year and whenever necessary. Below is the table showing the composition and attendance for 2021:

	26 Mar	8 Jun	5 Aug	23 Nov	Total
Mr. Chrispin Daka | Independent Chairman	✓	✓	✓	✓	4
Mr Nathan DeAssis | Non-Executive Director	✓	✓	✓	✓	4
Mr Simomo Akapelwa | Non-Executive Director	✓	✓	✓	✓	4
Mr. Muchindu Kasongola | Non-Executive Director	×	✓	✓	Resigned	2

Remuneration Committee

The Remuneration Committee comprises of three (3) non-executive directors as members and the Committee is chaired by one of the members.

The Remuneration Committee assists the Board of Directors with the remuneration of the Board of Directors; remuneration and employment terms of Senior Management.

It also reviews the incentive program structure for all staff.

The Committee meets at least once in a year and whenever necessary.

The 2021 attendance is shown below:

	8 Jun	24 Jun	22 Nov	Total
Mr. Simomo Akapelwa | Non-Executive Director	✓	✓	✓	3
Mr. Munakopa Sikaulu | Non-Executive Director	✓	✓	✓	3
Mr. Mwewa Kyamulanda Kasongola | Non-Executive Director	✓	✓	✓	3

Corporate Governance Report

Continued

Investment Committee

The Investment Committee comprises of three other non- executive directors.

The Committee's main responsibility is to review, evaluate and approve investment transactions as well as have oversight of the Company's investment strategy and Investment Policy, reviewing them from time to time.

The Committee meets when it is necessary to do so.

There were no meetings held in the course of the year.

Enterprise Risk Management

All business activity has inherent risk. The Company's Enterprise Risk Management (ERM) process is governed by Senior Management with oversight from the Audit and Risk Committee and Board of Directors. The process involves ensuring that key business risks are effectively identified, assessed, and mitigated so that they do not affect the Company's ability to achieve its business objectives.

Risk is proactively managed to ensure continued growth of the business and to protect not only the assets and people but also the reputation of the Company.

All members of staff, led by departmental heads, are responsible for continuous identification, assessment, and mitigation of risks. An appointed Chief Risk Officer ensures the successful management and reporting of risks, through regular meetings and by facilitating the ERM process, where each department reports on its most significant risks, along with assessments and an overview of implemented mitigations and next milestones.
This process allows for a timely response to risks.

Management reports to the Audit and Risk Committee at least twice a year on the consolidated corporate risk profile, containing the Company's assessed key risks, the likelihood of an event and their potential impact on the business.

The Company's Management and Advisors

The Managers who held office during the year ended 31 December 2021 were:

Management	
Exhilda Lumbwe	- Managing Director
Owen Munthali	- Chief Operating Officer (Resigned on 15 June 2021)
Chama Chipulu	- Finance Manager

The advisors to Zambia Reinsurance Plc ('Zambia Re or the Company') are as follows:

Company Secretary
Choice Corporate Services Limited
Stand 3509/No.7 Matandani Close, Rhodes Park
P.O. Box 32565
Lusaka, Zambia

Legal Advisors
Wilson and Cornhill
5th Floor, Premium House,
Independence Avenue.
P.O. Box 38906, Lusaka
Zambia

Bankers
Stanbic Bank Zambia Limited
ABSA Bank Zambia Plc
Atlas Mara Zambia Limited
Zambia Industrial Commercial Bank
Indo Zambia Bank Limited
Investrust Bank PLC

Auditors
Deloitte & Touche

Registered Office
The address of the Company's registered office is:
Stand 3509/No.7 Matandani Close Rhodespark,
P.O. Box 32565,
Lusaka, Zambia

The Company's principal place of business is:
Plot 187C, Namambozi Road, Fairview
Postnet Box 658, P/B E891
Lusaka, Zambia

Report of the Directors

Principal Activity
The principal activity of the Company are to underwrite all classes of reinsurance business (Non-life and Life) .

Share capital
The authorised share capital of the Company is K75,000,000.00 and the issued share capital is K45,000,000.00.

Distribution of shareholders
At 31 December 2021, the shareholding was as follows:

	No. of Holders	% held	No. of Shares
Less than 500 shares	199	0.11	48,892
501 - 5,000 shares	46	0.49	222,045
5,001 – 10,000 shares	12	0.21	92,499
10,001 – 100,000 shares	37	3.03	1,362,922
100,001 - 1,000,000	27	21.07	9,483,798
Over 1,000,000 shares	9	75.09	33,789,844
Total	**330**	**100**	**45,000,000**

Significant shareholding in the company
Shareholdings that were 5% or more were as follows:

Name of Shareholder	%	No. of Shares
Industrial Development Company (IDC)	28.17	12,678,343
National Pension Scheme Authority (NAPSA)	14.27	6,422,842
Exhilda Mwinji Lumbwe	6.53	2,940,055
Madison Pension Trust Fund	6.37	2,865,114

There were changes to the shareholding that were 5% or more. In the previous year, Saturnia Regna Pension Trust Fund had a shareholding of 6.11% which has since been reduced to less than 5% in 2021.

Report of the Directors

Continued

Directors Interests

The number of shares held by the Directors of the Company as at 31 December 2021 were:

	2021	2020
Mrs. Exhilda M. Lumbwe	2,940,055	2,940,055
Mr. Nathan DeAssis	1,500	1,500
Mrs. Joyce Muwo-Mwansa	438,956	438,956
Mr. Munakopa Sikaulu	392,508	392,508
Mr. Muchindu Kasongola	1,364	1,364
Total	**3,774,383**	**3,774,383**

Financial Results

The financial results of the Company for the year under review are as reported in the financial statements set out on pages 31 to 92 and are summarised below:

The Company made a profit after tax of **K1,307,334** compared to a profit of K6,734,145 in the previous year.

Report of the Directors

Continued

The results of the Company were as follows:
Figures in Kwacha thousands

Class of business	Fire	Accident	Motor	Engineering	Marine	Life	Total	Total
							2021	2020
Gross Written Premium	47,081	11,975	2,839	11,148	2,114	3,602	**78,759**	50,693
Change in unearned premium reserve	679	361	(2,156)	1,309	(71)	-	**123**	(668)
Premium ceded	(40,517)	(3,124)	(170)	(2,454)	(337)	(457)	**(47,059)**	(13,695)
Net premiums	**7,244**	**9,212**	**513**	**10,003**	**1,707**	**3,145**	**31,823**	36,330
Net claims	(2,553)	(1,554)	(915)	(1,403)	441	(2,149)	**(8,133)**	(7,912)
Reinsurance Commissions	10,903	1,133	102	805	135	-	**13,077**	4,553
	8,349	(420)	(813)	(598)	576	(2,149)	**4,945**	(3,359)
Net Commissions Paid	(6,530)	(3,900)	(656)	(3,981)	(575)	(788)	**(16,430)**	(14,917)
Net change in deferred acquisition costs	(2,140)	(84)	602	(393)	(1)	-	**(2,016)**	577
Total claims and other direct ex-penes	(265)	(4,943)	(908)	(4,955)	191	(2,937)	**(13,502)**	(17,699)
Underwriting surplus	6,979	4,269	(396)	5,049	1,897	208	**18,322**	18,631
Other income							**1,782**	16,798
Other indirect expenses:								
Employment expenses							**(8,639)**	(7,138)
General expenses							**(5,454)**	(3,779)
Depreciation expenses							**(586)**	(718)
Expected credit losses on premium receivables							**(457)**	(10,606)
Other operating expenses							**(2,142)**	(1,312)
Profit before tax							**2,827**	11,876
Income tax expense							**(1,520)**	(5,142)
Profit after tax							**1,307**	6,734

Report of the Directors

Continued

Investments

The total value of the investments of the Company at 31 December 2021 was **K68,893,007** (2020: K56,261,158). The primary focus of the investment policy continues to be security, liquidity and maximising the rate of return.

Dividend

During the year under review, there was no dividend paid (2020: K2,100,000).

Directorate and Secretariat

The following directors held office during the year:

Mrs Joyce Muwo-Mwansa	Chairperson
Mr Nathan DeAssis	Director
Mr Mateyo Kaluba	Director (Resigned 31 December 2021)
Mr Munakopa Sikaulu	Director
Mr Muchindu Kasongola	Director (Resigned 28 September 2021)
Mr Mwewa Kyamulanda	Director
Mr Simomo Akapelwa	Director
Mrs. Exhilda Lumbwe	Managing Director

The Company Secretaries and their address are:
Choice Corporate Services Limited
Stand 3509/No.7 Matandani Close
Rhodes Park
P O Box 32565
Lusaka

Net Outstanding claims

There has been no overall increase in net outstanding claims from K4,874,533 in 2020 to K4,851,134 in 2021. The net claims outstanding consists of the following:

	2021	2020
	K	K
Outstanding claims	3,284,497	2,126,406
Reinsurance share of outstanding claims	(2,160,776)	(917,541)
Net incurred but not reported reserve	3,727,413	3,665,668
	4,851,134	4,874,533

Report of the Directors

Continued

Employees
The average number of employees during the year was less than 100 at 14(2020: less than 100 at 13).
The total remuneration paid to employees during the year was **K8,638,503** compared to K7,138,037 in the previous year.

Research and Development
The Company did not carry out any research development activities during the year (2020: K Nil).

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

With the continued Covid 19 Pandemic in 2021, Management and the Board continued to focus on measures to mitigate the impact of the pandemic on its stakeholders and the business operations.

Property and Equipment
The additions to property and equipment during the year amounted to **K504,590** (2020 : K1,150,613), and comprised the following:

	2021	2020
	K	K
Furniture, equipment and motor vehicle	504,590	1,150,613

Other Material Facts, Circumstances and Events
The Directors are not aware of any material fact, circumstance or event which has occurred between the accounting date and the date of this report which might influence an assessment of the Company's financial position or the results of its operations.

Related Party Transactions
The directors confirm full and adequate disclosures of all related party transactions entered during the year with all related parties and the subsequent year end balances as at 31 December 2021. See details included under note 27 to the financial statements.

(i) Directors' fees
Directors' fees of **K998,617** (2020: K686,041) were paid during the year.

(ii) Directors' loans
No loans were advanced to the Directors of the Company (2020: K Nil).

Donations
The Company did not make any cash donations during the year (2020: K Nil).

Report of the Directors

Continued

Covid-19 Disclosure

The covid - 19 pandemic continues to have a negative impact not only on the country's economy but worldwide, even as some economies are starting to emerge from this. Uncertainties remain as to the overall economic impact going forward.
The company continues to monitor the impact of Covid.

Auditors

Messrs Deloitte & Touche's term of office comes to an end at the next Annual General Meeting. A resolution proposing the appointment of 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.

Choice Corporate Services Limited
Company Secretary
Lusaka

Date: 29 March 2022

Wisdom is like a baobab tree; no one individual can embrace it.

Statement of Director's Responsibilities for the Annual Financial Statements

Statement Of Directors' Responsibilities

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, the Insurance Act, 1997 (as amended) and the Securities Act of Zambia.

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 31 to 92 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 Insurance Act, 1997 (as amended) and the Securities Act of Zambia. 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 Zambia Reinsurance Plc, set out on pages 31 to 92, were approved by the Board of Directors on 29 March 2022 and signed on its behalf by:

Joyce Muwo-Mwansa
Board Chairperson

Exhilda Lumbwe
Managing Director

Deloitte.

PO Box 30030
Lusaka
Zambia

Deloitte & Touche
Deloitte Square
Plot No 2374/B
Thabo Mbeki Road
Lusaka, Zambia

Tel: +260 211 232 313
Tel: +260 (211) 228677/8/9
www.deloitte.co.zm

Independent Auditor's Report

Report on the Audit of the Financial Statements

We have audited the financial statements of Zambia Reinsurance Plc, set out on pages 31 to 92 which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 Zambia Reinsurance Plc, as at 31 December 2021 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), the Companies Act, 2017 and the Securities Act of Zambia.

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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)") and other independence requirements applicable to performing audits of financial statements in Zambia, and we have fulfilled our other 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.

Key Audit Matters

Key audit matters are those matters that, in our 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.

Independent Auditor's Report

Continued

Key Audit Matter	How matter was addressed in our audit
Valuation of expected credit loss (ECL) on insurance receivables	
Insurance receivables form a major portion of the company's assets. As at 31 December 2021, the Company's gross insurance receivables amounted to K27.26 million and the related provision for insurance receivables recognised totalled K14.23 million. The Company exercises significant judgment by applying assumptions in the models used to determine expected credit losses for insurance receivables. The default rates are calculated using historical data of credit loss experiences that is complete, appropriate and representative. The historical loss rates, must also reflect the current economic conditions as well as forecast of future economic conditions, provided there is availability of reasonable and supportable information and this particularly involves significant judgement. Additional information about the insurance receivables is presented in Notes 2.14.1, 3.2.1, 15 and 30 of the financial statements.	We performed the following audit proceedures: • Reviewed the Company's methodology for determining expected credit losses and engaged our internal IFRS 9 specialist to review the methodology and assumptions used for reasonableness and assess management's basis for computing the expected credit losses are in line with the requirements of IFRS 9. • Tested the input for completeness and accuracy of the underlying data inputs used in the model and the arithmentic accuracy of the computation of the ECL. • Reviewed the aging of the receivables and challenged management on all significant receivables not provided. • Assessed the adequacy of the provision by performing an independent assessment of the provision when compared against historical data adjusted for current market conditions and forward looking information; and • Tested the accuracy of the information included in the premium receivables ageing report. Based on the work done, we conclude that the judgements and assumptions are reasonable.

Key Audit Matter	How matter was addressed in our audit
Valuation of incurred but not reported reserve ("IBNR")	
We focused on this area because the valuation of IBNR are significant in magnitude and requires use of judgements and estimates. The determination of the IBNR requires the Company's management to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported. It is reasonably possible that uncertainties inherent in the reserving process, delays in insurers reporting losses to the Company, together with the potential for adverse development, could lead to the ultimate amount paid varying materially from the amount estimated at this reporting date.	We performed the following audit procedures: • Engaged our internal actuarial specialists who were involved to independently test management's assumptions and estimates and evaluate the reasonableness of the methodology; • Supported by our actuarial specialists we evaluated management's methodology against market practice and challenged management's assumptions and their assessment of major sensitivities, based on our market knowledge and industry data where available. The main areas of judgement include the level of reserves held for specific losses, the loss development patterns selected and the initial expected loss ratios;

Independent Auditor's Report

Continued

Key Audit Matter (Continued)	How matter was addressed in our audit (Continued)
Valuation of incurred but not reported reserve ("IBNR")	
We also focused on this area because Company has a significant balance of IBNR amounting to K3.73 million as at 31 December 2021. Please refer to Notes 3.2.2, 21 and 30 of the financial statements for the accounting policy, disclosures of the related judgements and estimates and other details relating to IBNR.	We performed the following audit procedures: • Tested the completeness and accuracy of the underlying insurance data provided by the management to the Company's actuary; and • We evaluated the reasonableness of historical reserves held against the actual claims paid out, to test adequacy of the reserve. Based on the work done, we conclude that the judgements and assumptions are reasonable.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report and the Statement of Responsibility for the Annual Financial Statements, as required by the Companies Act, 2017 which we obtained prior to the date of this auditor's report, and the annual report which we will receive after the date of this 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 and will 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.

Independent Auditor's Report

Continued

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 Securities Act of Zambia 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.

The Directors are responsible for overseeing the Company"s financial reporting process.

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 judgement and maintain scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Independent Auditor's Report

Continued

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.

From the matters communicated with the directors , we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the other Legal and Regulatory Requirements

The Companies Act, 2017 of Zambia

Sections 250 (2) and 259 (3) of the Companies Act, 2017 require that in carrying out our audit, we consider and report on whether:

- There is a relationship, interest or debt which we as the Company's auditors have in Zambia Reinsurance Plc;
- There are serious breaches by the Company's Directors of the corporate governance principles or practices contained in Part VII sections 82 to 112 of the Companies Act, 2017; and
- There is an omission in the financial statements as regard 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

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 the Act;
- The Company has complied with the provisions, regulations, guidelines and prescriptions under the Act; 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 460% as disclosed in solvency statement on page 93.

The Securities Act, 2016 of Zambia

Part III, Rule 18 of the Securities (accounting and financial reporting requirements) Rules of the Securities Act, 2016 of Zambia, require that in carrying out our audit of Zambia Reinsurance Plc we report on whether:

- The annual financial statements of the Company have been properly prepared in accordance with Securities and Exchange Commission rules;
- The Company has, throughout the financial year, kept proper accounting records in accordance with the requirements of Securities and Exchange Commission rules;
- The statement of financial position and statement of comprehensive income are in agreement with the Company's accounting records; and
- We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

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

Deloitte & Touche

Deloitte & Touche
Chartered Accountants

Alice Tembo
Partner
AUD/F000433

Date: 29 March 2022

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

Kwacha	Notes	2021	2020
Premiums written in the year	4	**78,759,253**	50,693,422
Premiums ceded to reinsurers		**(47,058,834)**	(13,695,111)
Net change in unearned premium reserve	4	**122,849**	(668,258)
Net premiums		**31,823,268**	36,330,053
Investment income	5	**9,819,069**	4,608,996
Other (losses) and gains	6	**(8,440,739)**	12,184,557
Other income		**404,060**	3,921
Reinsurance commissions received		**13,077,480**	4,553,224
Other operating income		**14,859,870**	21,350,698
		46,683,138	57,680,751
Gross Claims paid	7	**(14,202,084)**	(14,587,001)
Change in claims outstanding		**(1,158,090)**	2,548,277
Claims ceded to reinsurers	21	**6,046,176**	7,214,829
Change in reinsurance claims		**1,243,235**	(2,157,099)
Net change in incurred but not reported reserve		**(61,745)**	(931,191)
Net insurance claims		**(8,132,508)**	(7,912,185)
Commissions paid to brokers and agents		**(16,429,696)**	(14,916,115)
Net change in deferred acquisition costs	17	**(2,016,122)**	577,414
Employee benefits expenses		**(8,638,503)**	(7,138,037)
General administrative expenses		**(5,453,755)**	(3,779,175)
Other operating expenses	8	**(2,142,075)**	(1,311,689)
Expected credit losses on premium receivables	15	**(456,754)**	(10,606,460)
Depreciation expense	11	**(586,238)**	(717,768)
Total operating expenses		**(35,722,963)**	(37,891,839)
Total claims and other expenses		**(43,855,471)**	(45,804,025)
Profit before tax	8	**2,827,668**	11,876,726
Income tax expense	10	**(1,520,334)**	(5,142,581)
Profit for the year		**1,307,334**	6,734,145
Other comprehensive income (net of tax) Items that will not be reclassified subsequently to profit or loss			
Gain (Loss) on investments at fair value	14	**1,468,795**	(214,364)
Deferred tax revaluation of property and equipment	24	**128,524**	104,075
		1,597,319	(110,289)
Total comprehensive income for the year		**2,904,653**	6,623,856
Basic and diluted earnings per share	26	**0.03**	0.15

Accounting policies and notes to the financial statements set out on pages 36 to 92 form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2021

Kwacha	Notes	2021	2020
Assets			
Property and equipment	11	**8,650,034**	8,844,019
Investment properties	12	**5,040,000**	5,000,000
Deferred tax asset	24	**3,152,059**	-
Current tax asset	10	**-**	391,107
Investments at amortised cost	13	**60,970,266**	42,850,141
Investments at fair value	14	**4,789,396**	3,320,601
Insurance receivables	15	**13,494,339**	22,906,933
Other assets	16	**11,400,014**	11,661,776
Deferred acquisition costs	17	**-**	1,312,846
Cash and cash equivalents	18	**5,468,115**	11,458,615
Total Assets		**112,964,223**	107,746,038
Equity and Liabilities			
Capital and reserves			
Share capital	19	**45,000,000**	45,000,000
Share premium	20	**24,978,551**	24,978,551
Revaluation reserves		**5,545,108**	4,046,904
Retained earnings		**16,756,998**	15,350,549
Total equity		**92,280,657**	89,376,004
Liabilities			
Insurance contract liabilities	21	**9,105,160**	9,251,408
Reinsurance payables	22	**6,808,115**	6,185,991
Other financial liabilities	23	**2,786,820**	2,860,616
Deferred reinsurance commission	17	**703,276**	-
Deferred tax liability	24	**-**	67,129
Current tax liability	10	**1,275,305**	-
Dividend payable		**4,890**	4,890
		20,683,566	18,370,034
Total Equity and Liabilities		**112,964,223**	**107,746,038**

Accounting policies and notes to the financial statements set out on pages 36 to 92 form an integral part of the financial statements.

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 25. The financial statements on pages 31 to 92 were approved and authorised for issue by the Board of Directors on 26 March 2022 and were signed on its behalf by:

Joyce Muwo - Mwansa
Director

Exhilda Lumbwe
Managing Director

Statement of Changes in Equity

for the year ended 31 December 2021

Kwacha	Share Capital	Share Premium	Revaluation Reserves	Retained Earnings	Total
Balance at 1 January 2020	30,000,000	2,530,642	4,256,308	10,617,289	47,404,239
Profit for the year	-	-	-	6,734,145	6,734,145
Other comprehensive income, net of taxes:					
Issue of shares	15,000,000	25,500,000	-	-	40,500,000
Share issue cost	-	(3,052,091)	-	-	(3,052,091)
Transfer to retained earnings	-	-	(99,115)	99,115	-
Loss on investments at fair value	-	-	(214,364)	-	(214,364)
Deferred tax on revalued properties	-	-	104,075	-	104,075
Dividends paid	-	-	-	(2,100,000)	(2,100,000)
Balance at 31 December 2020	45,000,000	24,978,551	4,046,904	15,350,549	89,376,004
Balance at 1 January 2021	**45,000,000**	**24,978,551**	**4,046,904**	**15,350,549**	**89,376,004**
Profit for the year	-	-	-	1,307,334	1,307,334
Other comprehensive income, net of taxes:					
Transfer to retained earnings	-	-	(99,115)	99,115	-
Gain on investments at fair value	-	-	1,468,795	-	1,468,795
Deferred tax on revalued properties	-	-	128,524		128,524
Balance at 31 December 2021	**45,000,000**	**24,978,551**	**5,545,108**	**16,756,998**	**92,280,657**

Accounting policies and notes to the financial statements set out on pages 36 to 92 form an integral part of the financial statements.

Statement of Cash Flows

for the year ended 31 December 2021

Kwacha	Notes	2021	2020
Operating Activities			
Profit for the year		1,307,334	6,734,145
Adjusted for non cash items:			
Depreciation expense	11	586,238	717,768
Income tax expense	10	1,520,334	5,142,581
Gains on disposal of property and equipment		(116,736)	-
Fair value gain on investment property	6	(19,500)	(1,846,334)
Other gains (losses)		946,818	(670,072)
Interest income		(8,942,184)	-
Expected credit losses on premium receivables	15	(456,574)	(10,606,460)
Operating cash flows before movement in working capital		(5,174,270)	(528,372)
Decrease in insurance receivables		9,869,168	16,991,083
Decrease (increase) in other assets		261,762	(10,263,733)
Decrease (increase) in deferred acquisition costs		2,016,122	(577,414)
(Decrease) increase in insurance contract liabilities		(146,248)	1,208,270
Increase in reinsurance payables		622,124	3,250,419
(Decrease) increase in other financial liabilities		(73,796)	391,825
Cash generated from operating activities		7,374,862	10,472,078
Interest income		8,065,299	-
Rental income	5	419,000	-
Dividend income	5	457,885	-
Income tax paid	10	(2,944,586)	(1,241,842)
Net cash generated from operating activities		13,372,460	9,230,236
Investing Activities			
Additions to investment property	12	(20,500)	(25,350)
Proceeds on disposal of property and equipment		229,073	-
Disposal of trading shares	14	-	118,366
Purchase of property and equipment	11	(504,590)	(1,150,613)
Proceeds from investments in financial assets		56,653,579	13,787,206
Purchase of equity investment		-	(2,150,000)
Purchase of investments in financial assets		(74,773,704)	(45,871,513)
Net cash used in investing activities		(18,416,141)	(35,291,904)
Financing Activities			
Proceeds on issue of shares	19	-	15,000,000
Proceeds on shares premium	20	-	25,500,000
Share issue cost	20	-	(3,052,091)
Dividends paid	28	-	(2,100,000)
Net cash generated from financing activities		-	35,347,909
Net cash inflows		(5,043,681)	**9,286,241**
Net cash and cash equivalents at beginning of the year		11,458,615	1,502,302
Impact on foreign currency exchange rate changes		(946,818)	670,072
Net cash and cash equivalents at end of the year		5,468,115	11,458,615
Comprised of:			
Bank and cash balances	18	2,334,770	1,368,199
Short term deposits maturing within 90 days	13	3,133,345	10,090,416
		5,468,115	11,458,615

Accounting policies and notes to the financial statements set out on pages 36 to 92 form an integral part of the financial statements.

Don’t procrastinate or you will be left in between doing something, having something and being nothing.

Notes to the Financial Statements

for the year ended 31 December 2021

1. General Information

Zambia Reinsurance Plc (the "Company") is a public limited Company incorporated and domiciled in Zambia. The address of its registered office and principal place of business are disclosed in the corporate information on page 1. The principal activities of the Company are described in the Director's report.

The financial statements are presented in Zambian Kwacha (K), which is the Company's presentation cuurency. All financial information presented in Zambian Kwacha has been rounded to the nearest kwacha unless otherwise indicated. The Company's financial currency i sthe Zambian Kwacha (K).

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") as issued by the International Accounting Standards Board ("ISAB") and in the manner required by the Insurance Act 1997 (as amended), the Companies Act, 2017 and the Securities Act of Zambia.

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 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, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of assets.

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.

The Company presents its statement of financial position broadly in order of liquidity from the least liquid to the most liquid. An anlysis regarding recovery of settlement within twelve months after the reporting date (current) more than 12 months (non current) is presented in the notes.

2.3 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

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

Notes to the Financial Statements Continued

for the year ended 31 December 2021

2. Summary of Significant Accounting Policies (Cont.)

2.3.1 Gross premiums (Cont.)

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.

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 using the 24th method as prescribed by the Insurance Act, 1997 (as amended). The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

2.3.2. Reinsurance premiums

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

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

2.3.3. Investment income

Interest income is recognised in profit or loss as it accrues and is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated cash receipts through the expected life of the financial asset to net carrying amount on initial recognition. Interest income relates to interest from fixed deposits, treasury bills and bank interest earned.

Dividends received relates to actual dividends paid on equity investments held and rental income relates to income accrued on investment properties.

2.4 Benefits, 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.

2.4.4. Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

2.5 Foreign currencies

The financial statements of the Company are presented in the currency in which the majority of its transaction are conducted (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Zambian Kwacha ('K'), which is the functional currency of the Company and the presentation currency for the financial statements.

Preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

2. Summary of Significant Accounting Policies (Cont.)

2.5 Foreign currencies (Cont)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange losses differences arising on cash and cash equivalents are treated as realised for tax purposes.

2.6 Taxation

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

2.6.1. Income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because of items of income or expense that are taxable or deductible in other years and 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 the end of the reporting period.

2.6.2. 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.

The carrying amount of deferred tax assets is reviewed at 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 assets and liabilities 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 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.6.3. Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.7 Property and equipment

Leasehold buildings are stated in the statement of financial position at valuation less depreciation. Valuations are performed as and when the Directors deem it necessary to do so but with sufficient regularity such that the carrying amount of the asset does not differ materially from that which would be determined using fair values at the reporting date. Movable machinery, fixtures and fittings and motor vehicles are stated in the statement of financial position at cost less depreciation.

Any revaluation increase arising on the revaluation of such leasehold buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

2. Summary of Significant Accounting Policies (Cont.)

2.7 Property and Equipment (Cont)

recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Assets under construction are carried at cost, less any identified impairment loss. Such assets are initially shown as capital work in progress and transferred to the relevant class of assets when commissioned. Cost includes fees and where necessary, borrowing costs. Depreciation on these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their estimated useful lives, on a straight line basis, at the following annual rates:

Leasehold buildings	2.00%
Motor vehicles	25.0%
Office equipment, fixtures and fittings	25.0%
Computer furniture	15.0%
Computer software	20.0%

The estimated useful lives, residual values and depreciation method are reviewed at each year end. 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 2021 to be insignificant.

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.

Repairs and maintenance expenses are charged to the statement of comprehensive income during the year 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.

2.8 Impairment of property and equipment

At each reporting date, the Company reviews the carrying amounts of its property and equipment 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, unless the relevant asset is carried at the revalued amounts, in which case the impairment loss is treated a revaluation decrease.

2.9 Revaluation of property and equipment

Valuations are performed as and when the Directors deem it necessary to do so but with sufficient regularity such that the carrying amount of the asset does not differ materially from that which would be determined using fair values at the reporting date. The last independent valuation was done in 2019.

2.10 Residual values and useful lives of property and equipment

The Directors reviewed the estimated useful lives of property, plant and equipment at the end of each annual reporting period to determine the appropriate level of depreciation and whether there

Notes to the Financial Statements Continued

for the year ended 31 December 2021

2. Summary of Significant Accounting Policies (Cont.)

2.10 Residual values and useful lives of property and equipment (Cont.)

is any indication that those assets have suffered an impairment loss.

2.11 Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2.12 Deffered Expenses

Commission and other acquisition expenses relating to unearned premiums are carried forward as deferred expenses. Deferred expenses represent commission and other brokers' fees which vary directly with and are primarily related to the acquisition of new and renewable insurance contracts and are deferred and charged to profit or loss as the related premium income is recognised. Deferred expenses are calculated on a time basis using the 24th method in respect of all classes of business.

2.13 Unearned premiums

Unearned premiums relate to the unexpired risks under policies in force. Unearned premiums are calculated on a time basis using the 24th method in respect of all classes of business.

2.14 Financial instruments

2.14.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

The accounting policies adopted for specific financial assets are as set out below:

(i) 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 assets are measured at initial

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

2. Summary of Significant Accounting Policies (Cont.)

2.14 Financial instruments (Cont.)

2.14.1 Financial assets (Cont.)

(i) Insurance and other receivables (Cont.)

recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the 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.

(ii) Deferred acquisition costs

Acquisition costs which represent commission are deferred over the year in which the related premiums are earned. The deferred portion is calculated by applying the 24th method on net commission.

(iii) 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.

(iv) Amortised cost and effective interest 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.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

(v) Equity instruments designated at fair value through other comprehensive income

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

2. Summary of Significant Accounting Policies (Cont.)

2.14 Financial instruments (Cont.)

2.14.1 Financial assets (Cont.)

(v) Equity instruments designated at fair value through other comprehensive income (Cont.)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables and insurance receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for insurance receivables and lease receivables. The expected credit losses on these financial assets are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

(i) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 365 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

2. Summary of Significant Accounting Policies (Cont.)

2.14 Financial instruments (Cont.)

2.14.1 Financial assets (Cont.)

(ii) Credit-impaired financial assets (Cont.)

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of insurance receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

Derecognition of financial assets

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. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.14.2. Financial liabilities

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. All financial liabilities are measured subsequently at amortised cost using the effective

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

2. Summary of Significant Accounting Policies (Cont.)

2.14.2 Financial liabilities (Cont.)

interest method or at FVTPL.

The Company has the following financial liabilities:

(i) Reinsurance and other payables

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

(ii) Deferred reinsurance commission

Reinsurance income which represent commission are deferred over the year in which the related premiums are earned. The deferred portion is calculated by applying the 24th method on net commission.

(iii) Outstanding claims

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

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. 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.

(iv) Dividends payable

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the Company's shareholders.

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.

2.14.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

2.15 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.

2.16 Retirements benefits

The Company's employees are members of a separately administered defined contribution pension scheme. Payments to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to the contributions. The Company's contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

2. Summary of Significant Accounting Policies (Cont.)

2.16 Retirements benefits (Cont.)

For fixed term contract employees, a gratuity is payable at the end of the contract period and is accrued as a provision and settled at the end of the contracted period. Contract periods range from one to three years.

The Company contributes to the National Pension Authority Scheme (NAPSA) for its eligible employees as provided for by law. Membership is compulsory and monthly contributions by both employer and employees are made. The employer's contribution is charged to profit or loss in the year in which it arises.

3. Critical Accounting Estimates and Judgements

3.1 Critical judgements in applying accounting policies

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In respect of the Company, the Directors have made estimates and judgements in the area of income tax, expected credit losses on trade receivables and the provision for envirnmental liabilities as explained in detail below.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

3.2 Key sources of uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.2.1 Expected credit loss on insurance receivables

Premium receivables are non-interest bearing and there payment period is stipulated within reinsurance agreements but not exceeding one year. The Company measures the loss on premium receivables at an amount equal to lifetime expected credit loss which is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Premium receivables above 360 days are provided for based on estimated irrecoverable amounts from the reinsurance contracts, determined by reference to past default experience.

In line with IFRS 9 Financial instruments, the Company has grouped its receivables into the following categories: Direct and Broker business. When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers such as inflation, exchange rates, level of Government expenditure and impact of Covid 19.

The Company changed its ECL calculation methodology from the general approach to the simplified approach and there was no significant impact arising from this change.

The Company has considered the impact of COVID-19 pandemic on the expected credit loss of trade receivables. The amount and timing of the expected credit losses, as well as the probability assigned thereto, has been based on the available information at the end of December 2021.

If the ECL rates on trade receivables had been 0.5% per cent higher (lower) as of December 2021, the loss allowance on trade receivables would have been K60,000 higher or (lower).

The Company recognises an impairment gain or loss on its premium receivables with a corresponding adjustment to their carrying amount through a loss allowance account in the statement of profit or loss.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

3. Critical Accounting Estimates and Judgements (Cont.)

3.2.2 Incurred but not reported reserve

The carrying value at the reporting date for the incurred but not reported reserve is K3,727,413.

Provision for the liabilities of non-life insurance contracts is made for 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.

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 the 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. The sensitivity analysis is disclosed in note 32.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

4. Premium Written in the Year

The Company is organised into business units according to the class of business written.
The business units are the basis on which the Company reports its results:

By class of business	2021	2020
Fire	47,057,413	11,981,813
Engineering	16,841,607	18,577,695
Accident	6,285,168	9,856,751
Life	3,602,147	8,833,782
Motor	2,842,155	(121,983)
Marine	2,130,763	1,565,364
	78,759,253	50,693,422
Change in unearned premium reserve (note 22 (i))	122,849	(668,258)
Total gross premium written	78,882,102	50,025,164

The significant increase in the Fire business is attributed to the few large risks acquired during the year. All the business operations of the Company are located in Zambia. Refer to Note 34 for segmented reporting.

5. Investment Income

Interest income	8,942,184	3,861,217
Dividend received (note 14)	457,885	370,779
Rental income	419,000	377,000
	9,819,069	4,608,996

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

6. Other (losses) and gains

	2021	2020
Net foreign exchange (losses) gains	(8,576,975)	10,338,223
Gain on remeasurement of investment property (note 12)	19,500	1,846,334
Gain on disposal of property and equipment	116,736	-
	(8,440,739)	12,184,557

The net foreign exchange gains above comprise the following:

Total exchange gains for the year	344,079	19,112,548
Total exchange losses for the year	(8,921,054)	(8,774,325)
Net foreign exchange (losses) gains	(8,576,975)	10,338,223

The movements in the US Dollar exchange rates during the year were as follows:

Mid market exchange rate at 1 January	21.17	13.95
Mid market exchange rate at 31 December	17.84	21.02
Average (appreciation) depreciation	-16%	51%

7. Gross Claims Paid

By class of business		
Accident	4,153,950	7,566,584
Fire	3,554,853	2,292,873
Engineering	3,229,553	2,327,250
Life	2,184,275	1,337,848
Motor	909,112	548,232
Marine	170,341	514,214
	14,202,084	14,587,001

Notes to the Financial Statements Continued

for the year ended 31 December 2021

8. Other Operating Expenses

i) Direct operating expenses	2021	2020
Insurance levy	492,620	456,479
ii) Indirect operating expenses		
Directors' fees (note 27 (a))	998,617	686,041
Property expenses	154,183	131,644
Advertising	496,655	37,534
Total operating expenses	2,142,075	1,311,698

9. Profit before tax

Profit before tax is stated after crediting:		
Investment income (note 5)	9,819,069	4,608,996
Gain on remeasurement of investment property (note 6)	19,500	1,846,334
Net exchange (loss)/gains (note 6)	(8,576,975)	10,338,223
Gain on disposal of property and equipment (note 6)	116,736	-
and after charging:		
Directors' and key management remuneration:		
-in connection with the management of the Company (note 27 (a))	3,657,609	2,990,542
- as directors of the Company (note 27 (a))	998,617	686,041
Depreciation (note 11)	586,238	717,768
Pension costs - Company contribution	123,600	115,710

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

10. Taxation

	2021	2020
(i) Income tax expense		
Income tax at 35%	-	-
Current tax charge	5,431,847	728,544
Deferred taxation (note 24)	(3,094,170)	3,363,403
(Over) Underprovision of tax	(817,343)	1,050,634
	1,520,334	5,142,581
(ii) Current tax (asset) liabilities		
The movements during the year on the income tax account are as follows:		
Payable in respect of the year	5,431,847	728,544
Payable in respect of previous years	(391,107)	122,191
	5,040,740	850,735
Paid during the year	(2,944,586)	(1,241,842)
Witholding tax recoveries in respect of the current year	(820,849)	
Current tax liability (asset)	1,275,305	(391,107)

Income tax is calculated in accordance with the Third Schedule Section 25,1(1) of the Income Tax Act 1996, as amended.

	2021	2020
(iii) Reconciliation of the tax charge:		
Profit before tax	2,827,668	11,876,726
Taxation applicable rate of 35%	989,684	4,156,854
Under provision of tax	(817,343)	1,050,634
Permanent differences	527,144	(64,907)
	699,485	5,142,581
Standard rate	35%	35%
Prior year mistatements	-	9
Permanent differences	6%	-1%
	29%	43%

Notes to the Financial Statements Continued

for the year ended 31 December 2021

11. Property and Equipment

	Leasehold land and buildings	Motor vehicles	Furniture and equipment	Software	Total
Cost/Valuation					
At 1 January 2020	**7,819,990**	**2,327,691**	**953,385**	**1,699,002**	**12,800,068**
Additions	-	1,026,439	124,174	-	1,150,613
At 31 December 2020	**7,819,990**	**3,354,130**	**1,077,559**	**1,699,002**	**13,950,681**
Additions	-	-	504,590	-	504,590
Disposals	-	(898,694)	(58,262)	-	(956,956)
At 31 December 2021	**7,819,990**	**2,455,436**	**1,523,886**	**1,699,002**	**13,498,315**
Cost or valuation as at 31 December 2021 is represented					
Valuation	3,952,238	-	-	-	3,952,238
Cost	3,867,752	2,455,436	1,523,886	1,699,002	9,546,077
	7,819,990	**2,455,436**	**1,523,886**	**1,699,002**	**13,498,315**
Depreciation					
At 1 January 2020	**26,067**	**1,850,198**	**813,628**	**1,699,002**	**4,388,894**
Charge for year	156,400	474,738	86,630	-	717,768
At 31 December 2020	**182,466**	**2,324,936**	**900,258**	**1,699,002**	**5,106,662**
Charge for year	156,400	275,333	154,506	-	586,238
Disposals	-	(786,357)	(58,262)	-	(844,619)
At 31 December 2021	**338,866**	**1,813,912**	**996,502**	**1,699,002**	**4,848,281**
Carrying Amount					
At 31 December 2021	**7,481,124**	**641,524**	**527,384**	**-**	**8,650,034**
At 31 December 2020	7,637,524	1,029,194	177,301	-	8,844,019

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

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

11. Property and Equipment (Cont.)

Fair value of property and equipment

In October 2019, an independent valuation of the Company's building was performed by Bitrust Real Estate, registered valuation surveyors to determine the fair value of the buildings. The valuation was carried out on an open market basis for existing use. The book value of the property was adjusted to market value and the resultant surplus was credited to revaluation reserves in the Statement of Changes in Equity. It is the policy of the Company to transfer the excess depreciation to retained earnings from revaluation reserve (excess depreciation is the difference between depreciation on revalued carrying amount of an asset and depreciation based on historical cost) in the Statement of Changes in Equity. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The property and equipment falls within Level 3. There were no transfers between different levels during the year. The property is valued using the Open Market Value approach. The most significant input into this valuation is the market value of the comparable land and buildings based on prevailing property prices.

At 31 December 2021, if leasehold and buildings had been stated at historical cost, their carrying amount would have been approximately K 3,171,557 (2020: K3,248,912).

In accordance with section 279 of the Companies Act 2017, the register of Land and Buildings is available for inspection by members and their duly authorised agents at the Registered Records Office of the Company.

At 31 December 2021	Level 1	Level 2	Level 3	Fair Value
Leasehold properties	-	-	7,481,124	7,481,124
At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Leasehold properties	-	-	7,481,124	7,481,124

Leasehold properties has been categorised into level 3 in the fair value hierarchy,and the following information is relevant:

Property	Valuation technique	Significant unobservable inputs	Sensitivity
Leasehold properties	Open market approach	Market value of the comparable land and buildings based on prevailing property prices	A slight increase in the property prices used would result in increase in property value, and vice versa

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

11. Property and Equipment (Cont.)

Fair value of property and equipment (Cont.)

	2021	2020
5% increase in value of the property	7,855,180	7,855,180
5% decrease in value of the property	7,107,068	7,107,068

12. Investment Properties

	2021	2020
At beginning of the year	5,000,000	3,128,316
Additions	20,500	25,350
Increase in fair value during the year (note 6)	19,500	1,846,334
At end of year	5,040,000	5,000,000

The investment property represents two residential units acquired from Madison Capital Limited for rental to the general public. These are at Farm No. 609/265A/A15/CL30 and 609/265A/A15/CL31 Roma Park, Lusaka. The title deeds for the investment properties are yet to be transferred to the Company. The Directors are taking the necessary steps to change ownership of the properties to Zambia Reinsurance PLC.

Investment properties has been categorised into level 3 in the fair value hierarchy,and the following information is relevant:

Property	Valuation technique	Significant unobservable inputs	Sensitivity
Roma Park Residential Units	Direct Capital Comparison method	Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property.	significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

The fair value of the Company's investment properties at 31 December 2021 has been arrived at on the basis of a valuation carried out on 24 November 2021 by Bitrust Real Estate, independent valuers, who are independent of the Company. The valuation conforms to International Valuation Standards. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The valuation was done in accordance with the international valuation standards committee (IVSC) and conform to the stipulations of the Royal Institution of Chartered Surveyors (RICS).

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

12. Investment Properties (Cont.)	Level 3 Fair value as at 31 December 2021	Level 3 Fair value as at 31 December 2020
Roma Park Residential Units (Farm No. 609/265A/A15/CL30 and CL31)	5,040,000	5,000,000
	2021	2020
0.5% increase in yield rate	5,065,200	5,025,000
0.5% decrease in yield rate	5,104,800	4,975,000
13. Investments at Amortised Costs		
Fixed term deposits	48,963,522	38,473,004
Government Treasury bills	15,140,089	14,467,553
	64,103,611	52,940,557
(i) Fixed Term Deposits		
Maturing within 90 days (note 18)	3,133,345	7,422,104
Maturing after 90 days	45,830,177	31,050,900
	48,963,522	38,473,004
(ii) Treasury Bills		
Maturing within 90 days	-	2,668,312
Maturing after 90 days	15,140,089	11,799,241
	15,140,089	14,467,553
Total investments at amortised cost maturing after 90 days	60,970,266	42,850,141
Effective Interest Rates		
The weighted average effective interest rates during the year were as follows:		
Treasury bills	13%	25%
Fixed term deposits	23%	16%

The Directors consider that the carrying amounts of the above financial assets approximate their fair value.

Notes to the Financial Statements Continued

for the year ended 31 December 2021

14. Investments at Fair Value through other Comprehensive Income

	2021	2020
At beginning of the year	3,320,601	1,503,331
Additions	-	2,150,000
Disposal	-	(118,366)
Unrealised gains (losses) on financial assets at fair value	1,468,795	(214,364)
At the end of the year	4,789,396	3,320,601

The available for sale investments comprise the following:

	Market share price	Number of shares		
Zambia Forestry and Forest Industries Corporation				
Corporation PLC	1.95	1,000,000	1,950,000	2,120,000
Copperbelt Energy PLC	2.65	924,357	2,449,546	1,016,793
Madison Financial Services PLC	2.47	50,000	123,500	144,000
Chilanga Zambia PLC	13.85	19,231	266,350	39,808
			4,789,396	3,320,601

Investment Income

During the year, the Company received a dividend for shares held in Chilanga Cement Plc, Zambia Forestry and Forest Industries Corporation and Copperbelt Energy Corporation PLC resulting in income of **K457,885** (2020: K370,779), as disclosed in note 5.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

15. Insurance Receivables	2021	2020
Insurance receivables comprise amounts receivable from the underwriting of insurance contracts and are made up as follows:		
Gross insurance receivable	**27,725,792**	36,681,812
Expected credit losses on insurance receivables	**(14,231,453)**	(13,774,879)
	13,494,339	22,906,933
Insurance receivables for the Company can be analysed as follows:		
By customer type:		
Reinsurance Brokers	**22,455,281**	27,134,751
Direct business	**5,270,511**	9,547,061
	27,725,792	36,681,812
By currency:		
Denominated in US Dollar	**19,057,346**	24,508,524
Denominated in Kwacha	**8,668,446**	12,173,288
	27,725,792	36,681,812
Ageing of past due receivables is as analysed below:		
60-90 days	**14,547,590**	18,617,181
90-120 days	**1,956,726**	234,514
Between 120 - 365 days	**3,243,819**	6,645,017
Over 365 days	**7,977,657**	11,185,100
	27,725,792	36,681,812
The movement in the allowance for bad debts is as follows:		
Balance at the beginning of the year	**13,774,879**	13,808,744
Bad debts written-off	**-**	(10,640,325)
Additional provisions during the year	**456,754**	10,606,460
	14,231,453	13,774,879

Notes to the Financial Statements Continued

for the year ended 31 December 2021

15. Insurance Receivables (Cont.)

The amounts presented in the statement of financial position are net of allowances for doubtful receivables. The conceptual framework adopted for the expected credit losses (ECL) is based on the simplified approach which allows the use of the provision matrix for determining ECLs on trade receivables. A provision matrix is a calculation of the impairment loss based on the default rate (loss rate) percentage applied to the group of financial assets. This approach does not require the tracking of changes in credit risk, but instead requires the recognition of lifetime ECLs. For trade receivables or contract assets that do not contain a significant financing component, which the reinsurance receivables do not, the company can choose to apply the simplified approach.

Ageing of impaired insurance receivables is shown below:	2021	2020
Current	6,253,796	2,589,779
Non - current	7,977,657	11,185,100
	14,231,453	13,774,879

The following table details the risk profile of trade receivables based on the Company provision matrix. As the Company's' historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the company's different customer bases.

31 December 2021	>60 to 90 days	90 to 120 days	120 to 365 days	Over 365 days	Total past due but not impaired
Expected credit loss rate	4%	31%	100%	100%	
Estimated total gross carrying amount at default	14,547,590	1,956,726	3,243,819	7,977,657	27,725,792
Lifetime ECL	(1,053,251)	(1,956,726)	(3,243,819)	(7,977,657)	(14,231,453)
	13,494,339	-	-	-	13,494,339

Refer to notes 3.2.1 and 30 for additional disclosures on the ECL.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

16. Other Assets

	2021	2020
Reinsurance receivables	6,659,857	7,954,263
Sundry receivables	4,642,822	3,584,794
Prepayments	88,309	88,626
Staff advances	9,026	34,093
	11,400,014	11,661,776
Sundry receivables relate to accrued interest on investments at amortised costs.		
Staff advances for the Company can be analysed as follows:		
At beginning of the year	34,093	66,180
Repayments	(25,068)	(32,087)
At end of the year	9,026	34,093
Maturity analysis:		
Amounts falling due within 1 year	9,026	20,461
Amounts falling due between 2 and 5 years	-	13,632
	9,026	34,093

There was no impairment made against other assets as all amounts were considered recoverable.
The Directors consider that there is no material difference between the fair value of the assets and their carrying value.

17. Deferred Reinsurance Commission/Acquisition Costs

The movement in deferred acquisition costs for insurance contracts during the year was as follows:		
At beginning of the year	1,312,846	735,432
Movement for the year	(2,016,122)	577,414
At the end of the year	(703,276)	1,312,846

18. Cash and Cash Equivalents

Cash at bank and in hand	2,334,770	1,368,199
Short term call deposits with financial institutions (Note 13 (i))	3,133,345	10,090,416
	5,468,115	11,458,615

Notes to the Financial Statements Continued

for the year ended 31 December 2021

19. Share Capital

	2021	2020
Authorised:		
75 million Ordinary shares of K1 each	75,000,000	75,000,000
Issued and fully paid:		
At 1 January 2021 Ordinary shares of K1 each	45,000,000	30,000,000
Issued during the year	-	15,000,000
At 31 December 2021 Ordinary shares of K1 each	45,000,000	45,000,000

20. Share Premium

Balance at 1 January	24,978,551	2,530,642
Premium arising on issue of equity shares during the year	-	25,500,000
Share issue costs	-	(3,052,091)
Balance at 31 December	24,978,551	24,978,551

21. Insurance Contract Liabilities

Insurance contract liabilities comprise:		
Provision for unearned premium (i)	4,254,026	4,376,875
Outstanding claims and incurred but not reported reserve (IBNR) (ii)	4,851,134	4,874,533
	9,105,160	9,251,408
(i) Provision for unearned premium		
The movement in unearned premium reserve during the year was as follows:		
At beginning of the year	4,376,875	3,708,617
Movement for the year	(122,849)	668,258
At the end of the year	4,254,026	4,376,875

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

21. Insurance Contract Liabilities (Cont.)		2021	
(i) Provision for unearned premium (Cont.)			
	Unearned premium	Reinsurance share of unearned premium	Net
At beginning of the year	(8,871,543)	(4,494,668)	(4,376,875)
Premium written in the year	78,759,253	47,058,834	31,700,419
Premium earned in the year	(51,049,537)	(27,980,019)	(23,069,518)
At end of year	18,838,173	14,584,147	4,254,026
		2020	
	Unearned premium	Reinsurance share of unearned premium	Net
At beginning of the year	(6,672,639)	(2,964,021)	(3,708,617)
Premium written in the year	50,693,422	13,695,111	36,998,311
Premium earned in the year	(52,892,326)	(15,225,758)	(37,666,569)
At end of year	(8,871,543)	(4,494,668)	(4,376,875)

(ii) Outstanding claims and incurred but not reported reserve

Outstanding claims comprise amounts outstanding in respect of claims arising from the underwriting of insurance contracts.
Incurred but not reported reserve comprises an estimate reserve of claims incurred but not reported at year end.

The Directors consider that the carrying amounts of outstanding claims approximate their fair values.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

21. Insurance Contract Liabilities (Cont.)

(ii) Outstanding claims and incurred but not reported reserve (Cont.)

	2021	2020
Outstanding claims	3,284,497	2,126,406
Reinsurance share of outstanding claims	(2,160,776)	(917,541)
Net Incurred but not reported reserve	3,727,413	3,665,668
	4,851,134	4,874,533

		2021	
	Outstanding Claims	Reinsurance share of outstanding claims	Net
At beginning of the year	5,792,074	917,541	4,874,533
Claims incurred in current year	15,421,920	7,289,411	8,132,509
Claims paid	(14,202,084)	(6,046,176)	(8,155,908)
At end of year	**7,011,910**	**2,160,776**	**4,851,134**

		2020	
	Outstanding Claims	Reinsurance share of outstanding claims	Net
At beginning of the year	7,409,160	3,074,640	4,334,520
Claims incurred in current year	12,969,915	5,057,730	7,912,185
Claims paid	(14,587,001)	(7,214,829)	(7,372,172)
At end of year	**5,792,074**	**917,541**	**4,874,533**

22. Reinsurance Liabilities

	2021	2020
At beginning of the year	6,185,991	2,935,572
Reinsurance ceded in the year	47,058,834	13,695,111
Payments in the year	(46,436,710)	(10,444,692)
At the end of the year	6,808,115	6,185,991

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

23. Other Financial Liabilities

Other financial liabilities 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 financial liabilities balance at the reporting date was as follows:

	2021	2020
Employee related liabilities	2,115,938	2,064,048
Sundry payables	429,297	399,651
Statutory obligations	241,585	396,917
	2,786,820	2,860,616

The employee related provisions and liabilities relate mainly to provisions for end of contract gratuity entitlements. The movements in gratuity and the leave pay accounts during the year were as follows:

Employee related provisions and liabilities

(i) Gratuity provisions

At beginning of the year	2,062,276	2,057,725
Additional provisions during the year	1,853,255	1,371,331
Paid during the year	(1,808,807)	(1,366,780)
At end of the year	2,106,724	2,062,276

The gratuity relates to employee entitlements at the end of their contract

(ii) Leave pay provisions

At beginning of the year	1,772	94,403
Additional provisions during the year	405,712	325,199
Utilised during the year	(398,270)	(417,830)
At end of the year	9,214	1,772
Leave pay liabilities are all current.		
Total employee related provisions and liabilities	2,115,938	2,064,048

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

24. Deferred Tax	**2021**	2020
At beginning of the year	**67,129**	(4,242,833)
Charge to profit or loss (note 10)	**(3,094,170)**	3,363,403
Under provision of tax in the prior year	**3,506**	1,050,634
Charge to equity	**(128,524)**	(104,075)
At the end of the year	**(3,152,059)**	67,129

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

	Accelerated depreciation	**Unrealised exchange gains**	**Unrealised exchange losses**	**Bad debts Provision**	**Other Provisions**	**Total**
At 1 January 2020	1,204,363	-	-	(4,747,843)	(699,353)	(4,242,833)
Charge (credit) to profit or loss	426,688	4,042,472	(822,521)	11,853	(295,089)	3,363,403
Under provision of tax in the prior year	292,668	1,335,273	379,760	-	(957,067)	1,050,634
Charge to equity	(104,075)	-	-	-	-	(104,075)
At 31 December 2020	1,819,644	5,377,745	(442,761)	(4,735,990)	(1,951,509)	67,129
Charge (credit) to profit or loss	(226,975)	(3,099,057)	(572,304)	551,771	252,395	(3,094,170)
Under provision of tax in the prior year	3,506	-	-	-	-	3,506
Charge to equity	(128,524)	-	-	-	-	(128,524)
At 31 December 2021	**1,467,651**	**2,278,688**	**(1,015,065)**	**(4,184,219)**	**(1,699,114)**	**(3,152,059)**

25. Capital Commitments and Contingent Liabilities	2021	2020
Authorised by the directors but not contracted for	-	-

Notes to the Financial Statements

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for the year ended 31 December 2021

26. Basic and diluted earnings per share

Earnings per share is calculated by dividing the net earnings attributable to the shareholders by the weighted average number of shares in issue during the year.

	2021	2020
Net earnings attributable to shareholders	1,307,334	6,734,145
Weighted average number of shares in issue	45,000,000	45,000,000
Basic and diluted earnings per share	0.03	0.15

27. Related Party Transactions

(i) Trading Transactions

The effect on the results for the year of these transactions is as follows:

(a) Management and technical service expenses	2021	2020
Choice Corporate Services Limited	253,782	168,017

These are secretarial fees paid during the year under review and which are paid on a quarterly basis.

(b) Directors and key management personnel remuneration

The remuneration of Directors and other members of key Management during the year was as follows:

Key management staff emoluments:		
in connection with the management of the Company	3,657,609	2,990,542

Non Executive Directors' Remuneration:		
In connection with the management of the Company as directors	998,617	686,041

Directors' fees analysed as follows:	2021	2020
Mrs Joyce Muwo-Mwansa	159,275	102,904
Mr Nathan DeAssis	124,500	98,352
Mr. Mateyo Kaluba	114,000	14,904
Mr Munakopa Sikaulu	118,000	107,816
Mr. Muchndu Kasongola	107,167	26,784
Mr Mwewa Kyamulanda	110,500	83,592

Notes to the Financial Statements Continued

for the year ended 31 December 2021

27. Related Party Transactions (Cont.)
Non Executive Directors' Remuneration (Cont.)

Mr Simomo Akapelwa	**128,000**	100,332
Mrs. Exhilda Lumbwe	**108,375**	104,616
Mr. David Kombe	**-**	32,341
	969,817	671,641

The remuneration of Directors is determined by the shareholders while that of the Managing Director is determined by the Board of Directors.

There are no loans to Non-executive Directors as at 31 December 2021 (2020: Nil).

(c) Other fees
Other fees paid to the Audit Committee Chair, Mr. Chrispin Daka, during the year amounted to **K28,800** (2020: K14,400). The Audit Committee Chair is not a Director in the Company.

28. Dividend
During the year under review, there was no dividend paid (2020: K2,100,000). The proposed dividend for the year 2021 is K0.059 per share.

29. 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 which would require disclosure or adjustments to these financial statements.

30. 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 both debt and equity. The Company's overall strategy remains unchanged from 2020.

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 in the statement of changes in equity.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

30. Financial Instruments (Cont.)

Capital risk management (Cont.)

Gearing ratio

The Company reviews the capital structure on an ongoing basis. As at year ended 31 December 2021 , the Company had not sourced any funding externally. The Company had a gearing ratio of 0% (2020: 0%) determined as the proportion of net debt to equity as follows:

	2021	2020
Debt (i)	-	-
Less: cash and cash equivalents	5,468,115	11,458,615
Net debt	5,468,115	11,458,615
Equity (ii)	92,856,458	89,376,004
Net debt to equity ratio	0%	0%

Categories of financial instruments	2021	2020
Financial assets		
Investments at amortised cost	60,970,266	42,850,141
Investments at fair value through other comprehensive income	4,789,396	3,320,601
Insurance receivables	13,494,339	22,906,933
Other assets, less prepayments	11,311,705	11,573,150
Cash and bank balances	5,468,115	11,458,615
	96,033,821	92,109,440
Financial liabilities		
Insurance contract liabilities	9,105,160	9,251,408
Other financial liabilities, less taxes	2,545,235	2,460,965
Reinsurance payables	6,808,115	6,185,991
	18,458,510	17,898,364

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

Notes to the Financial Statements

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for the year ended 31 December 2021

Financial risk management objectives

The Company's Finance Department co-ordinates access to domestic markets and, 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 Company is exposed to foreign exchange risk arising primarily with respect to gross premiums written and reinsurance transactions, a large proportion of which are denominated in US Dollar.

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

	2021	2020
Assets	6,602,726	1,105,743
Liabilities	119,122	1,232,432

Sensitivity analysis

At 31 December 2021, if the US Dollar had appreciated or depreciated by 18% against the Kwacha, with all other variables held constant, the increase or decrease in the profit for the year would have been K3.311 million (K4.409 million) higher or lower, mainly arising from insurance receivables, cash and amounts due to reinsurers.

(a) Market Risks

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 audit and risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

Notes to the Financial Statements

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for the year ended 31 December 2021

30. **Financial Instruments (Cont.)**

Foreign currency risk management (Cont.)

(a) **Market Risks (Cont.)**

- 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.

(b) 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 2021	Kwacha	US Dollar	Total
Property and equipment	8,650,034	-	8,650,034
Investment properties	5,040,000	-	5,040,000
Other assets, excluding prepayment and taxes	11,311,705	-	11,311,705
Financial Instruments			
Investments amortised at cost	58,802,920	2,167,346	60,970,266
Insurance receivables	8,668,446	4,825,894	13,494,339
Bank and cash balances	3,246,451	2,221,664	5,468,115
Total assets	95,719,555	9,214,903	104,934,459
Insurance contract liabilities	9,105,160	-	9,105,160
Reinsurance payables	6,146,328	661,787	6,808,115
Other financial liabilities excluding taxes	2,545,235	-	2,545,235
Total liabilities	17,796,723	661,787	18,458,510

Notes to the Financial Statements Continued

for the year ended 31 December 2021

30. Financial Instruments (Cont.)

Foreign currency risk management (Cont.)

(b) Currency Risk (Cont.)

Year ended 31 December 2020	Kwacha	US Dollar	Total
Property and equipment	8,844,019	-	8,844,019
Investment properties	5,000,000	-	5,000,000
Other assets, excluding prepayment and taxes	11,573,150	-	11,573,150
Financial instruments			
Investments amortised at cost	39,486,737	3,363,404	42,850,141
Insurance receivables	12,173,288	10,733,645	22,906,933
Bank and cash balances	10,352,872	1,105,743	11,458,615
Total assets	87,430,066	15,202,792	102,632,858
Insurance contract liabilities	**Kwacha**	**US Dollar**	**Total**
Insurance contract liabilities	9,251408	-	9,251,408
Reinsurance payables	4,953,559	1,232,432	6,185,991
Other financial liabilities, excluding taxes	2,460,965	-	2,460,965
Total Liabilities	16,665932	1,232,432	17,898,364

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.

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 profit or loss) 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.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

30. Financial Instruments (Cont.)

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.

	2021	2020
The Company's maximum exposure to credit risk is		
Insurance receivables	27,725,792	36,681,812
Other assets	11,400,014	11,661,776
Investments amortised at cost	60,970,266	42,850,141
Investments at fair value	4,789,396	3,320,601
Bank and cash balances	5,468,115	11,458,615
	110,353,583	105,972,945

(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 audit and 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 2021 the Company had the right to set off financial liabilities amounting to Nil (2020: Nil) against financial assets with a fair value of Nil (2020: Nil) under such arrangements.

- Guidelines determine when to obtain collateral and guarantees (i.e., certain derivative transactions are covered by collateral and derivatives are only taken out with counterparties with a suitable credit rating). The Company maintains strict control.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

30. Financial Instruments (Cont.)

Credit Risk Management (Cont.)

(i) Credit Risks (Cont.)

- 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.

	Financial Institutions	Government	Other
Industrial Analysis			
Year ended 31 December 2020			
Financial Assets			
Investments amortised at cost	48,963,522	15,140,089	-
Investments at fair value	123,500	-	4,665,896
Insurance receivables	13,494,339	-	-
Other assets	11,400,014	-	-
Bank and cash balances	5,468,115	-	-
Total credit risk exposure	**79,449,490**	**15,140,089**	**4,665,896**

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

30. Financial Instruments (Cont.)
Credit Risk Management (Cont.)
(i) Credit Risks (Cont.)

	Financial Institutions	Government	Other
Industrial Analysis			
Year ended 31 December 2021			
Financial Assets			
Investments amortised at cost	38,473,004	14,467,553	-
Investments at fair value	39,808	-	2,264,000
Insurance receivables	22,906,933	-	-
Other assets	11,661,776	-	-
Bank and cash balances	11,458,615	-	-
Total credit risk exposure	**84,540,136**	**14,467,553**	**2,264,000**

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 2021

Financial assets	Investment grade	Non investment grade: satisfactory	Non investment grade: unsatisfactory	Past due but not impaired
Investments amortised at cost	-	60,970,266	-	-
Investments at fair value	-	4,789,389	-	-
Insurance receivables	-	13,494,339	-	-
Other assets	-	11,400,014	-	-
Bank and cash balances	-	5,468,115	-	-
	-	96,122,130	-	-

Notes to the Financial Statements Continued

for the year ended 31 December 2021

30. Financial Instruments (Cont.)
Credit Risk Management (Cont.)
(i) Credit Risks (Cont.)

Year ended 31 December 2021

Financial assets	Investment grade	Non investment grade: satisfactory	Non investment grade: unsatisfactory	Past due but not impaired
Investments amortised at cost	-	42,850,141	-	-
Investments at fair value	-	3,320,601	-	-
Insurance receivables	-	22,906,933	-	-
Other assets	-	11,661,776	-	-
Bank and cash balances	-	11,458,615	-	-
	-	92,198,066	-	-

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 2021

	> 60 to 90 days	90 to 120 days	120 to 365 days	Over 365 days	Total past due but not impaired
Insurance receivables	**14,547,590**	**1,956,726**	**3,243,819**	**7,977,657**	**27,725,792**
Total	**14,547,590**	**1,956,726**	**3,243,819**	**7,977,657**	**27,725,792**
Year ended 31 December 2020					
Insurance receivables	18,617,181	234,514	6,645,017	11,185,100	36,681,812
Total	18,617,181	234,514	6,645,017	11,185,100	36,681,812

Impaired financial assets

At 31 December 2021, there are impaired insurance receivables of **K14,231,453** (2020: K 13,774,879).
For assets to be classified as "past–due and impaired" contractual payments must be in arrears for more than 365 days.
No collateral is held as security for any past due or impaired assets.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

30. Financial Instruments (Cont.)

Credit Risk Management (Cont.)

(i) Credit Risks (Cont.)

Impaired financial assets (Cont.)

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

	2021	2020
At 1 January	**13,774,879**	13,808,744
Charge for the year	**456,574**	10,606,460
Bad debts write off	**-**	(10,640,325)
At 31 December	**14,231,453**	13,774,879

(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.

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.

Notes to the Financial Statements Continued

for the year ended 31 December 2021

30. Financial Instruments (Cont.)

(ii) Liquidity Risk (Cont.)

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

Year ended 31 December 2021	1 to 3 Months	3 months to 1 year	Total
Financial Liabilities			
Insurance contract liabilities	9,105,160	-	9,105,160
Reinsurance payables	6,808,115	-	6,808,115
Other financial liabilities	2,786,820	-	2,786,820
	18,700,095		**18,700,095**
Financial Assets			
Investments amortised at cost	3,133,345	57,836,921	60,970,266
Investments at fair value	4,789,396	-	4,789,396
Insurance receivables	13,494,339	-	13,494,339
Other assets	11,400,014	-	11,400,014
Bank and cash balances	5,468,115	-	5,468,115
	38,285,209	**57,836,921**	**96,122,130**
Net liquidity gap	**19,585,114**	**57,836,921**	**77,422,035**
Year ended 31 December 2020			
Financial liabilities			
Insurance contract liabilities	9,251,408	-	9,251,408
Reinsurance payable	6,185,991	-	6,185,991
Other financial liabilities	2,460,965	-	2,460,965
	17,898,364	**-**	**17,898,364**
Financial assets			
Investments amortised at cost	10,090,416	32,759,725	42,850,141
Investments at fair value	3,320,601	-	3,320,601
Insurance receivables	18,617,181	4,289,752	22,906,933
Other assets	11,539,057	-	11,539,057
Bank and cash balances	11,458,615	-	11,458,615
	55,025,869	**37,049,477**	**92,075,347**
Net liquidity gap	**37,127,505**	**37,049,477**	**74,176,983**

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

30. Financial Instruments (Cont.)

(ii) Liquidity Risk (Cont.)

Maturity analysis (undiscounted cash flow basis for non derivatives)

The ComFor 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.

Year ended 31 December 2021

	Carrying Amount	Up to 1 year	1 to 3 years	5 to 15 years	Total
Financial assets					
Investments amortised at cost	60,970,266	60,970,266	-	-	60,970,266
Investments at fair value	4,789,396	4,789,396	-	-	4,789,396
Insurance receivables	13,494,339	13,494,339	-	-	13,494,339
Other assets	11,400,014	11,400,014	-	-	11,400,014
Bank and cash balances	5,468,115	5,468,115	-		5,468,115
Total undiscounted assets	**96,122,130**	**96,122,130**	**-**	**-**	**96,122,130**
Financial Liabilities					
Insurance contract liabilities	9,105,160	9,105,160	-	-	9,105,160
Reinsurance payables	6,808,115	6,808,115	-	-	6,808,115
Other financial liabilities	2,786,820	2,786,820	-	-	2,786,820
Total undiscounted liabilities	**18,700,095**	**18,700,095**	-	-	**18,700,095**
Total liquidity gap	**77,422,035**	**77,422,035**	-	-	**77,422,035**

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

30. Financial Instruments (Cont.)

(ii) Liquidity Risk (Cont.)

Maturity analysis (undiscounted cash flow basis for non derivatives) (Cont.)

Year ended 31 December 2020

	Carrying Amount	Up to 1 year	1 to 3 years	5 to 15 years	Total
Financial assets					
Investments amortised at cost	42,850,141	42,850,141	-	-	42,850,141
Investments at fair value	3,320,601	3,320,601	-	-	3,320,601
Insurance receivables	22,906,933	22,906,933	-	-	22,906,933
Other assets	11,661,776	11,661,776	-	-	11,661,776
Bank and cash balances	11,458,615	11,458,615	-		11,458,615
Total undiscounted assets	**92,198,066**	**92,198,066**	**-**	**-**	**92,198,066**
Financial Liabilities					
Insurance contract liabilities	9,251,408	9,251,408	-	-	9,251,408
Reinsurance payables	6,185,991	6,185,991	-	-	6,185,991
Other financial liabilities	2,860,616	2,860,616	-	-	2,860,616
Total undiscounted liabilities	18,298,015	18,298,015	-	-	18,298,015
Total liquidity gap	**73,900,051**	**73,900,051**	-	-	73,900,051

Year ended 31 December 2021

	Current	Non Current	Total
Non Financial assets			
Property and equipment	-	8,650,034	8,650,034
Investment properties	-	5,040,000	5,040,000
Financial assets			
Investments amortised at cost	60,970,266	-	60,970,266
Investments at fair value	4,789,396	-	4,789,396
Insurance receivables	13,494,339	-	13,494,339
Bank and cash balances	5,468,115	-	5,468,115
Other assets	11,400,014	-	11,400,014
Total assets	**96,122,130**	**13,690,034**	109,812,164

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

30. Financial Instruments (Cont.)

(ii) Liquidity Risk (Cont.)

Maturity analysis (undiscounted cash flow basis for non derivatives) (Cont.)

Financial liabilities	Current	Non Current	Total
Insurance payables	15,913,275		15,913,275
Other financial liabilities, less taxes	2,786,820		2,786,820
Total liabilities	18,700,095		18,700,095
Year ended 31 December 2020			
Non financial assets			
Property and equipment	-	8,844,019	8,844,019
Investment properties	-	5,000,000	5,000,000
Financial assets			
Investments amortised at cost	42,850,141	-	42,850,141
Investments at fair value	3,320,601	-	3,320,601
Insurance receivables	22,906,933	-	22,906,933
Bank and cash balances	11,458,615	-	11,458,615
Other assets	11,661,776	-	11,661,776
Total assets	92,198,066	13,844,019	106,042,085
Financial liabilities			
Insurance payables	15,437,399		15,437,399
Other financial liabilities, less taxes	2,860,616		2,860,616
Total assets	18,298,015	-	18,298,015

Notes to the Financial Statements Continued

for the year ended 31 December 2021

31. Fair Value Measurement

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 year. 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.

Fair value measurements	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investments amortised at cost	**60,970,266**	**60,970,266**	42,850,141	42,850,141
Investments at fair value	**4,789,396**	**4,789,396**	3,320,601	3,320,601
Insurance receivables	**13,494,339**	**13,494,339**	22,906,933	22,906,933
Other assets	**11,400,014**	**11,400,014**	11,661,776	11,661,776
Bank and cash balances	**5,468,115**	**5,468,115**	11,458,615	11,458,615
Financial liabilities				
Financial liabilities held at amortised cost:				
– Other financial liabilities	**2,786,820**	**2,786,820**	2,860,616	2,860,616
– Insurance contract liabilities	**9,105,160**	**9,105,160**	9,251,408	9,251,408
– Reinsurance payables	**6,808,115**	**6,808,115**	6,185,991	6,185,991

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

31. Fair Value Measurement (Cont.)

Fair value measurements	Fair value hierarchy as at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investments amortised at cost	-	60,970,266	-	60,970,266
Investments at fair value	4,789,396	-	-	4,789,396
Insurance receivables	-	-	13,494,339	13,494,339
Other assets	-	-	11,400,014	11,400,014
Bank and cash balances	-	5,468,115	-	5,468,115
Total	**4,789,396**	**66,438,381**	**24,894,353**	**96,122,130**
Financial liabilities				
Financial liabilities held at amortised cost:				
– Other financial liabilities	-	-	2,786,820	2,786,820
– Insurance contract liabilities	-	-	9,105,160	9,105,160
– Reinsurance payables	-	-	6,808,115	6,808,115
Total	-	-	**18,700,095**	**18,700,095**

The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Notes to the Financial Statements Continued

for the year ended 31 December 2021

32. Insurance and Financial Risk

(a) Insurance risk

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

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

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of reinsurance ceded out is surplus which is taken out to reduce the overall exposure of the Company. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Company's gross retention and the exposure to catastrophe losses.

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.

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.

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

The Company principally issues the following types of general insurance contracts: motor, fire, engineering, accident and marine. 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.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

32. Insurance and Financial Risk (Cont.)

(a) Insurance risk (Cont.)

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 table below sets out the concentration of insurance contract liabilities by type of contract.

Fair value measurements	Year ended 31 December 2021		Year ended 31 December 2020	
K'million	Gross Liabilities	Reinsurance of Liabilities	Gross Liabilities	Reinsurance of Liabilities
Fire	(3,486,747)	(1,895,248)	(1,805,905)	(618,637)
Accident	(1,371,564)	(223,167)	(2,474,352)	(275,240)
Motor	(618,161)	(10,553)	(566,956)	(21,572)
Engineering	(788,383)	-	(940,673)	(2,092)
Marine	(747,055)	(31,808)	(4,188)	-
Total	(7,011,910)	(2,160,776)	(5,792,074)	(917,541)

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.

Notes to the Financial Statements Continued

for the year ended 31 December 2021

32. Insurance and Financial Risk (Cont.)

(a) Insurance risk (Cont.)

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 2021			
	Change in assumptions	**Impact on Profit before tax**	**Impact on equity**
Average claim cost	10%	(813,251)	(528,613)
Average number of claims	10%	(813,251)	(528,613)
Average claim settlement period	Reduce from 3 months to 1 month		
Year ended 31 December 2020			
	Change in assumptions	**Impact on Profit before tax**	**Impact on equity**
Average claim cost	10%	(791,218)	(514,292)
Average number of claims	10%	(791,218)	(514,292)
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.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

32. Insurance and Financial Risk (Cont.)

(a) Insurance risk (Cont.)

Claims development table

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

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

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

Gross insurance contract outstanding claims provision for 2021:

Accident year	2018	2019	2020	2021	Total
At beginning of accident year	7,994,726	4,056,701	7,409,160	5,792,074	25,252,662
Claims incurred during the year	6,571,920	13,458,896	12,969,915	15,421,920	48,422,651
Claims paid during the year	(10,509,945)	(10,106,437)	(14,587,001)	(14,202,084)	(49,405,467)
At the end of the year	4,056,701	7,409,160	5,792,074	7,011,910	24,269,846
Net insurance contract outstanding claims provision for 2021:					
Accident year	**2018**	**2019**	**2020**	**2021**	**Total**
At beginning of accident year	5,036,533	2,410,734	4,334,520	4,874,533	16,656,319
Claims incurred during the year	1,730,465	5,778,993	7,912,185	8,132,509	23,554,152
Claims paid during the year	(4,356,264)	(3,855,207)	(7,372,172)	(8,155,908)	40,210,471
At the end of the year	2,410,734	4,334,520	4,874,533	4,851,134	80,420,942

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.

Notes to the Financial Statements Continued

for the year ended 31 December 2021

33. Adoption of New and Revised Standards

33.1 New and amended Standards that are effective for the current year

33.1.1 Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

In the prior year, the Company early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

In the current financial year, the Company has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease

The Directors have made an assessment and there is no impact on the Company.

33.1.2 New and revised Standards in issue but not yet effective

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.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases.
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

33. Adoption of New and Revised Standards (Cont.)
33.1 New and amended Standards that are effective for the current year (Cont.)
33.1.2 New and revised Standards in issue but not yet effective (Cont.)

An assessment has been done and 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.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

The Directors have made an assessment and there is no impact on the Company.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an Company also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
The directors have made an assessment and there is no impact on the company.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

Notes to the Financial Statements Continued

for the year ended 31 December 2021

33. Adoption of New and Revised Standards (Cont.)

33.1 New and amended Standards that are effective for the current year (Cont.)

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

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.
The directors have made an assessment and there is no impact on the Company.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
The Directors have made an assessment and there is no impact on the Company.

IFRS 9 Financial Instruments

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

33. Adoption of New and Revised Standards (Cont.)

33.1 New and amended Standards that are effective for the current year (Cont.)

33.1.2 New and revised Standards in issue but not yet effective (Cont.)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

The directors have made an assessment and there is no impact on the Company.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

- A change in accounting estimate that results from new information or new developments is not the correction of an error

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

The Directors have made an assessment and there is no impact on the Company.

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

33. Adoption of New and Revised Standards (Cont.)

33.1 New and amended Standards that are effective for the current year (Cont.)

33.1.2 New and revised Standards in issue but not yet effective (Cont.)

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.
Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The directors are in the process of determining the impact of the standard on the Company.

Notes to the Financial Statements Continued

for the year ended 31 December 2021

34. Segment Reporting

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Executive Management who are responsible for allocating resources to the reportable segments and assesses its performance. Each segment manages insurance results, develops products and services and defines distribution strategies based on the profile and needs of its specific market niche. The Company reports information about operating segments that meet a quantitative threshold or where disclosure results in useful information. There were five reportable segments as at 31 December 2021 and their respective product and service offerings are as follows:

Reportable segment	Description
Fire	All property, Assets and Industrial All Risks.
Motor	Offers automobile and third party liability coverage for personal and commercial vehicles. The coverage period does not exceed one year.
Engineering	Engineering projects, computers and servers, mobile plant and machinery/machinery breakdown.
Accident	Burglary, Liabilities, Goods in Transit, Bonds, Fidelity Guarantee, Professional Indemnity (Bankers Blanket Bonds), Personal Accident, Directors and Officers Liability, All Risks and Umbrella Liabilities.
Marine	Marine Cargo, Hull, Aviation and related liabilities.
Life	Offers individual life and group life insurance contracts. Once the selected term has ended, the insurance contract is terminated and a policyholder may potentially obtain new coverage on the new terms, subject to successful underwriting. All insurance contracts in this segment offer fixed and guaranteed death benefits over the contractual term. Contracts issued typically have regular monthly, quarterly or annual premiums with a small portion having a single premium arrangement.

The Executive Management Committee primarily uses net investment and insurance results to assess the performance of operating segments. This measure is calculated using the same measurement principles that are used in the preparation of the statement of profit or loss and is reconciled to the total profit and loss below. Segment information provided to the Executive Management Committee for the year ended 31 December 2021 and as at that date is as follows:

Notes to the Financial Statements

Continued

for the year ended 31 December 2021

34. Segment Reporting (Cont.)

Figures in Kwacha thousands

Class of business	Fire	Accident	Motor	Engineering	Marine	Life	**Total 2021**	Total 2020
Gross Written Premium	47,081	11,975	2,839	11,148	2,114	3,602	**78,759**	50,693
Change in unearned premium reserve	679	361	(2,156)	1,309	(71)	-	**123**	(668)
Premium ceded	(40,517)	(3,124)	(170)	(2,454)	(337)	(457)	**(47,059)**	(13,695)
Net premiums	**7,244**	**9,212**	**513**	**10,003**	**1,707**	**3,145**	**31,823**	**36,330**
Net claims	(2,553)	(1,554)	(915)	(1,403)	441	(2,149)	**(8,133)**	(7,912)
Reinsurance commissions	10,903	1,133	102	805	135	-	**13,077**	4,553
	8,349	(420)	(813)	(598)	576	(2,149)	**4,944**	(3,359)
Net Commissions paid	(6,530)	(3,900)	(656)	(3,981)	(575)	(788)	**(16,430)**	(14,917)
Net change in deferred acquisitions costs	(2,140)	(84)	602	(393)	(1)	-	**(2,016)**	577
Total claims and other direct expenses	(265)	(4,943)	(908)	(4,955)	191	(2,937)	**(13,502)**	(17,699)
Underwriting surplus	6,979	4,269	(396)	5,049	1,897	208	**18,321**	18,631
Other income							**1,782**	16,798
Other indirect expenses:								
Employment expenses							**(8,638)**	(7,138)
General expenses							**(5,454)**	(3,779)
Depreciation expenses							**(586)**	(718)
Expected credit losses on premium recevables							**(457)**	(10,606)
Other operating expenses							**(2,142)**	(1,312)
Profit before tax							**2,827**	11,876
Income tax expense							**(1,520)**	(5,142)
Profit after tax							**1,307**	6,734

Management have considered the requirement of IFRS 8: Operating Segment paragraph 21 which requires an entity to disclose reported segment profit or loss, segment assets and segment liabilities. Management has determined the operating segments based on the reports reviewed by the Executive Management Committee that are used to make strategic decisions. The committee considers the business as a single operating segment, being Zambia operations. On the basis of information available to management, it is not practical to disclose the segment assets and segment liabilities for each reportable segment.

Solvency Statement

for the year ended 31 December 2021

35. Solvency Statement

	2021	2020
Admissible fixed assets	8,650,034	8,844,019
Admissible investments	60,970,266	42,850,141
Admissible current assets		
Premium receivables	27,725,792	36,681,812
Less: Premium receivables impairment	(14,231,453)	(13,774,879)
	13,494,339	22,906,933
Other assets	11,302,679	11,539,057
Cash and cash equivalents	5,468,115	11,458,615
Investments at fair value	4,789,396	3,320,601
Total admissible assets	104,674,829	100,919,366
Less: Admissible liabilities		
Insurance funds and provisions	(9,105,160)	(9,251,408)
Other financial liabilities	(2,786,820)	(2,860,616)
Reinsurance Payable	(6,808,115)	(6,185,991)
Proposed Dividend	(4,890)	(4,890)
	(18,704,985)	(18,302,905)
Excess of assets over liabilities	85,969,844	82,616,461
Solvency margin	460%	451%
Statutory solvency margin requirements	10%	10%

36. Comparative Figures

Comparativefugureshavebeenrestatedwherenecessarryinordertoaffordmeaningfulcomparisonwiththecurrent year figures.

The best time to plant a tree is 20 years ago. The second-best time is now.

SENS ANNOUNCEMENT

Incorporated in the Republic of Zambia
Company registration number: 63239
Share Code: ZAMBIA RE
ISIN: ZM0000000326
["ZAMBIA RE" or "the Company"]
(Formerly "Prima Reinsurance PLC")

POSTPONEMENT OF THE 17TH ANNUAL GENERAL MEETING

The shareholders of Zambia Reisurance Plc ("Zambia RE" or the "Company") are referred to the announcement dated 7th March 2022 wherein the Company announced the Notice of Annual General Meeting ("AGM"), that was scheduled to take place on Tuesday 29 March 2022 at 10:00.

However, the audited financials for the year ended 31st December 2021 were not received in time.

The AGM will now take place on Thursday 21st April 2022 at 10.00 hours.

The AGM proceedings will be conducted by Teleconference via the Zoom video link provided below:

https://us02web.zoom.us/j/82241904052?pwd=SDFvbWwyNFAxLzhneHAwdDFkVEdUQT09

Meeting ID: 822 4190 4052

Passcode: 853748

(the "Notice" or "Announcement")

ISSUER

ZAMBIA REINSURANCE PLC
[Incorporated in the Republic of Zambia]
Company registration number: 63239
Share Code: ZAMBIA RE
ISIN: ZM0000000011
Authorised by: Choice Corporate Services Limited - Company Secretary

SPONSOR

Stockbrokers Zambia Limited
[Member of the Lusaka Securities Exchange]
[Regulated and licensed by the Securities and Exchange Commission of Zambia]
Contact Number: +260-211-232456
Website: www.sbz.com.zm

APPROVAL

The captioned Notice or Announcement has been approved by:
i. the Lusaka Securities Exchange
ii. the Securities and Exchange Commission
iii. Stockbrokers Zambia Limited

RISK WARNING

The Notice or Announcement contained herein contains information that may be of a price sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED: 4 April 2022

All Shareholders are encouraged to make arrangements to participate in the AGM proceedings via the video link provided above.

The AGM had been convened for the following purposes:

1. To approve Minutes of the 16th Annual General Meeting held on 28th April 2021.
2. To receive and adopt the Chairperson's Report, the Report of Directors, the Report of the Auditors and the Audited Financial Statements for the year ended 31st December 2021.
3. To receive and consider the Directors' recommendation to declare dividends for the year ended 31st December 2021.
4. To appoint Auditors for the year ending 31st December 2021 and to authorise the Directors to determine their remuneration.
5. To appoint Directors.
6. To consider and approve the Directors' remuneration for the year ending 31st December 2022.
7. To transact any other ordinary business of the company.

Note: The form of proxy can be collected from the office of the Company Secretary at the following address:
Stand 3509/No.7 Matandani Close, Rhodes Park, Lusaka. Completed proxy forms should be deposited at the office of the Company Secretary at least 48 hours before the meeting.

Stand 3509/Number 7 Matandani Close
Rhodes Park
Lusaka
Zambia.

The Company regrets the inconvenience.

By Order of the Board

Choice Corporate Services Limited

COMPANY SECRETARY

Issued in Lusaka, Zambia on 4 April 2022

Lusaka Securities Exchange Sponsoring Broker

STOCKBROKERS ZAMBIA LIMITED

T | +260-211-232456
E | advisory@sbz.com.zm
W | www.sbz.com.zm

Stockbrokers Zambia Limited (SBZ) is a member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia

First Issued on 4 April 2022

”

One may have two legs, but that does not mean one can climb two trees at the same time.

ZAMBIA REINSURANCE PLC

FORM OF PROXY

To: **ZAMBIA REINSURANCE PLC**

I/We..of...

....

Being a Member/Members of the above named Company hereby appoint

Mr/Mrs/Ms/Dr...

of..

....

or failing him/her...

of..

....

As my/our proxy to vote for me/us on my/our behalf at the 17th Annual General Meeting of the Company to be held on Thursday, 21st April, 2022 at 10:00 hours and at any adjournment of that meeting.

The Annual General Meeting proceedings will be conducted by Teleconference via the Zoom video link provided below:

https://us02web.zoom.us/j/82241904052?pwd=SDFvbWwyNFAxLzhneHAwdDFkVEdUQT09

Meeting ID: 822 4190 4052

Passcode: 853748

.... Date :..2022

SIGNATURE OF APPOINTING MEMBER

Address: ....

Note: The Form of Proxy must be deposited with the Company Secretary at Stand 3509/No. 7 Matandani Close Rhodes Park, P.O Box 32565, Lusaka within 48 hours before the set time of Annual General Meeting.

Registered Office:
Stand 3509/Number 7 Matandani Close
Rhodes Park, Lusaka
Zambia

Note:
A Member entitled to attend and vote at this meeting is entitled to appoint a Proxy to vote instead of him/her. A Proxy need not be a member of the Company.

The Form of Proxy must be deposited at the Registered Office at least 48 hours before the meeting.

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ZAMBIA
REINSURANCE PLC

ADDRESS

ZAMBIA REINSURANCE (ZAMBIA RE)
No. 7, Namabozi Road
Fairview, Lusaka, Zambia

CONTACT INFORMATION

E: info@zambiare.co.zm
W: www.zambiare.co.zm
T: +260 211 221 158

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