MAYFAIR INSURANCE COMPANY RWANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2018 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 Limited was incorporated in Rwanda on 02 February 2016 and its principal activity is provision of non-life insurance in Rwanda.

RESULTS AND DIVIDENDS

The profit for the year of FRW 2,244,000 (2017 loss: FRW296,999,000) 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 2018 and to the date of this report were:

Names	Role	Nationality	appointed
Byusa Hangu Alphonse	Chairperson - independent	Rwandan	24/02/2016
Muhimuzi Mugisha Daniel	Managing director	Rwandan	04/12/2015
Anjay Vithalbhai Patel	Member	British	04/12/2015
Vishal Rajinderkumar Patel	Member	Kenyan	04/12/2015
Richard Rwihandagaza	Member - independent	Rwandan	04/12/2015
Jessica Igoma	Member - independent	Rwandan	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 2018, the board met 4 times (12 February, 11 June, 10 September and 10 December) and all the board members attended 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 and have expressed their willingness to continue in office in accordance with law 17/2018 of 13/4/2018 governing companies.

BY ORDER OF THE BOARD

Secretary

Date: 28/03/ 2019

Statement of director's responsibilities

Law No. 17/2018 of 13/04/2018 Governing 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 17/2018 of 13/04/2018 Governing 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.

Approval of the financial statements

The financial statements on pages 6 to 49 were approved for issue by the board of directors on 28/03/ 2019 and signed on its behalf by:

Director

Director

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

CERTIFIED TRUE COPY OF THE ORIGINAL DOCUMENT
SIGNED .....
DATE 28/03/2019
PwC Rwanda Limited

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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, Mayfair insurance Company Rwanda Limited (the "Company")'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No.17/2018 of 13/04/2018 Governing Companies.

What we have audited

The financial statements of the Company are set out on pages 6 to 49 comprise:

- the statement of financial position as at 31 December 2018;
- 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Directors are responsible for the other information. The other information comprises Director's report, Statement of directors' responsibilities, and supplementary information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Directors: B Kimacia F Gatome M Nyabanda P Ngahu

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

Responsibilities of the directors for the financial statements

Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of Law No.17/2018 of 13/04/2018 Governing Companies, and for such internal control as 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, directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

Report on other legal and regulatory requirements

Law No. 17/2018 of 13/04/2018 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

_____ 2019

CERTIFIED TRUE COPY
OF THE ORIGINAL DOCUMENT
SIGNED..MN
DATE.....28/03/2019
pwc PwC Rwanda Limited

Statement of comprehensive income

	Notes	2018 FRW'000	2017 FRW'000
Gross written premiums	1 (a)	1,826,405	574,397
Premiums ceded to reinsurers and co-insurance	1 (c)	(1,040,495)	(176,936)
Net written premiums		785,910	397,461
Unearned premium reserve	1 (b)	(142,807)	(290,717)
Net earned premiums		**643,103**	**106,744**
Commissions income	1 (c)	228,331	53,558
Investment income	2	96,233	31,996
Finance and other income	3	31,344	16,548
Total income		**999,011**	**208,846**
Gross claims and policyholders' benefits payable	4 (b)	(351,249)	(64,350)
less: Claims recoverable from reinsurers	4 (d)	129,322	-
Change in claims incurred but not reported	4 (e)	(5,602)	(5,454)
Net claims incurred		**(227,529)**	**(69,804)**
Commissions expense	1 (d)	(178,051)	(89,475)
Deferred acquisition cost	1 (d)	43,778	61,833
Operating and other expenses	5 (a)	(634,965)	(408,399)
Total expenses		(769,238)	(436,041)
Profit/(loss) before income tax		**2,244**	**(296,999)**
Income tax expense	7	-	-
Profit (loss) for the year		**2,244**	**(296,999)**
Other comprehensive income		-	-
Total comprehensive Profit/(loss) for the year		**2,244**	**(296,999)**

The notes on pages 10 to 49 are an integral part of these financial statements.

Statement of financial position

ASSETS	Notes	2018 FRW '000'	2017 FRW '000'
Cash and cash equivalents	8(a)	177,643	483,869
Deposits placed with financial institutions	8(b)	1,399,731	518,156
Receivables arising out of direct insurance arrangements	9	505,103	102,930
Deferred acquisition costs	10	105,612	61,833
Other assets	11	40,176	26,091
Reinsurance assets	18	569,245	106,037
Intangible assets	13	75,649	19,049
Motor vehicle and equipment	14	37,564	60,553
Total assets		**2,910,723**	**1,378,518**
EQUITY AND LIABILITIES			
LIABILITIES			
Insurance contract liabilities	15,16,17	1,066,718	438,566
Other payables	19	198,741	130,392
Creditors arising from reinsurance arrangements	20	406,995	41,434
Total liabilities		**1,672,454**	**610,392**
EQUITY			
Share capital	21	1,668,640	1,200,742
Accumulated losses		(430,371)	(432,616)
Total equity		**1,238,269**	**768,126**
Total equity and liabilities		**2,910,723**	**1,378,518**

The notes on pages 10 to 49 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 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	21	921,111	-	**921,111**
At end of year		**1,200,742**	**(432,615)**	**768,127**
Year ended 31 December 2018				
At start of year		**1,200,742**	**(432,615)**	**768,127**
Total comprehensive income for the year		-	2,244	2,244
Transaction with owners;				
Capital contribution	21	467,898	-	**467,898**
At end of year		**1,668,640**	**(430,371)**	**1,238,269**

The notes on pages 10 to 49 are an integral part of these financial statements.

Statement of Cash flows

	Notes	2018 FRW'000	2017 FRW'000
Loss before income tax		2,244	(296,999)
Adjustments			
Depreciation charge on equipment	14	30,890	31,073
Interest income on term deposits	2	(96,233)	(31,996)
Provision for bad debts		9,471	-
Impairment of deposit in financial institution as per IFR 9		2,385	-
Adjusted loss before income tax		**(51,243)**	**(297,922)**
Working capital changes			
Receivables arising out of direct insurance arrangements		(411,644)	(102,930)
Deferred acquisition costs		(43,779)	(61,833)
Reinsurance assets		(463,208)	(106,037)
Other assets		(14,085)	(12,815)
Unearned premium reserve		547,862	396,754
Insurance contract liabilities		80,291	41,811
Other payables		68,349	61,566
Creditors arising from reinsurance arrangements		365,561	41,434
Cash outflows from operating activities		**78,104**	**(39,972)**
Interest income received		62,273	15,522
Tax paid		-	(2,328)
Net cash outflows from operating activities		**140,377**	**(26,778)**
Cash flows from investing activities			
Deposits placed with financial institutions	8(b)	(850,000)	(325,672)
Purchase of fixed assets	14	(7,901)	(67,353)
Intangible additions	13	(56,600)	(19,049)
Net cash outflows from investing activities		**(914,501)**	**(412,074)**
Financing activities			
Increase in share capital	21	467,898	921,111
Net cash inflows from financing activities		**467,898**	**921,111**
Net cash inflows for the year		**(306,226)**	**482,259**
Cash and cash equivalent at beginning of year	8(a)	483,869	1,610
Cash and cash equivalent as at end of year	8(a)	**177,643**	**483,869**

The notes on pages 10 to 49 are an integral part of these financial statements.

Notes

1(a) Gross written premiums

	2018 FRW'000	2017 FRW'000
Motor	606,716	279,176
Fire	528,596	195,493
Engineering	260,664	12,020
Liabilities	107,261	42,764
Marine	151,124	17,240
Bonds	77,294	18,617
Other	94,750	9,087
	1,826,405	**574,397**

1(b) Unearned premium reserves

	2018			2017		
	Gross UPR FRW'000	UPR reinsurer's portion FRW'000	Net UPR FRW'000	Gross UPR FRW'000	UPR reinsurer's portion FRW'000	Net UPR FRW'000
Motor	348,941	7,061	341,880	212,601	-	212,601
Fire	264,087	255,318	8,770	125,247	92,351	32,896
Engineering	165,847	144,252	21,595	7,097	3,360	3,737
Liabilities	58,600	26,104	32,496	25,981	5,478	20,503
Marine	49,691	41,633	8,058	5,969	96	5,872
Bonds	21,954	19,726	2,228	12,746	3,249	9,497
Others	35,496	16,998	18,497	7,113	1,502	5,611
	944,616	**511,092**	**433,524**	**396,754**	**106,036**	**290,717**

Notes (Continued)

1 (c) Premium ceded and commission income

	2018		2017	
	Premium ceded	Commission income	Premium ceded	Commission income
	FRW'000	FRW'000	FRW'000	FRW'000
Fire	508,707	107,962	147,832	45,381
Engineering	229,409	51,903	6,374	2,071
Liabilities	47,870	7,290	9,432	2,358
Marine	126,619	24,196	6,225	1,626
Bonds	66,514	21,616	5,117	1,535
Others	61,376	15,364	1,956	587
	1,040,495	**228,331**	**176,936**	**53,558**

The above premiums were ceded to reinsurers and co-insurer as follows:

			2018		2017	
Reinsurer Name	**Credit rating**	**Rating Agency**	**Premium ceded**	**Commission on premium ceded**	**Premium ceded**	**Commission on premium ceded**
			FRW'000	**FRW'000**	**FRW'000**	**FRW'000**
PTA Reinsurance Company Ltd	AA+	Global Credit rating (GCR)	714,857	162,978	164,324	48,127
Kenya Reinsurance Corporation Ltd	AA	Global Credit rating (GCR)	66,217	23,325	6,306	2,715
Africa Reinsurance Corporation Ltd	A	AM Best	-	-	6,306	2,716
Swiss Re	A+	AM Best	74,121	31,229	-	-
Lloyds UK/Willis Limited	i)Munich re :A+, ii)Axis syndicate 1686 at Lloyd's :A, iii)BRIT Engineering Consortium 9424 at Lloyd's :A+	AM Best	161,536	8,527	-	-
MAPFE Asistancia	A	AM Best	3,437	1,858	-	-
New India Assurance Co Ltd	A-	AM Best	6,472	414	-	-
Sonarwa General Insurance Company Ltd	N/A	A/N	13,855	-	-	-
			1,040,495	**228,331**	**176,936**	**53,558**

Notes (continued)

1 (d) Commission expenses and deferred acquisition cost

	2018		2017	
	Commission expenses	Deferred acquisition cost	Commission expenses	Deferred acquisition cost
	FRW'000	FRW'000	FRW'000	FRW'000
Motor	59,864	13,946	29,399	23,667
Fire Industrial	47,113	(1,147)	44,789	28,696
Engineering	40,412	25,409	1,691	1,097
Liabilities	12,981	3,387	7,201	4,199
Marine	4,977	1,219	2,621	1,149
Bonds	7,345	(850)	2,858	2,326
Others	5,359	1,814	916	699
	178,051	**43,778**	**89,475**	**61,833**

The commission expenses were paid to insurance intermediaries as follows:

	2018 FRW'000	2017 FRW'000
Alliance Insurance Brokers	70,536	66,097
Utmost Insurance Brokers	1,220	9,358
Global Risk Advisors Ltd	28,809	2,556
Falcon Insurance Services Ltd	6,557	1,501
Staple Brokerage Ltd	2,243	1,408
Alpha Insurance Brokers Ltd	4,911	1,285
Liaison Rwanda	4,220	294
Brd Insurance Broker Ltd	13	156
Safe Insurance Broker Ltd	-	83
Manzi Louis Blaise	-	1,508
Munyurangabo Eliezer	6,575	3,596
Karayenzi Kevin	-	918
Pioneer Insurance Agency Ltd	371	715
Ingabire Carine	8,248	-
Cuzo Insurance Brokers	3,188	-
Ebenezer Insurance Brokers ltd	355	-
Union Insurance Brokers	6,159	-
Rwigamba Eugene	246	-
Uwamahoro Florance	67	-
Kigali Trust Brokers	180	-
Elephant	61	-
Ascoma Rwanda Limited	34,092	-
	178,051	**89,475**

Notes (continued)

2 Investment income

	2018 FRW'000	2017 FRW'000
Interest earned on fixed term deposits	96,233	31,996
	96,233	**31,996**

3 Finance and other income

Insurance policy fees	10,237	2,510
Interest earned on current accounts balances	194	291
Sundry income (Non - insurance certificate fee)	2,821	590
Exchange gain on cash and cash equivalents	18,092	13,157
	31,344	**16,548**

4 Gross claims and policyholder benefits payable

4(a) Gross claims paid

Motor	250,431	27,992
Fire	21,743	-
Marine	1,792	-
Engineering	532	-
Bond	1,000	-
Other	1,062	-
	276,560	**27,992**

4(b) Outstanding Claims

Motor	72,479	36,358
Fire	160	-
Marine	50	-
Other	2,000	-
	74,689	**-**
Gross claims and policyholders' benefits payable	**351,249**	**64,350**

Notes (continued)

4 Gross claims and policyholder benefits payable (continued)

		2018 FRW'000	2017 FRW'000
4 (c)	**Claims paid reinsurance recovery**		
	Motor	54,965	-
	Fire	14,570	-
	Marine	1,634	-
		71,169	-
4(d)	**Claims outstanding reinsurance recovery**		
	Motor	**55,753**	-
	Others	**10**	
		58,153	
	Total Claims recoverable from reinsurers	**129,322**	-
4 (e)	**Change in claims incurred but not reported**		
	Incurred but not reported	5,602	5,454
		5,602	**5,454**

Notes (continued)

5 (a) Operating and other expenses

	2018 FRW'000	2017 FRW'000
Employee benefits (Note 6)	332,127	222,797
Advertising and promotional expenses	33,476	32,528
Depreciation on property and equipment (Note 8)	30,890	31,073
Office rent (note 5b)	42,228	34,605
Telephone, water and electricity	8,484	5,382
Travelling and accommodation	25,658	16,455
Office tea and water expenses	1,384	1,998
Directors' allowances	20,080	7,312
Subscription and contribution to associations	13,500	1,735
Corporate social responsibilities	200	2,720
Supervision fees	5,000	5,000
Audit fee	10,150	9,828
Consultancy fees	18,024	-
Internet expenses	12,844	5,624
Fuel and lubricants	7,413	3,971
Office consumables and supplies	1,330	8,481
Training	1,644	554
Repairs and maintenance	5,551	140
Penalties and fines	7,230	7,478
Insurance	12,825	4,096
Rates, other taxes and non-deductible duties	432	79
Other general expenses	2,533	311
Statutory subscription to CRB	-	5,973
Bank charges	3,846	259
Staff welfare expenses	112	-
Legal charge	7,094	-
Provision for premium receivable	9,471	-
Other office expenses	9,494	-
Parking fees	137	-
Comesa fees	4,173	-
Donation to non-profit organization	5,250	-
Impairment of deposit in financial institution as per IFR 9	2,385	
	634,965	**408,399**

Notes (continued)

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.

	2018 FRW'000	2017 FRW'000
Office rent	42,228	34,605
	42,228	**34,605**

Commitments for future minimum lease payments are as follows:

	2018 FRW '000	2017 FRW '000
Due within one year	42,228	40,753
Due within 3 years	126,683	132,304
	168,911	**173,057**

6 Employee benefits expense

	2018 FRW'000	2017 FRW'000
Salaries and wages	316,259	212,192
Contributions to the Rwanda Social Security Board	15,868	10,605
	332,127	**222,797**

Notes (continued)

7 Income tax expense

	2018 FRW'000	2017 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:

	2018 FRW'000	2017 FRW'000
Profit/ (loss) before income tax	2,244	(296,999)
Tax calculated at the statutory income tax rate of 30% (2017 - 30%)	673	(89,100)
Tax effect of:		
Expenses not deductible for tax purposes	20,613	5,880
Unrecognized deferred tax asset on tax loss	(21,286)	-
Prior year Unrecognized deferred tax liability on PPE	-	825
Prior year Unrecognized deferred tax asset on tax loss	-	82,394
Income tax expense	-	-

Directors have not recognised deferred income tax asset of FRW 97 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 not make sufficient profit 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

Notes (continued)

		2018 FRW'000	2017 FRW'000
8(a)	**Cash and cash equivalents**		
	Cash at bank	177,010	482,606
	Cash at hand	633	1,263
		177,643	**483,869**
	All balances are current		
8(b)	**Deposits placed with financial institutions**		
	Deposits placed with financial institutions	1,399,731	518,156

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

The deposits movement over the period is as follows

	2018 FRW'000	2017 FRW'000
At start	518,156	173,682
Additional placements	850,000	325,672
Interest earned	95,887	31,996
Interest received	(61,927)	(15,522)
Tax accrued	-	2,328
Impairment allowance as per IFRS 9	(2,385)	-
At the end	**1,399,731**	**518,156**

9 Receivables arising out of direct insurance arrangements

Trade receivable	514,574	102,930
Allowance for bad debt	(9,471)	-
	505,103	**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.

Year 2018

	0 - 30 Days FRW "000"	31-60 Days FRW "000"	61-90 Days FRW "000"	120+ Days FRW "000"	Total FRW "000"
Private companies/ individuals	209,599	232,906	41,836	9,471	493,812
NGOs and Public institutions	170	-	20,592	-	20,762
Impairment allowance	-	-	-	(9,471)	(9,471)
	209,769	**232,906**	**62,428**	**-**	**505,103**

Year 2017

	0 - 30 Days FRW "000"	31-60 Days FRW "000"	61-90 Days FRW "000"	120+ Days FRW "000"	Total FRW "000"
Private companies/ individuals	95,665	890	808	3,051	100,414
NGOs	2,015	-	-	-	2015
Public institutions	501	-	-	-	501
	98,181	**890**	**808**	**3,051**	**102,930**

Notes (continued)

10 Deferred acquisition costs

	2018 FRW'000	2017 FRW'000
At start of year	61,833	-
Net movements in the year	43,779	61,833
At end of year	**105,612**	**61,833**

All balances are current.

11 Other assets

	2018 FRW'000	2017 FRW'000
Cash paid out as guarantee	11,274	15,424
Other taxes recoverable	10,115	2,342
Brokers/agents advances	10,461	220
Prepayments	8,326	8,105
	40,176	**26,091**

All balances are current.

Cash paid out as guarantee includes:

- Rent deposit: FRW 5. 4 million
- Bid guarantee requested from commercial bank: FRW 5.874 million

12 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2017: 30%). The movement on the deferred income tax account is as follows:

	2018 FRW'000	2017 FRW'000
Property and equipment	3,731	1,843
Provisions	6,873	-
Accumulated tax losses	86,702	113,675
Deferred income tax not recognized	(97,306)	(115,518)
	-	-

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 2018	1.1.2018 FRW '000	Credit to P&L FRW '000	Charge to OCI FRW '000	31.12.2018 FRW '000
Property and equipment	-	3,731	-	3,731
Provisions	-	6,873		6,873
Tax losses	-	86,702	-	86,702
Deferred income tax not recognized	-	(97,306)	-	(97,306)
Net deferred tax asset	-	-	-	-

Year ended 31 December 2017	1.1.2017 FRW '000	Charge to 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	-	-	-	-

13 Intangible assets

	2018 FRW'000	2017 FRW'000
Cost:		
At start of year	19,049	-
Additions	56,600	19,049
Cost at end of year	75,649	19,049
Accumulated amortization:		
At start of year	-	-
Amortization charge	-	-
Impairment charge	-	-
At end of year	75,649	19,049
Net book value at end of year	**75,649**	**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

2018

	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 2018	36,700	10,926	16,900	23,556	8,308	96,390
Additions	-	4,211	2,370	76	1,244	7,901
Reclassification	-	-	-	-	-	-
As at 31 December 2018	**36,700**	**15,137**	**19,270**	**23,633**	**9,552**	**104,291**
Accumulated Depreciation						
As at 1 January 2018	9,175	4,975	8,960	10,528	2,199	35,837
Charge for the year	9,175	3,784	9,635	5,908	2,388	30,890
As at 31 December 2018	18,350	8,760	18,595	16,436	4,586	66,727
Net book Value	**18,350**	**6,377**	**675**	**7,196**	**4,965**	**37,564**

Notes (continued)

14 Motor vehicle and equipment (continued)

2017

Cost	Motor Vehicle FRW'000	Office Equipment FRW'000	Computer Equipment FRW'000	Partitioning FRW'000	Furniture & Fittings FRW'000	Total 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**	**6,109**	**60,553**

All motor vehicle and equipment are non-current

Notes (continued)

15 Insurance contract liabilities

	2018 FRW'000	2017 FRW'000
Unearned premiums reserve	944,616	396,754
Incurred and Reported Claims	111,047	36,358
Claims incurred but not reported (IBNR)	11,055	5,454
	1,066,718	**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:

	2018 FRW'000	2017 FRW'000
At start of year – Gross	396,754	-
At start of year – Net	290,717	-
-Change in the year – Gross	944,616	396,754
Change in the year - Reinsurance share	(511,092)	(106,037)
Net change	**433,524**	**290,717**
At end of year – Gross	**944,616**	**396,754**
At end of year – Net	**433,524**	**290,717**

The balances are all current

17 Notified claims and IBNR

	2018 FRW'000	2017 FRW'000
Notified claims	111,047	36,357
Claims incurred but not reported (IBNR)	11,055	5,454
	122,102	**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. Current year IBNR is computed as 15% of the average outstanding claims between 2017 and 2018.

Notes (continued)

17 Notified claims and IBNR (continued)

Movement in notified claims and IBNR

:

	2018			2017		
	Gross FRW'000	Reinsurance FRW'000	Net FRW'000	Gross FRW'000	Reinsurance FRW'000	Net FRW'000
At start of year:	36,357	-	36,357	-	-	-
Notified claims	-	-	-	-	-	-
Incurred but not reported	5,454	-	5,454	-	-	-
Total at start of year	41,811	-	41,811	-	-	-
Claims paid in the year	(276,560)	71,169	(205,391)	(27,993)	-	(27,993)
Increase in liabilities:						-
- Arising from current years' claims	387,607	(126,923)	260,684	64,350	-	64,350
Total at end of year	**111,047**	**(55,754)**	**55,293**	**36,357**	-	**36,357**
Incurred but not reported	11,055	(2,399)	8,656	5,454	-	5,454
Total at end of year	**122,102**	**(58,153)**	**63,949**	**41,811**		**41,811**

18 Reinsurance assets

	2018	2017
	FRW'000	FRW'000
Unearned premium reserve reinsurance share (note 16)	511,092	106,037
Outstanding claims reinsurance share (note 17)	55,754	-
Reinsurance share of IBNR (Note 17)	2,399	-
	569,245	**106,037**

19 Other payables

	2018	2017
	FRW'000	FRW'000
Trade payables	26,195	9,838
VAT and WHT payable	35,289	43,971
Accrued expenses	18,907	9,928
Other payables	2,600	1,354
Commissions and other payables to brokers	92,453	24,913
Due to Mayfair Kenya (Note 23)	23,297	40,388
	198,741	**130,392**

All balances are current.

Notes (continued)

20 Due to reinsurers

	2018	2017
	FRW'000	FRW'000
Africa Reinsurance Corporation	3,590	3,590
Kenya Reinsurance Corporation	25,001	3,590
PTA Reinsurance Company Ltd	234,860	34,254
Swiss Re	128,054	-
Lloyds UK/Willis Limited	78	-
New India Assurance Co Ltd	(21)	-
Mapfre Asistencia	1,578	-
Sonarwa General Insurance Company Ltd	13,855	-
	406,995	**41,434**

21 Share capital

Details	Number of shares outstanding	Ordinary shares (FRW'000)	Total (FRW '000)
At 1 Jan 2017	27,963	279,631	279,631
Capital contribution	92,037	921,111	921,111
At 31 December 2017	**120,000**	**1,200,742**	**1,200,742**
At 1 January 2018	120,000	1,200,742	1,200,742
Capital contribution	46,864	467,898	467,898
At 31 December 2018	**166,864**	**1,688,640**	**1,688,640**

The total authorized number of ordinary shares is 166,864 (2017: 120,000), with a par value of FRW 10,000 share (2017: 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.

22 Contingent liabilities and capital commitments

As at 31 December 2018, the company had contingent liability of FRW 23,653,674 relating to the case No RCOM 01486/2018/TC brought by IEX Garage and East African Cooperative of Transport. The case is under appeal. As at the time of conclusion of these financial statements, the ruling had not been made. Based on the legal advice, Directors are of the view that there will be no material cash outflow from the matter.

Notes (continued)

23 Related party transactions

The ultimate controlling party and immediate parent 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:

	2018 FRW'000	2017 FRW'000
(a) Directors remuneration		
Directors' fees and allowances	20,080	7,312
(b) Key management remuneration		
Salaries and wages	229,234	194,842
(c) Transactions with related parties		
Premiums paid	464	910
(d) Due to related parties		
Mayfair Insurance Company Limited (Kenya)	23,297	40,388

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

(d) Transactions with other local shareholders	**2018 FRW'000**	**2017 FRW'000**
Premiums received on short term insurance policies	464	107

Notes (continued)

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	-	21,362,224	21,362,224
	Net	-	19,977,223	19,977,223
Fire	Gross	-	706,238,002	706,238,002
	Net	-	30,298,337	30,298,337
Engineering	Gross	-	69,240,190	69,240,190
	Net	-	11,685,480	11,685,480
Liabilities	Gross	-	27,773,516	27,773,516
	Net	-	13,500,987	13,500,987
	Gross	-	57,258,541	57,258,541
Marine	Net	-	7,649,082	7,649,082
Bonds	Gross	-	2,773,321	2,773,321
	Net	-	291,582	291,582
Other	Gross	-	22,642,220	22,642,220
	Net	-	12,524,449	12,524,449
Total	**Gross**	-	**907,288,014**	**907,288,014**
	Net	-	**95,927,140**	**95,927,140**

(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)

(b) 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.

(ii) Price risk

The Company did not hold any financial instruments subject to price risk as at 31 December 2017 and 2018.

(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.

(iv) 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

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.

Notes (continued)
24. Management of Insurance of Financial Risk (continued)
Credit risk (continued)

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2018 is made up as follows:

	2018 FRW'000	2017 FRW'000
Receivables arising out of direct insurance arrangements	505,103	102,930
Other receivables	38,150	17,986
Deposits with financial institutions	1,399,731	518,156
Cash at bank	177,643	483,869
	2,120,627	**1,122,941**

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):

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables arising out of direct insurance arrangements. The expected loss rates are based on the payment profiles of premiums over a period of 12 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

As at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) all the receivables were individually assessed.

	Receivables arising out of direct insurance arrangements	
	2018 FRW '000	2017 FRW '000
Neither past due nor impaired	209,769	99,821
Past due but not impaired	295,334	3,109
Impaired	9,471	-
Gross	**514,574**	102,930
Less: allowance for impairment	(9,471)	-
Net	**505,103**	**102,930**

Notes (continued)

24. Management of Insurance of Financial Risk (continued)
Credit risk (continued)

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 60 days past due.

Impairment losses are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of receivables arising out of direct and reinsurance arrangements

In the prior year, the impairment of receivables arising out of reinsurance arrangements was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- Default or late payments (more than 60 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash

(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.

Notes (continued)

(c) Liquidity risk (continued)

At 31 December 2018:	0 - 3 months FRW'000	3 - 12 months FRW'000	TOTAL FRW '000
Liabilities			
Insurance contract liabilities	122,102	-	122,102
Creditors arising from reinsurance arrangements	-	406,995	406,995
Other payables	198,741	-	198,741
	320,843	**406,995**	**727,838**

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

(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.

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.

Notes (continued)

24. Management of Insurance of Financial Risk (continued)

(d) Capital management and going concern (continued)

The Company's paid up Capital at the end of 2018 and 2017 are presented on note 21. The table below summarizes the solvency margin of the Company at 31 December 2018 and 2017.

	2018 FRW 000	2017 FRW 000
Admitted assets	2,372,071	1,095,571
Admitted liabilities	(1,779,125)	(654,248)
Solvency margin	**592,946**	**441,323**
Required margin	**500,000**	**500,000**
Excess/(Shortfall)	**92,946**	**(58,677)**
	118.59%	**88%**

(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.

Notes (continued)

24. Management of Insurance of Financial Risk (continued)

(e) Fair value estimation (continued)

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.

Fair value hierarchy

31 December 2018	**Carrying value**	Level 1	Level 2	Level 3
Cash and cash equivalents	**177,643**	-	-	177,643
Deposits placed with financial institutions	**1,399,731**	-	-	1,399,731
Receivables arising out of direct insurance arrangements	**505,103**	-	-	505,103
Deferred acquisition costs	**105,612**	-	-	105,612
Other assets	**40,176**	-	-	40,176
Reinsurance assets	**569,245**	-	-	569,245
LIABILITIES				
Insurance contract liabilities	**1,066,718**	-	1,066,718	-
Other payables	**198,741**	-	-	198,741
Creditors arising from reinsurance arrangements	**406,995**			406,995

31 December 2017	**Carrying value**	Level 1	Level 2	Level 3
Cash and cash equivalents	**483,869**	-		483,869
Deposits placed with financial institutions	**518,156**	-		518,156
Receivables arising out of direct insurance arrangements	**102,930**	-		102,930
Deferred acquisition costs	**61,833**	-		61,833
Other assets	**26,091**	-		26,091
Reinsurance assets	**106,037**	-		106,037
LIABILITIES				
Insurance contract liabilities	**438,565**	-	438,565	-
Other payables	**130,392**	-		130,392
Creditors arising from reinsurance arrangements	**41,434**	-		41,434

Notes (continued)

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 the average of 2017 and 2018 claims considering the limited claims history of the Company.

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.

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 25

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 No17/2018 of 13/04/2018 Governing 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.

Notes (continued)

26 Significant accounting policies (continued)

26 Significant accounting policies (continued)

a) **Changes in accounting policies and disclosures**

New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2018:

IFRS 9: Financial Instruments

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Company did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other reserves of the current period.

The table below shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

a) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. There were no changes in the classification and measurement of the company's assets and liabilities.

	Measurement category		**Carrying amount**		**Difference**
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Amortised cost	Amortised cost	483,869	483,869	-
Deposits placed with financial institutions	Amortised cost	Amortised cost	518,156	518,156	-
Receivables arising out of direct insurance arrangements	Amortised cost	Amortised cost	102,930	102,930	-
Deferred acquisition costs	Amortised cost	Amortised cost	61,833	61,833	-
Other assets	Amortised cost	Amortised cost	26,091	26,091	-
Reinsurance assets	Amortised cost	Amortised cost	106,037	106,037	-

Financial assets at amortised cost include cash and bank balances, deposits with financial institutions, deferred acquisition costs, other assets, receivables arising out of direct insurance arrangements and receivables arising out of reinsurance arrangements. The balances disclosed above are before any opening balance adjustments

The company has three types of financial assets that are subject to IFRS 9 new expected credit model:

Notes (continued)

26 **Significant accounting policies (continued)**

a) **Changes in accounting policies and disclosures (continued)**

New and amended standards adopted by the Company (continued)
IFRS 9: Financial Instruments (continued)

- Deposits with financial institutions;
- Receivable arising out of direct insurance arrangements; and
- Receivable arising out of direct reinsurance arrangements.

The company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

The impairment allowances for the receivables from the direct and reinsurance contracts was not material.

An impairment of Rwf 2.4 million has been recognized in respect of deposits held with financial institutions as at 31 December 2018 (nil: 31 December 2017).

IFRS 15: Revenue from contracts with customers

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 recognised 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 came into effective from 1 January 2018. The impact of the standard is immaterial to the financial statements.

New standards and interpretation not yet adopted

IFRS 16: Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases

The Company is still assessing the impact of adoption of IFRS 16.

The Company's activities as a lessor are not material and hence the company does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Company will apply the standard from its mandatory adoption date of 1 January 2019 and intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Notes (continued)

26 **Significant accounting policies (continued)**

a) **Changes in accounting policies and disclosures (continued)**

IFRS 17: Insurance contracts

FRS 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.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions 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 adopting the standard

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

Notes (continued)

26 Significant accounting policies (continued)

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).

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).

Notes (continued)

26 Significant accounting policies (continued)

Insurance contract (continued)

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).

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

26 Significant account policies (continued)

b) **Insurance contract (continued)**

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.

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).

26 Significant account policies (continued)

b) Insurance contract (continued)

Salvage and subrogation reimbursements (continued)

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

(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.

26 Significant account policies (continued)

(d) Revenue recognition (continued)

(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.

Financial assets

Classification

From 1 January 2018, the Company classifies its financial assets at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus and subsequently at amortised cost.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented within operating and other expenses the statement of profit or loss.

26 Significant account policies (continued)

Financial assets (continued)

Impairment
From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivables arising from direct and reinsurance arrangements, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Accounting policies applied until 31 December 2017

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

Classification

Until 31 December 2017, the Company classified its financial assets at amortised cost.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9. Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method.

Impairment

The amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Company could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could 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 was recognised in profit or loss.

26 Significant account policies (continued)

(f) Financial liabilities

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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.

(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.

Notes (continued)

26 Significant account policies (continued)

(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'.

(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 benefit expense

(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.

26 Significant account policies (continued)

(l) Current and deferred income tax

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.

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).

26 Significant account policies (continued)

(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.

(q) Subsequent events

Directors are not aware of events after the reporting date that require disclosure in or adjustment to the financial statements as at the date of this report.

--- End ---

Supplementary information

Appendices

Appendix (i) – Liquidity Ratio 2018

Current assets & liabilities

Current Assets	2018 FRW '000	Current Liabilities	2018 FRW '000
Cash paid as security	11,274	Outstanding claims	111,047
Other assets	10,462	Unearned Premium Reserve	944,616
Trade debtors	505,103	Tax payable	26,195
Fixed deposit	1,399,731	Other liabilities	56,796
Prepayments	8,326	Reinsurance liabilities	406,995
Cash and bank balances	177,643	Commission payable	92,453
Deferred acquisition costs	105,612	Due to Related party	23,297
Withholding tax receivable	10,115	Incurred but not reported claims	11,055
Reinsurance asset	569,245		
	2,797,511		**1,672,454**
Liquidity ratio	**167%**		

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
Reinsurance asset	106,037		
	1,298,916		**610,391**
Liquidity ratio	**213%**		

Supplementary information (continued)

Appendix 2 – Revenue account (31 Dec 2017)

	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)	(176,936)
Net premium written	**279,176**	**47,661**	**5,647**	**33,332**	**11,014**	**13,500**	**7,131**	**397,461**
Decrease or Increase in UPR	(212,601)	(32,896)	(3,737)	(20,503)	(5,872)	(9,497)	(5,611)	(290,717)
Net earned premium	**66,575**	**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)**	**(342,444)**

Supplementary information (continued)

Appendix 2 – Revenue account (31 Dec 2018)

	Motor	Fire	Engineering	Liabilities	Marine	Bonds	Others	Total 2018
	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000
Gross premium written	606,716	528,596	260,664	107,261	151,124	77,294	94,750	1,826,405
Less: Ceded Premium	(12,276)	(508,707)	(229,409)	(47,870)	(126,619)	(66,515)	(49,099)	(1,040,495)
Net premium written	**594,440**	**19,888**	**31,255**	**59,391**	**24,505**	**10,779**	**45,651**	**785,910**
Decrease or Increase in UPR	(129,279)	24,126	(17,858)	(11,993)	(2,186)	7,269	(12,886)	(142,807)
Net earned premium	**465,161**	**44,015**	**13,397**	**47,399**	**22,321**	**18,048**	**32,765**	**643,103**
Commission Income	-	107,962	51,903	7,290	24,196	21,616	15,363	228,331
Administration and other fees	6,376	1,633	420	390	474	502	442	10,237
Net income	**471,537**	**153,610**	**65,720**	**55,079**	**46,991**	**40,166**	**48,571**	**881,672**
Gross claims paid	250,431	21,743	532	-	1,792	1,000	1,062	276,560
Reinsurance/co-insurance cover	(113,108)	(14,570)	-	-	(1,634)	-	(10)	(129,322)
Claims outstanding, start of year	(36,358)	-	-	-	-	-	-	(36,358)
Claims outstanding, End of year	108,837	160	-	-	50	-	2,000	111,047
Movement in IBNR	5,436	12	-	-	4	-	150	5,602
Net insurance claims incurred	**215,238**	**7,345**	**532**	**-**	**212**	**1,000**	**3,202**	**227,529**
Expenses	-	-	-	-	-	-	-	
Acquisition cost	59,864	47,113	40,412	12,981	4,977	7,345	5,359	178,051
Deferred Acquisition Cost	(13,945)	1,147	(25,409)	(3,387)	(1,219)	850	(1,815)	(43,778)
Expenses of management	457,550	43,295	13,177	46,623	21,955	17,753	34,612	634,965
Total Expenses	**503,467**	**91,555**	**28,180**	**56,217**	**25,713**	**25,948**	**38,156**	**769,238**
Underwriting profit /(Loss)	**(247,168)**	**54,710**	**37,007**	**(1,139)**	**21,065**	**13,219**	**7,213**	**(115,095)**

Appendix (iii) – Calculation of solvency margin

Supplementary information (continued)

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	2,910,723
4. Less: Non-Admitted Assets as per II.A.7	199,350
5. Less: Deductions for assets subject to maximum admissible % as per II. B.5	339,301
6. Admitted Assets I.3 less I.4 and I.5	2,372,071
7. Less Admitted Liabilities as per III. C.3	1,779,125
8. Solvency Margin Available (I.6 less I.7)	592,946
9. Excess or Deficiency of solvency required (I. 8 less I. 2)	92,946
10. Solvency Coverage Ratio (I.8 divided by I. 2)	**118.59%**

II.A. Non-Admitted Assets

PARTICULARS	**Amount (in'000' FRWs)**
1. Intangible assets	75,649
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	--
6. Deferred expenses, deferred taxes and prepayments	123,701
7. Total Non-Admitted Assets (add II.A.1 to 6)	199,350

Appendices (continued)

Supplementary information (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	569,244,934	90%	56,924,493
4. (a) All other assets (Total assets less II.A.7 and II.B.A 1,2,3)	2,142,127		
Less:			
(–) Cash	729		
(–) Deposit Balances	1,576,644		
(–) Government securities			
(b) **All other assets subject to maximum %**	**564,753**	50%	282,377
5. Total Deductions (add II.B 1,2,3 and 4b)			339,301

III.C. Admitted Liabilities

PARTICULARS	Amount on B/Sheet "A"	Additional percentage factor "B"	Admitted liabilities "A + A * B"
1. Technical Provisions	**1,066,719**	10%	**1,173,390**
-Unearned premium	944,616	10%	1,039,078
-Unexpired risk	-	10%	-
-Outstanding claims	111,047	10%	122,152
-IBNR	11,055	10%	12,161
2. All other liabilities (Total liabilities less Technical Provisions)	**605,734**	0%	**605,734**
3. Total Admitted Liabilities			**1,779,125**