MAYFAIR INSURANCE COMPANY RWANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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Directors' report

The directors submit their report together with the audited financial statements for the year ended 31 December 2017 which disclose the state of affairs of Mayfair insurance Company Rwanda limited (the "Company").

REGISTERED OFFICE

Mayfair Insurance Company Rwanda Ltd
Makuza Peace Plaza, 2nd Floor,Avenue de la Paix
P.O. Box 1380,Kigali, Rwanda

PRINCIPAL ACTIVITIES

Mayfair Insurance Company Rwanda Ltd incorporated in Rwanda on 02 February 2016 .and its principal activity is provision of non-life insurance in Rwanda.

RESULTS AND DIVIDENDS

The loss for the year of FRW 296,999,000 (2016: FRW135,616,000) has been added to accumulated losses. The Directors did not recommend the payment of any dividend

DIRECTORS

The directors who held office during the year ended 31 December 2017 and to the date of this report were:

Names	Role	Nationality	appointed
BYUSA HANGU Alphonse	Chairperson - independent	Rwandese	24/02/2016
MUHIMUZI MUGISHA Daniel	Managing director	Rwandese	04/12/2015
ANJAY VITHALBHAI PATEL	Member	British	04/12/2015
VISHAL RAJINDERKUMAR PATEL	Member	Kenyan	04/12/2015
RICHARD RWIHANDAGAZA	Member - independent	Rwandese	04/12/2015
JESSICA IGOMA	Member - independent	Rwandese	24/02/2017

Board and board committees' membership and attendance

Names	Main Board	Audit Committee	Risk and Compliance	Executive committee
BYUSA HANGU Alphonse	x			x
MUHIMUZI MUGISHA Daniel	x	x	x	x
ANJAY VITHALBHAI PATEL	x	x		
VISHAL RAJINDERKUMAR PATEL	x		x	
RICHARD RWIHANDAGAZA	x	x	x	x
JESSICA IGOMA	x	x	x	x

X Membership

All members of the board of directors are appointed on 3 years renewable term. During the year ended 31 December 2017, the board met 3 times (22 May, 22 September and 09 December) and all the board members were in attendance in all meetings.

Board committees' chairpersons

Board Committee Name	Chairperson
Audit Committee	JESSICA IGOMA
Risk and Compliance	RICHARD RWIHANDAGAZA
Executive committee	BYUSA HANGU Alphonse

AUDITOR

The Company's auditor, PricewaterhouseCoopers Rwanda Limited were appointed during the year in accordance with law no 27/2017 of 31 May 2017 relating to Companies and have expressed their willingness to continue in office.

BY ORDER OF THE BOARD

Secretary

Date:...30/03.....................2018

MAYFAIR INSURANCE COMPANY LTD
MAYFAIR INSURANCE
P.O BOX: 1380
KIGALI - RWANDA

Statement of director's responsibilities

Law No.27/2017 of 31 May 2017 relating to companies require 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 profit or loss. They also require 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 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 Law No 27/2017 of 31 May 2017 relating to companies. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its loss in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

The company did not meet the capital requirements as at 31 December 2017. The directors have undertaken to remediate the position by requesting for additional capital from shareholders as disclosed in note 26. With the additional capital and support by shareholders, directors believe the company will be compliant and a going concern over the next 12 months from the date of this statement.

Approval of the financial statements

The financial statements on pages 6 to 42 were approved for issue by the board of directors on

30/03/2018 and signed on its behalf by:

Director **Director**

MAYFAIR INSURANCE COMPANY RWANDA LTD
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KIGALI - RWANDA

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MAYFAIR INSURANCE COMPANY RWANDA LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Mayfair insurance Company Rwanda limited (the "Company") as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No. 27/2017 of 31 May 2017 relating to companies.

What we have audited

The financial statements of the Company are set out on pages 6 to 42 comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the Annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of Law No. 27/2017 of 31 May 2017 relating to Companies, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the 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 financial reporting process.

PricewaterhouseCoopers Rwanda Limited , 5th Floor, Blue Star House, Blvd de l'Umuganda, Kacyiru
PO Box 1495 Kigali, Rwanda
Tel: +250 (252) 588203/4/5/6 , www.pwc.com/rw

Directors: B Kimacia A Eriksson F Gatome M Nyabanda

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MAYFAIR INSURANCE COMPANY RWANDA LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Mayfair insurance Company Rwanda limited (the "Company") as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No. 27/2017 of 31 May 2017 governing companies.

What we have audited

The financial statements of the Company are set out on pages 6 to 42 comprise:

- the statement of financial position as at 31 December 2017;
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- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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The directors are responsible for the other information. The other information comprises the Annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of Law No. 27/2017 of 31 May 2017 governing Companies, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the 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 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 professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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Report on other legal and regulatory requirements

Law No. 27/2017 of 31 May 2017 governing companies requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i. There are no circumstances that may create threat to our independence as auditor of the Company;

ii. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

iii. In our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iv. We have communicated to the Company's Board of Directors, through a separate management letter, internal control matters identified in the course of our audit including our recommendations in relation to those matters.

For PricewaterhouseCoopers Rwanda Limited, Kigali.

Moses Nyabanda
Director

3 April 2018

Statement of comprehensive income

	Notes	Year ended 31 December: 2017 FRW'000	2016 FRW'000
Gross written premiums	1 (a)	574,397	-
Premiums ceded to reinsurers	1 (c)	(176,936)	-
Net written premiums		397,461	-
Unearned premium reserve	1 (b)	(290,717)	-
Net earned premiums		**106,744**	-
Commissions income	1 (c)	53,558	-
Investment income	2	31,996	1,682
Finance and other income	3	16,548	-
Total income		**208,846**	**1,682**
Gross claims and policyholders' benefits payable	4	(64,350)	-
less: Claims recoverable from reinsurers		-	-
Net claims incurred		**(64,350)**	-
Increase in claims incurred but not reported		(5,454)	-
Commissions expense	1 (d)	(89,475)	-
Deferred acquisition cost	1 (d)	61,833	-
Operating and other expenses	5 (a)	(408,399)	(137,298)
Loss before income tax		**(296,999)**	**(135,616)**
Income tax expense	7	-	-
Loss for the year		**(296,999)**	**(135,616)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(296,999)**	**(135,616)**

The notes on pages 10 to 42 are an integral part of these financial statements.

Statement of financial position

ASSETS	**Notes**	**2017** FRW '000'	**2016** FRW '000'
Cash and cash equivalents	8(a)	483,869	1,610
Deposits placed with financial institutions	8(b)	518,156	173,682
Receivables arising out of direct insurance arrangements	9	102,930	-
Deferred acquisition costs	10	61,833	-
Other assets	11	26,091	13,276
Unearned premium reserve – reinsurance share	16	106,037	
Intangible assets	13	19,049	-
Motor vehicle and equipment	14	60,553	24,273
Total assets		**1,378,518**	**212,841**
EQUITY AND LIABILITIES			
LIABILITIES			
Unearned premium reserve	16	396,754	-
Insurance contract liabilities	17	41,811	-
Other payables	18	130,392	68,826
Creditors arising from reinsurance arrangements	19	41,434	-
Total liabilities		**610,392**	**68,826**
EQUITY			
Share capital	20	1,200,742	279,631
Accumulated losses		(432,615)	(135,616)
Total equity		**768,127**	**144,015**
Total equity and liabilities		**1,378,518**	**212,841**

The notes on pages 10 to 42 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital FRW '000	Accumulated losses FRW '000	Total FRW '000
Year ended 31 December 2016				
At start of year		-	-	-
Total comprehensive income for the year		-	(135,616)	(135,616)
Transaction with owners;				
Capital contribution	20	279,631	-	279,631
At end of year		**279,631**	**(135,616)**	**144,015**
Year ended 31 December 2017				
At start of year		**279,631**	**(135,616)**	**144,015**
Total comprehensive income for the year		-	(296,999)	(296,999)
Transaction with owners;				
Capital contribution	20	921,111	-	**921,111**
At end of year		**1,200,742**	**(432,615)**	**768,127**

The notes on pages 10 to 42 are an integral part of these financial statements.

Statement of Cash flows

	Notes	2017 FRW'000	2016 FRW'000
Loss before income tax		(296,999)	(135,616)
Adjustments			
Depreciation charge on equipment	14	31,073	4,764
Interest income on term deposits	2	(31,996)	(1,682)
Adjusted loss before income tax		**(297,922)**	**(132,534)**
Working capital changes			
Receivables arising out of direct insurance arrangements		(102,930)	-
Deferred acquisition costs		(61,833)	-
Unearned premium reserve - reinsurance share		(106,037)	-
Other assets		(12,815)	(13,276)
Unearned premium reserve		396,754	-
Insurance contract liabilities		41,811	-
Other payables		61,566	68,826
Creditors arising from reinsurance arrangements		41,434	-
Cash outflows from operating activities		**(39,972)**	**(76,984)**
Interest income received	8(b)	15,522	**1,682**
Tax paid	8(b)	(2,328)	-
Net cash outflows from operating activities		**(26,778)**	**(75,302)**
Cash flows from investing activities			
Deposits placed with financial institutions	8(b)	(325,672)	(173,682)
Purchase of fixed assets	14	(67,353)	(29,037)
Intangible additions	13	(19,049)	-
Net cash outflows from investing activities		**(412,074)**	**(202,719)**
Financing activities			
Increase in share capital	20	921,111	279,631
Net cash inflows from financing activities		**921,111**	**279,631**
Net cash inflows for the year		**482,259**	**1,610**
Cash and cash equivalent opening	8(a)	1,610	-
Cash and cash equivalent closing	8(a)	**483,869**	**1,610**

The notes on pages 10 to 42 are an integral part of these financial statements.

Notes

1 (a) Gross written premiums

	2017 FRW'000	2016 FRW'000
Motor	279,176	-
Fire	195,493	-
Engineering	12,020	-
Liabilities	42,764	-
Marine	17,240	-
Bonds	18,617	-
Other	9,087	-
	574,397	-

1 (b) Unearned premium reserves

	Gross UPR	UPR reinsurer's portion	Net UPR
Motor policy	212,601	-	212,601
Fire	125,247	92,351	32,896
Engineering	7,097	3,360	3,737
Liabilities	25,981	5,478	20,503
Marine	5,969	96	5,872
Bonds	12,746	3,249	9,497
Others	7,113	1,502	5,611
	396,754	**106,037**	**290,717**

1 (c) Premium ceded and commission income

	2017		2016	
	Premium ceded FRW'000	Commission income FRW'000	Premium ceded FRW'000	Commission income FRW'000
Fire	147,832	45,381	-	-
Engineering	6,374	2,071	-	-
Liabilities	9,432	2,358	-	-
Marine	6,226	1,627	-	-
Bonds	5,117	1,535	-	-
Others	1,956	587	-	-
	176,936	**53,558**		-

Notes (continued)

1 (c) Premium ceded and commission income (continued)

The above premiums were ceded to reinsurers as follows:

Reinsurer Name	Credit rating	Rating Agency	Premium ceded	Commission on premium ceded
			FRW'000	FRW'000
PTA Reinsurance Company Ltd	B	AM Best	164,324	48,127
Kenya Reinsurance Corporation Ltd	AA	Global Credit Rating	6,306	2,716
Africa Reinsurance Corporation Ltd	A	AM Best	6,306	2,716
			176,935	53,558

1 (d) Commission expenses and deferred acquisition cost

	2017		2016	
	Commission expenses	Deferred acquisition cost	Commission expenses	Deferred acquisition cost
	FRW'000	FRW'000	FRW'000	FRW'000
Motor Policy	29,399	23,667	-	-
Fire Industrial	44,789	28,696	-	-
Engineering	1,691	1,097	-	-
Liabilities	7,201	4,199	-	-
Marine	2,621	1,149	-	-
Bonds	2,858	2,326	-	-
Others	916	699	-	-
	89,475	61,833	-	-

The commission expenses were paid to insurance intermediaries as follows:

	2017	2016
	FRW'000	FRW'000
Alliance Insurance Brokers	66,097	-
Utmost Insurance Brokers	9,358	-
Global Risk Advisors Ltd	2,556	-
Falcon Insurance Services Ltd	1,503	-
Staple Brokerage Ltd	1,408	-
Alpha Insurance Brokers Ltd	1,285	-
Liaison Rwanda	294	-
Brd Insurance Broker Ltd	156	-
Safe Insurance Broker Ltd	83	-
Manzi Louis Blaise	1,508	-
Munyurangabo Eliezer	3,596	-
Karayenzi Kevin	918	-
Pioneer Insurance Agency Ltd	715	-
	89,476	-

Notes (continued)

2 Investment income	2017	2016
	FRW'000	FRW'000
Interest earned on fixed term deposits	31,996	1,682
	31,996	**1,682**

3 Finance and other income		
Insurance policy fees	2,510	-
Interest earned on current accounts balances	291	
Sundry income (Non - insurance certificate fee)	590	-
Exchange gain on cash and cash equivalents	13,157	-
	16,548	-

4 Gross claims and policyholder benefits payable		
Motor	64,350	-
	64,350	-

Notes (continued)

5 (a) Operating and other expenses

	2017 FRW'000	2016 FRW'000
Employee benefits expense (Note 6)	222,797	81,427
Advertising and promotional expenses	32,528	-
Depreciation on property and equipment (Note 8)	31,073	4,764
Office Rent (note 5b)	34,605	14,126
Telephone, water and electricity	5,382	546
Travelling and accommodation	16,455	721
Office tea and water expenses	1,998	-
Directors' allowances	7,312	-
Subscription and contribution to associations	1,735	-
Corporate social responsibilities	2,720	-
Supervision fees	5,000	1,115
Audit fee	9,828	3,505
Consultancy fees	-	8,883
Internet expenses	5,624	-
Fuel and lubricants	3,971	-
Office consumables and supplies	8,481	9
Training	554	-
Repairs and maintenance	140	6
Penalties and fines	7,478	19,932
Insurance	4,096	1,485
Rates, other taxes and non-deductible duties	79	-
Other general expenses	311	779
Statutory subscription to CRB	5,973	-
Bank charges	259	-
	408,399	**137,298**

5 (b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

	2017 FRW'000	2016 FRW'000
Office rent	34,605	14,126
	34,605	**14,126**

Notes (continued)

5 (b) Operating leases (continued)

Commitments for future minimum lease payments are as follows:

	2017 FRW '000	2016 FRW '000
Due within one year	40,753	-
Due within 3 years	132,304	
	173,057	-

6 Employee benefits expense

	2017 FRW'000	2016 FRW'000
Salaries and wages	212,192	75,943
Contributions to the Rwanda Social Security Board	10,605	5,484
	222,797	**81,427**

7 Income tax expense

	2017 FRW'000	2016 FRW'000
Current income tax charge	-	-
Deferred income tax (Note 12)	-	-
Income tax expense	-	-

The tax on the company's loss before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2017 FRW'000	2016 FRW'000
Loss before income tax	(296,999)	(135,616)
Tax calculated at the statutory income tax rate of 30% (2016 - 30%)	(89,100)	(40,685)
Tax effect of:		
Expenses not deductible for tax purposes	5,880	8,383
Unrecognized deferred tax liability on PPE	-	825
Unrecognized deferred tax asset on tax loss	-	(33,124)
Prior year Unrecognized deferred tax liability on PPE	825	-
Prior year Unrecognized deferred tax asset on tax loss	82,394	-
Income tax expense	-	-

Notes (continued)

7 **Income tax expense (continued)**

Directors have not recognised deferred income tax asset of FRW 115 million primarily originating from tax losses. The recoverability will be based on generation of sufficient future taxable profits and the current forecast show that the company will make losses in the current year and being a start-up, there is always some uncertainty in the forecasting future profits. Deferred tax asset will be recognised in the year the company makes sufficient taxable profits

		2017 FRW'000	2016 FRW'000
8(a)	**Cash and cash equivalents**		
	Cash at bank	482,606	1,600
	Cash at hand	1,263	10
		483,869	**1,610**
	All balances are current		
8(b)	**Deposits placed with financial institutions**		
	Deposits placed with financial institutions	518,156	173,682

Deposits placed with financial institutions are classified as current assets and are interest bearing.

The deposits movement over the period is as follows

	2017 FRW'000	2016 FRW'000
At start	173,682	-
Additional placements	325,672	172,000
Interest earned	31,996	1,682
Interest received	(15,522)	-
Tax accrued	2,328	-
At the end	518,156	173,682

9 **Receivables arising out of direct insurance arrangements**

Receivables arising out of direct insurance arrangements	102,930	-
	102,930	**-**

Notes (continued)

9 Receivables arising out of direct insurance arrangements (continued)

All receivables arising out of direct insurance arrangements are current and are aged as below. The directors do not believe any of the balances are impaired:

	0 - 30 Days	31-60 Days	61-90 Days	120+ Days	Total
	FRW "000"	FRW "000"	FRW "000"	FRW "000"	FRW "000"
Private companies/ individuals	95,665	890	808	2,752	100,115
NGOs	2,015	-	-	-	2,015
Public institutions	501	-	-	299	800
	98,181	**890**	**808**	**3,051**	**102,930**

10 Deferred acquisition costs

	2017	2016
	FRW'000	FRW'000
At start of year	-	-
Net movements in the year	61,833	-
At end of year	**61,833**	-

All balances are current.

11 Other assets

	2017	2016
	FRW'000	FRW'000
Cash paid out as guarantee	15,424	13,276
Other taxes recoverable	2,342	
Brokers/agents advances	220	-
Prepayments	8,105	-
	26,091	**13,276**

All balances are current.

Cash paid out as guarantee includes:

- Rent deposit: FRW 5. 4 million
- Bid guarantee requested from commercial bank: FRW 10 million

12 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2016: 30%). The movement on the deferred income tax account is as follows:

	2017	2016
	FRW'000	FRW'000
Property and equipment	1,843	(825)
Accumulated tax losses	113,675	33,124
Deferred income tax not recognized	(115,518)	(32,999)
	-	-

Notes (continued)

12 Deferred income tax (continued)

Deferred income tax assets and liabilities and deferred income tax charge in the income statement is attributable to the following items:

Year ended 31 December 2017	1.1.2017 FRW '000	Credit to P&L FRW '000	Charge to OCI FRW '000	31.12.2017 FRW '000
Property and equipment	-	1,843	-	1,843
Tax losses	-	113,675	-	113,675
Deferred income tax not recognized	-	(115,518)	-	(115,518)
Net deferred tax asset	-	-	-	-

Year ended 31 December 2016	1.1.2016 FRW '000	Charge to to P&L FRW '000	Charge to OCI FRW '000	31.12.2016 FRW '000
Property and equipment	-	(825)	-	(825)
Tax losses		33,124		33,124
Deferred income tax not recognized		(32,999)		
Net deferred tax asset	-	-	-	-

13 Intangible assets

	2017 FRW'000	2016 FRW'000
Cost:		
At start of year	-	-
Additions	19,049	-
Cost at end of year	19,049	-
Accumulated amortization:		
At start of year	-	-
Amortization charge	-	-
Impairment charge	-	-
At end of year	19,049	-
Net book value at end of year	19,049	-

Intangible assets composed of costs for the consultant developing an MIS system for the company. The software is still work–in-progress. The balance is non-current.

Notes (continued)

14 Motor vehicle and equipment

2017

	Motor Vehicle	Office Equipment	Computer Equipment	Partitioning	Furniture & Fittings	Total
Cost	FRW"000"	FRW"000"	FRW"000"	FRW"000"	FRW"000"	FRW"000"
As at 1 January 2017	-	375	1,020	27,157	485	29,037
Additions	36,700	1,951	15,880	4,999	7,823	67,353
Reclassification	-	8,600	-	(8,600)	-	-
As at 31 December 2017	**36,700**	**10,926**	**16,900**	**23,556**	**8,308**	**96,390**
Accumulated Depreciation						
As at 1 January 2017	-	72	394	4,204	94	4,764
Charge for the year	9,175	4,903	8,566	6,324	2,105	31,073
As at 31 December 2017	**9,175**	**4,975**	**8,960**	**10,528**	**2,199**	**35,837**
Net book Value	**27,525**	**5,951**	**7,940**	**13,028**	**6,110**	**60,553**

Notes (continued)

14 Motor vehicle and equipment (continue)

2016

	Motor Vehicle	Office Equipment	Computer Equipment	Partitioning	Furniture & Fittings	Total
Cost	FRW"000"	FRW"000"	FRW"000"	FRW"000"	FRW"000"	FRW"000"
At 1 January 2016	-	-	-	-	-	-
Additions	-	375	1,020	27,157	485	29,037
As at 31 December 2016	-	**375**	**1,020**	**27,157**	**485**	**29,037**
Accumulated Depreciation						
At 1 January 2016	-	-	-	-	-	-
Charge for the Period	-	72	394	4,204	94	4,764
As at 31 December 2016	-	**72**	**394**	**4,204**	**94**	**4,764**
Net Book Value	-	**303**	**626**	**22,953**	**391**	**24,273**

All motor vehicle and equipment are non-current

Notes (continued)

15 Technical provisions

	2017 FRW'000"	2016 FRW'000"
Unearned premiums reserve	290,717	-
Incurred and Reported Claims	36,358	-
Claims incurred but not reported (IBNR)	5,454	-
	438,566	-

The balances are all current.

16 Unearned premiums

Unearned premiums represent the liability for short term business contracts where the Company's obligations have not expired at the year end. Movements in the reserve are shown below:

	2017 Net FRW'000	2016 Net FRW'000
At start of year – Gross	-	-
At start of year – Net	-	-
-Change in the year – Gross	396,754	-
Change in the year - Reinsurance share	(106,037)	
Net change	**290,717**	-
At end of year - Gross	**396,754**	-
At end of year - Net	**290,717**	-

The balances are all current

17 Insurance contract liabilities

	2017 FRW'000	2016 FRW'000
Notified claims	36,357	-
Claims incurred but not reported (IBNR)	5,454	-
	41,811	-

Gross claims liability

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. IBNR is computed as 15% of the outstanding claims in the prior year, in accordance with the relevant insurance regulations. There being no outstanding claims in the prior year the management have applied the threshold to the current year outstanding balance. The balance is a current liability.

Notes (continued)

17 Insurance contract liabilities (continued)

Movement in insurance contract liabilities and reinsurance assets:

	2017			2016		
	Gross FRW'000	**Reinsurance FRW'000**	**Net FRW'000**	**Gross FRW'000**	**Reinsurance FRW'000**	**Net FRW'000**
At start of year:	-	-	-	-	-	-
Notified claims	-	-	-	-	-	-
Incurred but not reported	-	-	-	-	-	-
Total at start of year	-	-	-	-	-	-
Claims paid in the year	(27,993)	-	(27,993)	-	-	-
Increase in liabilities:						-
- Arising from current years' claims	64,350	-	64,350	-	-	-
Total at end of year	**36,357**	-	**36,357**	-	-	-
Incurred but not reported	5,454	-	5,454	-	-	-
Total at end of year	**41,811**		**41,811**	-	-	-

18 Other payables

	2017 FRW'000	2016 FRW'000
Trade payables	9,838	-
VAT and WHT payable	43,971	48,656
Accrued expenses	9,928	3,503
Other payables	1,354	-
Commissions and other payables to brokers	24,913	-
Due to Mayfair Kenya (Note 21)	40,388	16,667
	130,392	**68,826**

All balances are current.

19 Due to reinsurers

	2017 FRW'000	2016 FRW'000
Africa Reinsurance Corporation	3,590	-
Kenya Reinsurance Corporation	3,590	-
PTA Reinsurance Company Ltd	34,254	-
	41,434	-

Notes (continued)

20 Share capital

Details	Number of shares outstanding	Ordinary shares (FRW'000)	Total (FRW '000)
At 1 Jan 2016	-	-	-
Capital contribution	27,963	279,631	279,631
At 31 December 2016	**27,963**	**279,631**	**279,631**
At 1 January 2017	27,963	279,631	279,631
Fully paid up shares	92,037	921,111	921,111
At 31 December 2017	**120,000**	**1,200,742**	**1,200,742**

The total authorized number of ordinary shares is 120,000 (2016: 27,963), with a par value of FRW 10,000 share (2016: FRW 10,000 per share). All issued shares are fully paid. There is one class of ordinary shares. All shares issued carry equal voting rights.

21 Contingent liabilities and capital commitments

The company does not have any continent liabilities as at 31 December 2017

22 Related party transactions

The ultimate controlling party of the Company is Mayfair Insurance Company Ltd, incorporated in Kenya. There are other companies/individuals that are related to Mayfair insurance Company Rwanda limited through common directorships and shareholding.

The following transactions were carried out with related parties:

	2017 FRW'000	2016 FRW'000
(a) Directors remuneration		
Directors' fees and allowances	7,312	-
(b) Key management remuneration		
Salaries and wages	194,842	78,000
(c) Transactions with related parties		
Premiums paid	910	-
(d) Due to related parties		
Mayfair Insurance Company Limited (Kenya)	40,388	16,667

(e) Capital contributions in the year are disclosed in the statement of changes in Equity.

Notes (continued)

23 Related party transactions (continued)

(d)Transactions with other local shareholders	**2017 FRW'000**	**2016 FRW'000**
Premiums received on short term insurance policies	107	-

24 Management of insurance and financial risk

The Company's activities expose it to a variety of risks, including insurance risk, financial risk (credit risk, market risk and liquidity risk) and the effects of changes in property values. The Company's overall risk management program focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity, and seek to maximize return within an acceptable level of interest rate risk. This section summarizes the way the Company manages key risks:

(a) Insurance risk

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 level 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 portfolio 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. The following tables disclose the concentration of insurance risk by the class of business in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy. The amounts are the carrying amounts of the sum insured (gross and net of reinsurance) arising from insurance contracts:

Notes (continued)

24 Management of insurance and financial risk (continued)
Insurance risk (continued)

		FRW 250m-FRW 1000m	Above FRW 1000m	Total
		FRW 000	FRW 000	FRW 000
Motor	Gross	-	4,028,612	4,028,612
	Net	-	4,028,612	4,028,612
Fire	Gross	-	278,587,147	278,587,147
	Net	-	13,266,916	13,266,916
Engineering	Gross	-	5,662,090	5,662,090
	Net	-	2,265,544	2,265,544
Liabilities	Gross	-	5,611,344	5,611,344
	Net	-	2,966,856	2,966,856
Marine	Gross	-	2,328,272	2,328,272
	Net	-	590,300	590,300
Bonds	Gross	349,721	-	349,721
	Net	59,261	-	59,261
Other	Gross		2,653,600	2,653,600
	Net		940,380	940,380
Total	**Gross**	**349,721**	**298,871,065**	**299,220,786**
	Net	**59,261**	**24,058,608**	**24,117,869**

(b) Financial risk

The company's activities expose it to a variety of financial risks: Market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, but the company does not hedge any risks.

The Company manages financial risks through policies approved by the Board of Directors (BOD) which is mandated to achieve long-term investment returns in excess of the Company's obligations under insurance contracts. The principal technique is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of business, a separate portfolio of assets is maintained.

Notes (continued)

24 Management of insurance and financial risk (continued)

Market risk

(i) Foreign exchange risk

The Company carries out cross-border business transactions, which exposes it to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

The Company does not deem this exposure as being significant and manages it through holding USD denominated bank accounts and immediate settlement.

The currency fluctuation for the USD within the Rwanda market is closely monitored by the government through the national bank of Rwanda, and is considered fairly stable within plus minus 3%

At 31 December 2017, if the Rwanda franc had weakened/strengthened by 3% against the US dollar with all other variables held constant, pre-tax profit for the year would have been FRW 9,267,230 (2016: FRW0) higher/lower, mainly as a result of US dollar payables and bank balances.

(ii) Price risk

The Company did not hold any financial instruments subject to price risk as at 31 December 2016 and 2017.

(iii) Cash flow and fair value interest rate risk

The Company has placed fixed deposits with banks in Rwanda which are at fixed interest rates. The company is therefore exposed to interest rate risk and has no exposure on cash flow interest rate risk.

Credit risk

The Company had exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The key area where the Company is exposed to credit risk is only receivables arising out of direct insurance arrangements;

Other areas where credit risk arises include cash and cash equivalents, and deposits with banks and other receivables.

The Company has no significant concentrations of credit risk. The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

Notes (continued)

24. Management of Insurance of Financial Risk (continued)

Credit risk (continued)

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on loans and receivables and subsequent write-offs. Compliance and Risk committee makes regular reviews to assess the degree of compliance with the Company procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the on-going monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company risk committee.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2017 is made up as follows:

	2017 FRW'000	2016 FRW'000
Receivables arising out of direct insurance arrangements	102,930	-
Other receivables	15,424	13,276
Deposits with financial institutions	518,156	173,682
Cash at bank	483,869	1,610
	1,120,379	**188,568**

No collateral is held for any of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are past due or impaired except Receivables arising out of direct insurance arrangements (which are due on inception of insurance cover):

	Receivables arising out of direct insurance arrangements	
	2017 FRW '000	**2016 FRW '000**
Neither past due nor impaired	99,821	-
Past due but not impaired	3,109	-
Impaired	-	
Gross	**102,930**	-
Less: allowance for impairment		-
Net	**102,930**	-

Notes (continued)

24. Management of Insurance of Financial Risk (continued)
Credit risk (continued)
Financial assets past due but not impaired:

	Receivables arising out of direct insurance arrangements	
	2017	**2016**
	FRW'000	**FRW'000**
Past due but not impaired:	3,109	-
- By 91 to 180 days	3,109	-

All receivables past due by more than 180 days are considered impaired, and are carried at their estimated recoverable value. No impairment made on the above receivables as they paid after the year end.

(c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Company is exposed to daily calls on its available cash for claims and policyholders benefits settlement and administration expenses. The company's investment mix considers the likely cash calls to settle its claims and policyholders benefits settlement.

The board has developed a risk management framework for the management of the company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.
The table below presents the undiscounted cash flows payable by the Company at the balance sheet date.

	0 - 3 months	**3 - 12 months**	**TOTAL**
At 31 December 2017:	**FRW'000**	**FRW'000**	**FRW '000**
Liabilities			
Insurance contract liabilities	36,358		36,358
Creditors arising from reinsurance arrangements	-	41,434	41,434
Other payables	130,392	-	130,392
	166,750	**41,434**	**208,184**

	Total
At 31 December 2016:	**FRW'000**
Liabilities	
Insurance contract liabilities	-
Creditors arising from reinsurance arrangements	-
Other payables	(68,826)
Total financial liabilities	**(68,826)**

Notes (continued)

24. Management of Insurance of Financial Risk (continued)
(d) Capital management and going concern

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheets, are:

- To comply with the capital and regulatory solvency requirements as set out in Regulation No. 05/2009 on licensing requirements and other requirements for carrying out insurance business and the related regulations and directives (together "insurance regulations");
- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to its policyholders; and
- To price insurance and investment contracts commensurately with the level of risk.

Insurance regulations require each insurance Company to hold the minimum level of paid up capital as follows:

- General insurance business companies FRW 1,000 million and
- General insurance businesses are required to maintain a solvency margin (admitted assets less admitted liabilities) equivalent to the higher of FRW 500million or 20% of the net premium income during the preceding financial year.

As at 31 December 2017, the company had a capital adequacy shortfall of Frw 225 million. Due to the shortfall in the net equity, the regulator has required the company to restore the capital level to the minimum required and the call for additional capital injection has been made. This is expected to be restored within Q1 of 2018.

Capital adequacy and solvency margin are monitored regularly by the Board of Directors. The required information is filed with the National Bank of Rwanda on a monthly basis.

The Company's paid up Capital at the end of 2017 and 2016 are presented on note 19. The table below summarizes the solvency margin of the Company at 31 December 2017 and 2016:

	2017	2016
	FRW 000	FRW 000
Admitted assets	1,095,571	194,067
Admitted liabilities	(654,248)	(68,826)
Solvency margin	441,323	125,241
Required margin	500,000	500,000
Excess/(Shortfall)	**(58,677)**	**(374,760)**
	88%	**25%**

Notes (continued)

24. Management of Insurance of Financial Risk (continued)

(e) Fair value estimation

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value:

· Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

· 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 2); and

· Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Valuation techniques includes net present value, discounted cash flow models, and comparison with similar instruments for which market observable inputs exist.

Assumptions and inputs used in valuation techniques includes risk-free and benchmark interest rates, credit spreads and other parameters used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected prices volatilities and correlations.

Fair value versus carrying amount

The fair values of the Company's financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual re-pricing or maturity dates as set out above. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the directors expect would be available to the Company at the balance sheet date.

25 Critical accounting estimates

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. IBNR was estimated at the regulatory rate of 15% of outstanding claims as at 31 December as there is no empirical data as the company is a start-up and no industry data is readily available.

Estimation of reported claims

The estimation of future contractual cash flows in relation to reported losses is the non-life insurance business' 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. Case estimates are computed on the basis of the best information available at the time the records for the year are closed.

Notes (continued)

26 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for investment properties and available for sale financial assets, which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 24.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Law No. 27/2017 of 31 May 2017 relating to companies.

The financial statements are approved and authorised for issue by the Board of Directors after obtaining the necessary regulatory approval. The Board of Directors reserves the right to amend or withdraw the financial statements.

a) **Changes in accounting policies and disclosures**
New and amended standards adopted by the Company

The following standards and amendments have been applied by the company for the financial year beginning 1 January 2017:

IAS 7 'Cash Flow Statements': Entities are required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and on cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be included in cash flows from financing activities.

The net debt reconciliation is disclosed under notes 8(b).
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

Notes (continued)

26 Significant account policies (continued)

a) Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The impact of IFRS 9 adoption to the company is not material.

ii) IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The standard is not expected to have a significant impact on the Company.

iii) IFRS 16: Leases is effected for periods beginning on or after 1 January 2019 and will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. The quantitative impact will be assessed during 2018.

Notes (continued)

26 Significant account policies (continued)

a) Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

iv) IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The standard is effective for annual periods beginning on or after 1 January 2021. The Directors have not yet assessed the impact of adoption of the standard to the Company.

b) Insurance contract

Classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Recognition and measurement

These contracts are casualty, property and short-duration life insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Notes (continued)

26 **Significant account policies (continued)**
b) **Insurance contract (continued)**
Recognition and measurement (continued)

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short-duration life insurance contracts protect the Company's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Deferred acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contracts. For property, casualty and short-duration life insurance contracts, DAC is amortised over the terms of the policies as premium is earned.

The resulting change to the carrying value of the DAC is charged to profit or loss.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Notes (continued)

26 Significant account policies (continued)

b) Insurance contract (continued)

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Company's property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Company for the related claim, the difference is amortised over the estimated remaining settlement period.

The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets

Provision for claims

Comprises claims incurred by the policyholder and reported to the insurance company, and IBNR claims. The Company uses the most reliable technique to estimate the ultimate cost of claims including IBNR provision. Claims expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. The claims provision includes an estimated portion of the direct expenses of the claims and assessment charges

Incurred but not reported (IBNR)

The company allocates from the net written premiums the provision that will meet the total estimated costs that may result from events that have occurred before the end of the financial period but were not reported to the company with that period. The company ensure that sufficient provision is made but at all instances is not lower than 15% of the estimated amount of outstanding claims at the end of the last preceding year as required by the National Bank of Rwanda regulations.

Notes (continued)

26 **Significant account policies (continued)**

b) **Insurance contract (continued)**

Gross benefits and claims

Gross claims for insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared. Changes in the gross valuation of insurance contract liabilities are also included. Death claims are recorded on the basis of notifications received. General insurance and health claims 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.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets.

Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party

Notes (continued)

26 Significant account policies (continued)

(c) Motor vehicle and equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on the difference between the cost and residual value of the asset and is charged over the estimated useful life of each significant part of an item of equipment, using the reducing balance method of depreciation.

Depreciation is calculated using the straight line method to write down their cost over their estimated useful lives, as follows

Property	4 years
Motor vehicles	4 years
Computers	2 years
Furniture, fixtures and office equipment	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are included in the profit and loss account.

(d) Revenue recognition

(i) Insurance premium revenue

Gross premiums on insurance contracts are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Gross Premiums exclude value added tax and any other foreign indirect taxes. Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. This also includes premiums received in terms of inward reinsurance arrangements.

(ii) Commissions receivable

Commissions receivable are recognized as income in the period in which they are earned.

(iii) Interest income

Interest income for all interest-bearing financial instruments is recognised within 'investment income' in the statement of comprehensive income using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(iv) Dividend income

Dividend income for equities is recognised when the right to receive payment is established.

26 Significant account policies (continued)

(e) Financial assets

Classification

The company classifies its financial assets into the following categories: loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification adopted for a particular financial asset depends on the purpose for which the asset was acquired.

Management determines the classification of its financial asset at initial recognition and re-evaluates this at every reporting date.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables' and cash and cash equivalents' in the statement of financial position.

ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

iii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity, other than:

- those that the Company upon initial recognition designates as at fair value through profit or loss;
- those that the Company designates as available for sale; and
- those that meet the definition of loans and receivables

Interest on held-to-maturity investments are included in the statement of comprehensive income and are reported as 'Interest and similar income'. In the case of an impairment, it is been reported as a deduction from the carrying value of the investment and recognised in the statement of comprehensive income as 'Net gains/ (losses) on investment securities'.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

Notes (continued)

26 Significant account policies (continued)

(e) Financial assets (continued)

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as 'gains and losses from investment securities'

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss as part of other income when the Company's right to receive payments is established.

Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on 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. This includes listed equity securities and quoted debt instruments on major exchange (Nairobi Securities Exchange). The quoted market price used for financial assets held by the company is the current bid price.
A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.
For example a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.
Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.

Notes (continued)

26 Significant account policies (continued)

(e) Financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss

Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

(f) Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, less directly attributable transaction costs.

The company's financial liabilities include trade and other payables and amounts due to the re-insurers.

Subsequent measurement

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on designated or held for trading liabilities are recognised in fair value gains and losses in the income statement. The company has not designated any financial liability as at fair value through profit or loss in the current or preceding financial period.

ii) Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes (continued)

26 Significant account policies (continued)

(f) Financial liabilities (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income.

The table below summarises classes of financial assets and liabilities and the basis of valuation.

Category		Class
Financial assets	Loans and receivables Available- for- sale investments	Receivables arising out of direct insurance arrangements (note 9)
		Other assets (note 11)
		Short term deposits (8)
		Cash and bank balances (note 8)
Financial liabilities	Financial liabilities at amortised cost	Due to reinsurers
		Due to related parties (note 21)
		Other liabilities (note 23)
	Financial liabilities at fair value through P&L	Insurance liabilities (note 17)

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Rwanda Francs which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other income'.

Notes (continued)

26 Significant account policies (continued)

(i) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Employee benefits

(i) Retirement benefit obligations

The company and all its employees contribute to the Social Security Fund of Rwanda, which is a defined contribution scheme. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The company's contributions to the Social Security Fund of Rwanda are charged to the statement of comprehensive income in the year to which they relate.

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the year-end date is recognised as an expense accrual.

(l) Income tax expense

Income tax expense is the aggregate of the charge to statement of comprehensive income in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with Rwanda tax laws.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes (continued)

26 Significant account policies (continued)

(m) Intangible assets

Intangible assets relate to computer software.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which does not exceed 10 years on a straight line basis.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 10 years).

(n) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(o) Dividends

Dividends payable to the Company's shareholders are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared

(p) Deferred Acquisition Cost

A proportion of commission's expense is deferred and amortized over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

26 Subsequent events

In order to remediate the shortfall in regulatory capital requirement the Board have put measures to raise additional capital of USD 300 thousand (FRW 253 million) by 30 April 2018, of this amount USD 120 thousand was received on 16 January 2018 from Mayfair Insurance Kenya Limited. The board has received firm commitment from the rest of the shareholders for injection of the balance before 30 April 2018. The directors have also received a letter of financial support from Mayfair Insurance made to the company with further guarantee on meeting its obligations; with this injection directors forecast that the company will be compliant with its solvency requirement.

--- End ----

Other information

Appendices

Appendix (i) – Liquidity Ratio 2017

Current assets & liabilities

Current Assets	**2017 FRW '000**	**Current Liabilities**	**2017 FRW '000**
Cash paid as security	15,424	Outstanding claims	36,358
Other assets	220	Unearned Premium Reserve	396,755
Trade debtors	102,930	Tax payable	43,971
Fixed deposit	518,156	Other liabilities	21,120
Prepayments	8,105	Reinsurance liabilities	41,434
Cash and bank balances	483,869	Commission payable	24,913
Deferred acquisition costs	61,833	Due to Related party	40,388
Withholding tax receivable	2,342	Incurred but not reported claims	5,454
UPR share of reinsurers	106,037		
	1,298,916		**610,391**
Liquidity ratio	**213%**		

Appendices (Continued)

	Motor FRW'000	Fire FRW'000	Engineering FRW'000	Liabilities FRW'000	Marine FRW'000	Bonds FRW'000	Others FRW'000	Total 2017 FRW'000
Gross premium written	279,176	195,493	12,020	42,764	17,240	18,617	9,087	574,397
Less: Ceded Premium	-	(147,832)	(6,374)	(9,432)	(6,226)	(5,117)	(1,955)	(176,935)
Net premium written	**279,176**	**47,661**	**5,647**	**33,332**	**11,014**	**13,500**	**7,131**	**397,462**
Decrease or Increase in UPR	(212,601)	(32,896)	(3,737)	(20,503)	(5,872)	(9,497)	(5,611)	(290,717)
Net earned premium	**66,574**	**14,765**	**1,910**	**12,829**	**5,142**	**4,003**	**1,520**	**106,744**
Commission Income	-	45,381	2,071	2,358	1,627	1,535	587	53,558
Administration and other fees	1,507	1,055	65	231	93	100	49	3,100
Net income	**68,081**	**61,201**	**4,047**	**15,418**	**6,861**	**5,639**	**2,156**	**163,402**
Gross claims paid	27,992	-	-	-	-	-	-	27,992
Reinsurance/co-insurance cover	-	-	-	-	-	-	-	-
Claims outstanding, start of year	-	-	-	-	-	-	-	-
Claims outstanding, End of year	36,358	-	-	-	-	-	-	36,358
Net insurance claims incurred	**64,350**	-	-	-	-	-	-	**64,350**
Incurred but not reported claims	5,454	-	-	-	-	-	-	5,454
Expenses	-	-	-	-	-	-	-	
Acquisition cost	29,399	44,789	1,691	7,201	2,621	2,859	916	89,476
Deferred Acquisition Cost	(23,667)	(28,696)	(1,097)	(4,199)	(1,149)	(2,326)	(699)	(61,833)
Expenses of management	198,495	138,997	8,547	30,406	12,257	13,237	6,461	408,399
Total Expenses	**274,031**	**155,089**	**9,140**	**33,408**	**13,729**	**13,770**	**6,677**	**505,846**
Underwriting profit /(Loss)	**(205,950)**	**(93,888)**	**(5,094)**	**(17,990)**	**(6,868)**	**(8,131)**	**(4,521)**	**(342,443)**

Other information
Appendices (Continued)

Appendix (iii) – Calculation of solvency margin

Required Solvency Margin	**Amount (in'000' FRWs)**
1. Gross premium less reinsurance ceded last preceding year	
2. Solvency Margin Required: 20% of I.1 or FRW 500 million whichever is greater	500,000
Compliance with Solvency Margin	
3. Total Assets	1,378,518
4. Less: Non-Admitted Assets as per II.A.7	189,401
5. Less: Deductions for assets subject to maximum admissible % as per II. B.5	93,546
6. Admitted Assets I.3 less I.4 and I.5	1,095,571
7. Less Admitted Liabilities as per III. C.3	654,248
8. Solvency Margin Available (I.6 less I.7)	441,323
9. Excess or Deficiency of solvency required (I. 8 less I. 2)	-58,677
10. Solvency Coverage Ratio (I.8 divided by I. 2)	**88.26%**

II.A. Non-Admitted Assets

PARTICULARS	**Amount (in'000' FRWs)**
1. Intangible assets	19,049
2.Exposures (Loans & Investments) to connected persons	
3. Loans to insurance intermediaries overdue for more than 6 months	
4. Reinsurance receivable overdue for more than 6 months	
5. Loans and other receivables overdue for more than 6 months	100,414
6. Deferred expenses, deferred taxes and prepayments	69,938
7. Total Non-Admitted Assets (add II.A.1 to 6)	189,401

Appendices (continued)
Appendix (iii) – Calculation of solvency margin (continued)

II.B Deductions for Assets Subject to Maximum Admissible Percentages

PARTICULARS	Amount (in '000') "A"	Maximum admissible % "B"	Deductions "A-(A*B)"
1. Investment in equities-listed	-	90%	-
Investment in equities-unlisted	-	70%	-
2. Investments in debt securities	-	70%	-
3. Investments in properties	-	80%	-
Receivables from reinsurers which are not overdue	-	90%	-
4. (a) All other assets (Total assets less II.A.7 and II.B.A 1,2,3)	1,189,117		
Less:			
(–) Cash	1,263		
(–) Deposit Balances	1,000,762		
(–) Government securities			
(b) **All other assets subject to maximum %**	**187,092**	50%	93,546
5. Total Deductions (add II.B 1,2,3 and 4b)			93,546

III.C. Admitted Liabilities

PARTICULARS	Amount on B/Sheet "A"	Additional percentage factor "B"	Admitted liabilities "A + A * B"
1. Technical Provisions	**438,566**	10%	**482,423**
-Unearned premium	396,755	10%	436,430
-Unexpired risk	-	10%	-
-Outstanding claims	36,358	10%	39,993
-IBNR	5,454	10%	5,999
2. All other liabilities (Total liabilities less Technical Provisions)	**171,826**	0%	**171,826**
3. Total Admitted Liabilities			**654,248**