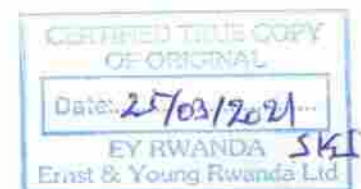


MAYFAIR INSURANCE COMPANY RWANDA LIMITED

ANNUAL REPORT

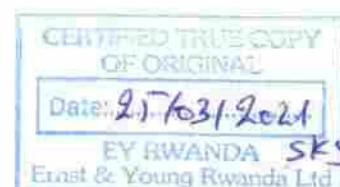
AND
FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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MAYFAIR INSURANCE COMPANY RWANDA LIMITED
CORPORATE INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2020

REGISTERED OFFICE

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
M. Peace Plaza, 2nd Floor
Avenue de la Paix, KN 4 AVE
P.O Box 1380
Kigali, Rwanda

BANKER

Access Bank PLC
P.O Box 2059
Kigali, Rwanda

Bank of Kigali PLC
P.O BOX 175
Kigali, Rwanda

Banque Populaire du Rwanda PLC
Po Box 1348
Kigali - Rwanda

KCB Bank Rwanda PLC
P.O BOX 5620
Kigali, Rwanda

I&M Bank Rwanda PLC
P.O. BOX 354
Kigali, Rwanda

Equity Bank Rwanda PLC
P.O BOX 494
Kigali, Rwanda

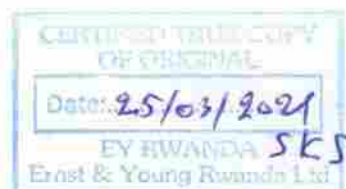
Cogebank PLC
P.O BOX 5230
Kigali, Rwanda

GT Bank PLC
P.O. Box 331
Kigali, Rwanda

NCBA PLC
P O Box 6774
Kigali, Rwanda

AUDITOR

Ernst & Young Rwanda Limited
M. Peace Plaza, Executive Wing, 6th floor
KN4 AV, 72 ST.
P.O. Box 3638
Kigali
Rwanda



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
REPORT OF THE DIRECTORS
FOR THE PERIOD ENDED 31 DECEMBER 2020

The directors submit their report and the audited financial statements for the year ended 31 DECEMBER 2020 which show the state of the company's affairs.

1. PRINCIPAL ACTIVITY

The principal activity of the company is that of insurance cover for general business.

2. RESULTS

The results for the year are set out on page 8.

3. DIVIDEND

The directors do not recommend payment of dividend with respect to the year ended 31 DECEMBER 2020.

4. RESERVES

The reserves of the company are set out on page 10.

5. DIRECTORS

The directors who served during the year and to the date of this report were: -

Byusa Hangu Alphonse	Chairperson - independent	Rwandan	
Muhimuzi Mugisha Daniel	Managing director	Rwandan	
Anjay Vithalbhai Patel	Member	British	
Richard Rwihandagaza	Member - independent	Rwandan	
Jessica Igoma	Member - independent	Rwandan	
Shivon Byamukama	Member - independent	Rwandan	
Benjamin Rugangazi	Member	Rwandan	
Symphorien Kamanzi	Member	Rwandan	Appointed on 07/07/2020

6. AUDITOR

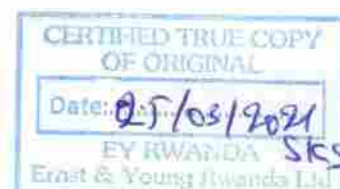
Ernst & Young Rwanda Limited was appointed during the year in accordance with National Bank of Rwanda Regulation and have expressed willingness to continue in office.

By Order of the Board

Company Secretary



Date: 23rd March 2021

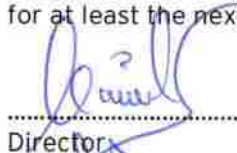


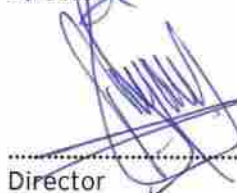
MAYFAIR INSURANCE COMPANY RWANDA LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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.

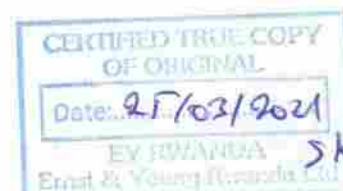
Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement


.....
Director


.....
Director



Date: 25th March 2021



**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
MAYFAIR INSURANCE COMPANY RWANDA LIMITED**

REPORT ON THE AUDITED FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Mayfair Insurance Company Rwanda Limited set out on pages 8 to 67, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mayfair Insurance Company Rwanda Limited as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Law No. 17/2018 of 13/04/2018 governing companies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of Mayfair Insurance Company Rwanda Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements of Mayfair Insurance Company Rwanda Limited in Rwanda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of Mayfair Insurance Company Rwanda Limited and in Rwanda. The IESBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Pages 2 to 3 document titled "Mayfair Insurance Company Rwanda Limited Annual Financial Statements for the year ended 31 December 2020", which includes the Directors' Report as required by the Law No. 17/2018 of 13/04/2018 governing companies. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, 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.

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

REPORT ON THE AUDITED FINANCIAL STATEMENTS

KEY AUDIT MATTER

Key audit matter	Audit procedures to address key audit matter
<p>The company's provision for reported claims by policyholders and incurred but not reported reserve (IBNR) represent 16% of the total liabilities.</p> <ul style="list-style-type: none"> The provision for reported claims by policyholders recorded by the company comprises of the total value of individual outstanding claims estimated by internal or external loss adjusters when a claim has been initiated. These estimates are reassessed during the various stages of the claim processing cycle and are revised based on changes in specific circumstances pertaining to each claim. The IBNR recorded by the company represents an estimate of the liability for a claim-generating event that has taken place during the year but has not yet been reported to the company as of 31 December 2020. IBNR is calculated at the reporting date based on the computations performed by an external actuary appointed by the management, after considering historical claim trends, empirical data and current assumptions. Due to the magnitude of the balances and the estimation uncertainty and subjectivity involved in the assessment of these reserves we have considered the valuation of the provision for reported claims by policyholders and IBNR as a key audit matter. Further, the measurement of these insurance contract liabilities involves significant judgment over uncertain future outcomes, mainly the ultimate total settlement value of the insurance contract liabilities, including any guarantees provided to policyholders. 	<p>Our audit procedures over the provision for reported claims by policyholders included the following:</p> <ul style="list-style-type: none"> - Tested controls over the initiation, review and approval of the claim process across the different lines of business including the claim settlement process. - Evaluated the provision for reported claims by policyholder recorded by management by reviewing the loss adjusters' reports, internal policies for reserves and other assumptions made by management. - Performed a substantive analytical review on the movements in the provision for reported claims by policyholders during the year. - Tested the adequacy and completeness of the disclosures on the provision for reported claims by policyholders, <p>Incurred but not reported reserve (IBNR)</p> <p>Our audit procedures over IBNR included the following:</p> <ul style="list-style-type: none"> - Evaluated the objectivity, independence and expertise of the actuarial valuator appointed by management. - Verified the data used by external actuary to the actuarial exhibits and verified that the data on which the estimate is based is accurate and complete. - Involved our internal specialist to verify the computation and evaluate the methodology and assumptions used by the actuary by comparison to generally accepted industry practices. - Tested the adequacy and completeness of the disclosures on the IBNR.

REPORT OF THE INDEPENDENT AUDITORS (continued)
TO THE MEMBERS OF MAYFAIR INSURANCE COMPANY RWANDA LIMITED

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by Law No. 17/2018 of 13/04/2018 governing companies, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and those charged with governance 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 and those charged with governance either intend to liquidate Mayfair Insurance Company Rwanda Limited or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Mayfair Insurance Company Rwanda Limited'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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mayfair Insurance Company Rwanda Limited's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Mayfair Insurance Company Rwanda Limited'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 Mayfair Insurance Company Rwanda Limited to cease to continue as a going concern.

REPORT OF THE INDEPENDENT AUDITORS (continued)
TO THE MEMBERS OF
MAYFAIR INSURANCE COMPANY RWANDA LIMITED

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 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.

Misstatements can arise from fraud or error and are considered material if individual or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Law No. 17/2018 of 13/04/2018 governing companies, we report to you based on our audit that:

- i) We have no relationship, interests and debts in the company;
- ii) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- iii) In our opinion, proper books of accounts have been kept by the company, so far as appears from our examination of those books; and

We have communicated to you through the management letter, internal control weaknesses identified in the course of our audit including our recommendations with regard to those matters.



Stephen Sang
For Ernst & Young Rwanda Limited

25 MARCH.....2021

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD ENDED 31 DECEMBER 2020

	Notes	2020 FRW'000	2019 FRW'000
Gross written premiums	3 (a)	3,327,535	2,813,208
Premiums ceded to reinsurers and co-insurance	3 (c,d)	<u>(1,947,200)</u>	<u>(1,877,050)</u>
Net written premiums		<u>1,380,335</u>	<u>936,158</u>
Unearned premium reserve	3 (b)	<u>(145,196)</u>	<u>(78,248)</u>
Net earned premiums		<u>1,235,139</u>	<u>857,910</u>
Commissions income	3 (c,d)	547,454	450,505
Movement in deferred commission income	3(e)	(169,068)	-
Investment income	4	252,410	159,849
Finance and other income	5	<u>36,291</u>	<u>32,505</u>
Total income		<u>1,902,226</u>	<u>1,500,769</u>
Gross claims and policyholders' benefits payable	6 (a,b)	(674,355)	(535,534)
less: Claims recoverable from reinsurers	6 (c,d)	425,487	320,270
Change in claims incurred but not reported	6 (e)	<u>(57,751)</u>	<u>(54,992)</u>
Net claims incurred		<u>(306,619)</u>	<u>(270,256)</u>
Commissions expense	3 (f)	(322,074)	(323,884)
Deferred acquisition cost	3 (f)	(20,276)	42,170
Operating and other expenses	7(a), 8	(851,091)	(742,994)
Finance cost	7(b)	<u>(11,494)</u>	<u>(17,912)</u>
Total expenses		<u>(1,204,935)</u>	<u>(1,042,620)</u>
Profit before income tax		390,672	187,893
Income tax expense	9	<u>(77,163)</u>	-
Profit for the year		313,509	187,893
Other comprehensive income		-	-
Total comprehensive income for the year		<u>313,509</u>	<u>187,893</u>

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

Statement of financial position

ASSETS

	Notes	2020 FRW '000'	2019 FRW '000'
Cash and cash equivalents	10(a)	434,430	357,622
Deposits placed with financial institutions	10(b)	2,305,105	2,056,647
Receivables arising out of direct insurance arrangements	11	369,495	119,203
Deferred acquisition costs	12	127,506	147,782
Other assets	13	66,081	45,126
Reinsurance assets	14	1,087,649	923,135
Financial assets at amortised cost	15	494,963	265,665
Investment in property	16	540,000	261,325
Right of use asset	17.a	12,099	48,398
Deferred tax assets	18	21,566	-
Intangible assets	19	234,217	152,768
Motor vehicle and equipment	20	<u>23,839</u>	<u>33,432</u>
Total assets		<u>5,716,950</u>	<u>4,411,103</u>

EQUITY AND LIABILITIES

LIABILITIES

Insurance contract liabilities	21,22,23	1,957,544	1,568,120
Deferred commission income	24	169,068	-
Lease Liability	17.b	13,259	53,121
Other payables	25	413,559	227,578
Creditors arising from reinsurance arrangements	26	<u>674,134</u>	<u>763,587</u>
Total liabilities		<u>3,227,564</u>	<u>2,612,406</u>

EQUITY

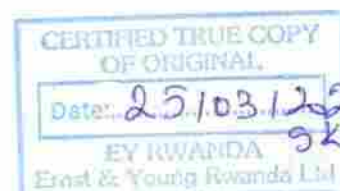
Share capital	27	2,418,355	2,041,175
Retained earnings /(Accumulated Losses)		<u>71,031</u>	<u>(242,478)</u>
Total equity		<u>2,489,386</u>	<u>1,798,697</u>

Total equity and liabilities		<u>5,716,950</u>	<u>4,411,103</u>
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Financial statements were approved by the Board of Directors on 25th March 2021 and signed on its behalf by:

Director

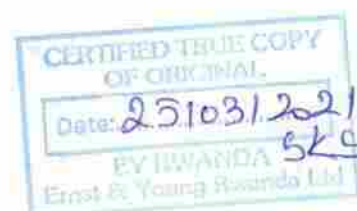
Director



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2020

Statement of changes in equity

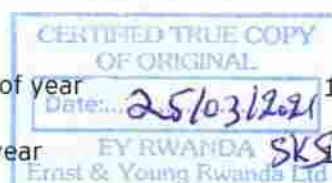
	Notes	Share capital FRW '000	Retained earnings / (Accumulated losses) FRW '000	Total FRW '000
Year ended 31 December 2019				
At start of year		1,668,640	(430,371)	1,238,269
Total comprehensive income for the year		-	187,893	187,893
Transaction with owners:				
Capital contribution	27	<u>372,535</u>	<u>-</u>	<u>372,535</u>
At end of year		<u>2,041,175</u>	<u>(242,478)</u>	<u>1,798,697</u>
Year ended 31 December 2020				
At start of year		2,041,175	(242,478)	1,798,697
Total comprehensive income for the year		<u>-</u>	<u>313,509</u>	<u>313,509</u>
Transaction with owners: Capital contribution	27	<u>377,180</u>	<u>-</u>	<u>377,180</u>
At end of year		<u>2,418,355</u>	<u>71,031</u>	<u>2,489,386</u>



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2020

Statement of Cash flows

		2020	2019
	Notes	FRW'000	FRW'000
Profit before income tax		390,672	187,893
Adjustments			
Depreciation charge on equipment	20	30,655	28,896
Right of use an asset	17	36,299	-
Interest income on term deposits	10(b)	(207,393)	(159,849)
Expected credit loss on receivable	10(b)	-	(2,781)
Interest on lease liability	17.b	6,333	12,476
Impairment of deposit in financial institutions		755	6,947
Gain on disposal of fixed asset		-	(900)
Unrealised exchange gain		(1,719)	-
Adjusted profit before income tax		<u>255,602</u>	<u>72,682</u>
Working capital changes			
Receivables arising out of direct insurance arrangements	11	(250,292)	395,371
Deferred acquisition costs	12	20,276	(42,171)
Reinsurance assets	14	(164,516)	(353,889)
Other assets	13	(57,921)	(4,950)
Unearned premium reserve	21	93,163	418,468
Insurance contract liabilities	21	296,261	82,934
Deferred commission income	3(e)	169,068	-
Other payables	25	185,981	28,837
Creditors arising from reinsurance arrangements	26	(89,453)	356,593
Cash in flows from operating activities		458,169	953,875
Income tax paid		-	-
		<u>458,169</u>	<u>953,875</u>
Interest income received		133,100	149,185
Payment of interest portion of lease liabilities	17.b	(6,333)	(12,476)
Net cash in flows from operating activities		<u>584,936</u>	<u>1,090,584</u>
Cash flows from investing activities			
Deposits placed with financial institutions	10(b)	(239,427)	(660,206)
Financial assets at amortised cost	16	(226,552)	(260,626)
Investment in property	16	(278,675)	(261,325)
Disposal of fixed asset	20	-	4,500
Purchase of fixed assets	20	(21,062)	(28,364)
Intangible additions	19	(81,449)	(77,119)
Net cash outflows from investing activities		<u>(847,165)</u>	<u>(1,283,140)</u>
Financing activities			
Increase in share capital	27	377,180	372,535
Payment of principal portion of lease Liability	17(b)	(39,862)	-
Net cash inflows from financing activities		<u>337,318</u>	<u>372,535</u>
Net cash inflows for the year		75,089	179,979
Unrealised exchange gain		1,719	-
Cash and cash equivalent at beginning of year	10(a)	<u>357,622</u>	<u>177,643</u>
Cash and cash equivalent as at end of year	10(a)	<u>434,430</u>	<u>357,622</u>



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

1. CORPORATE INFORMATION

MAYFAIR INSURANCE COMPANY RWANDA LIMITED is a general insurance company registered on 02 February 2016 and domiciled in Rwanda and licensed under the Law No 17/2018 Of 13/04/2018 relating to Companies in Rwanda. The address of its registered office and principal place of business is stated in page 1.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities that have been measured at fair value.

The company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in the respective notes.

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).

2.2 Significant accounting judgements, estimates and assumptions

In the process of applying the company's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. Although these estimates are based on the management's knowledge of current events and actions, actual results ultimately may differ from those estimates. The most significant use of judgments and estimates are as follows:

Going concern

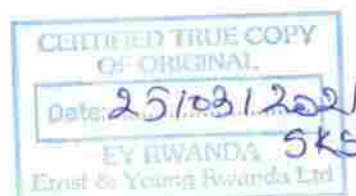
The company's management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay for such claims. For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). IBNR is determined as 15% of the prior year's outstanding claims in accordance with the regulatory requirements.

The directors have assessed the impact of COVID 19 and are of the view that the pandemic will have a small impact on its profitability, but it won't have an impact on the company's going concern, due to:

- The entity has a solvency buffer of 99.7% above the regulatory minimum as at 31 December 2020.
- The entity has a liquid asset of Frw 3.1 billion which management is of the view is sufficient to meet claims cover, in addition the budgeted premium for January 2021 was been surpassed by 52%.
- Insurance company have been classified among company that offer essential service that give us the possibility of still working even in period of total lockdown.



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

2 Significant accounting policies (cont'd)
2.3 Summary of significant accounting policies

(a) 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.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

Present value of acquired in-force business (PVIF)

When a portfolio of insurance contracts and/or investment contracts with DPF is acquired, whether directly from another insurance company, or as part of a business combination, the difference between the fair value of the insurance liability and the value of the insurance liabilities measured using the Insurer's existing accounting policies is recognised as a PVIF asset.

Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses. The intangible asset is amortised on a straight-line basis over the useful life of the acquired policies. Amortisation is recorded in the statement of profit or loss. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and they are treated as a change in an accounting estimate. The recoverability of PVIF is considered as part of the liability adequacy test performed at each reporting period. PVIF is derecognised when the related contracts are settled or disposed of.

Future servicing rights

When a portfolio of investment contracts without DPF, under which the Insurer will render investment management services, is acquired, whether directly from another insurance company or as part of a business combination, the fair value of future servicing rights is recognised as an intangible asset. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses. The intangible asset is amortised on a straight-line basis over period of services to be rendered. Amortisation is recorded in the statement of profit or loss. An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. Future servicing rights are also considered in establishing an onerous contract provision for each reporting period. Future servicing rights are derecognised when the related contracts are settled or disposed of other intangibles.

The economic lives of these assets are determined by consideration of relevant factors such as usage of the asset, typical product life cycles, maintenance costs, the stability of the industry, competitive position, and period of control over the assets. These assets are amortised over their useful lives, using the straight-line method and recognised in the statement of profit or loss.

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2 Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

b) Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

c) Deferred expenses

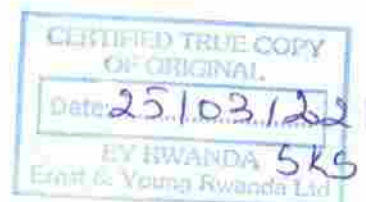
Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DAC are amortised over the period in which the related revenues are earned. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of comprehensive income. DAC are also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.



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2 Significant accounting policies (cont'd)
2.3 Summary of significant accounting policies (cont'd)

d) Motor Vehicle and Equipment

Equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred, if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Depreciation is provided on a straight-line basis over the estimated useful lives of the following classes of assets

Motor vehicles	4 years
Computers	2 years
office equipment	4 years
Partitioning	4 years
Furniture & Fittings	4 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

e) Investment properties

Investment properties are measured initially at cost, including transaction cost and including transaction costs and subsequently measured using fair value model.

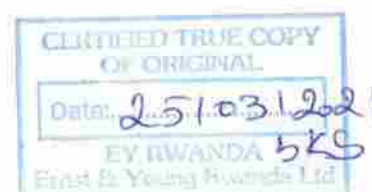
The company accounts for an asset as investment property, any property which is land, a building (or a part of it), or both, held for the purposes of earning rentals; capital appreciation; or both.

Investment property is recognized when it is probable that the future economic benefits that are associated with the property will flow to the company, and the cost of the property can be reliably measured.

There was no valuation in current year since the property is under process of being refurbished and extended on which the company will do the valuation after those activity which will be finalized in mid of 2021.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Insurer accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.



2 Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

f) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

Financial assets

Initial recognition and measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVPL, transaction costs are added to this amount.

Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2 Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

f) Financial Instruments (continued)

The SPPI test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include amortised cost.

Subsequent measurement

Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the statement of profit or loss when the investments are impaired.

For receivable arising from direct insurance contracts and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired Or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

2 Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

f) Financial Instruments (continued)

Derecognition (continued)

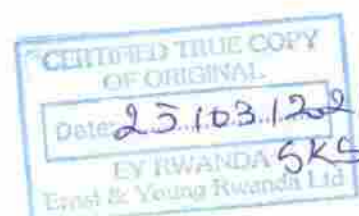
When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

The Company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as a derecognition gain or loss. In the case of debt instruments at amortised cost, the newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors:

- Change in currency of the debt instrument
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.



2 Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

f) Financial Instruments continued)

For investment in financial institutions and treasury bonds and treasury bills the Company estimates ECL by reference to credit rating of the counterparty and if the counterparty is not listed, by reference to the country risk rating. The Company uses Fitch Affirms for country risk ratings and S&P credit rating agency to determine estimate whether credit risk for instruments has significantly increased.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include trade and other payables and due to related parties.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories: Financial liabilities at fair value through profit or loss and financial liabilities at amortised cost (loans and borrowings).

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The company does not hold financial liability under this category in the current year.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

2 Significant accounting policies (cont'd)

2.4 Summary of significant accounting policies (cont'd)

g) Reinsurance ceded to reinsurance counterparties

The Insurer cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Insurer may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Insurer will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Insurer from its obligations to policyholders.

Reinsurance assumed

The Insurer also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related to reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

Investment income on these contracts is accounted for using the EIR method when accrued.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the EIR method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance receivables are derecognised when the derecognition criteria for financial assets.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Insurer's cash management

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand

i) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Insurer operates and generates taxable income.

Current income tax relating to items recognised directly in equity or OCI is recognised in equity or OCI and not in the statement of profit or loss.

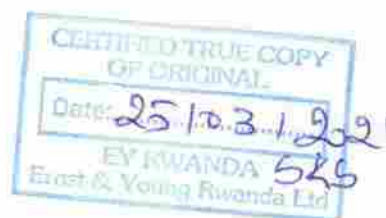
Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate. The income tax charge is analysed between tax in respect of policyholders' returns and the balance which represents the tax on equity holders' returns. The income tax charge in respect of policyholders' returns reflects the movement in current and deferred income tax recognised in respect of those items of income, gains and expenses, which are for the benefit of policyholders.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ▶ When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future



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2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

i) Taxes (continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

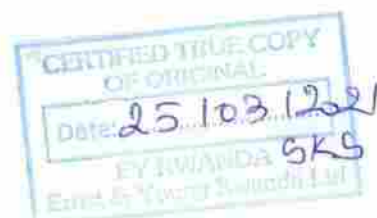
Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss. Sales taxes and premium taxes

Revenues, expenses and assets are recognized net of the amount of sales taxes and premium taxes except:

- Where the sales or premium tax incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case, the sales and premium tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables that are stated with the amount of sales or premium tax included Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.



2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

j) Leases

Upon adoption of IFRS 16, the company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use asset

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset. Leases that do not transfer to the company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

The company's leasing activities and how these are accounted for

The company leases office space in various parts of Kigali. Rental contracts are typically made for fixed periods of 1 to 4 years with the option for extension or termination. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Until the 2019 financial year, leases of office space were classified as operating leases. From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset are measured at measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

j) Leases (cont'd)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic company environment with similar terms, security and conditions

In the absence of the Company's previous borrowing experience, the National Bank of Rwanda's lending rate has been applied in the discounting of future cashflows

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less

Extension and termination options are included in a number of property leases across the company. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the company and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management have assumed renewal options and assumed an extension period with the same terms of 5 years for each of the in-force lease agreements

For the leases of office space, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.
- Management are of the view that probability of incurring termination penalties is very low due to the fact that the National Bank of Rwanda requires notice of not less than 3 months and that also customers need to be informed of any change in address with a reasonable time. Based on the notice required, notice required by the lessor would be reasonably served.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it.

The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

j) Leases (cont'd)

Insurer as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all of the risks and rewards of ownership of an asset to the Insurer are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit or loss on a straight-line basis over the lease term

Insurer as a lessor

Leases in which the company does not transfer substantially all of the risks and rewards of ownership of an asset are classified as operating leases.

Rental income is recognised as revenue in the statement of profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned

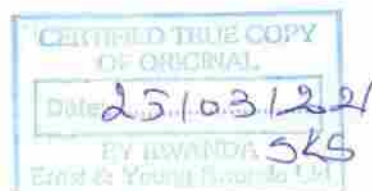
k) Foreign currency translation

The Insurer's financial statements are presented in Rwf
Transactions and balances

Transactions in foreign currencies are initially recorded by the Insurer's entities at their functional currency spot rate prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in OCI until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).



2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

1) Insurance contract liabilities

Non-life insurance (which comprises general insurance and healthcare) contract liabilities Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and a reduction for the expected value of salvage and other recoveries.

Delays can be experienced in the notification and settlement of certain types of claims. Therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised.

The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled. The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. At each reporting date, the Insurer reviews its unexpired risk and a liability adequacy test is performed in accordance with standards to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non- life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency.

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

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).

The quantitative information about the estimates and judgements used in the calculation of the insurance contract liabilities. The significant inputs used in making estimations and judgements are the following:

Data used in Calculating Judgement

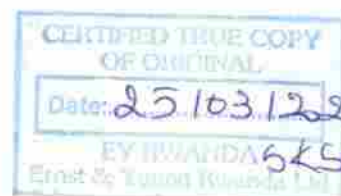
Claim data	Outstanding claim	Premium	Other data
Claim number	Claim number	Policy number	Management account
Date of loss	Date of loss	Start date	
Date of payment	Date of payment	End date	
Class of business	Class of business	Class of business	
Gross claim amount	Gross claim amount	Gross written premium	

Premiums used in calculation of insurance contract liability

	Data	Financials	Difference
	FRW'000	FRW'000	
Motor	940,067	940,067	0.0%
Fire	792,864	792,864	0.0%
Engineering	341,198	341,198	0.0%
Liabilities	186,675	186,675	0.0%
Marine	203,149	203,149	0.0%
Bonds	224,437	224,437	0.0%
Other	639,145	639,145	0.0%
	<u>3,327,535</u>	<u>3,327,535</u>	

Claims used in calculation of insurance contract liability

	Data	Financials	Difference
	FRW'000	FRW'000	
Motor	166,006	166,006	0.0%
Fire	131,188	131,188	0.0%
Marine	62,000	62,000	0.0%
Engineering	22,620	22,620	0.0%
Bond	15,000	15,000	0.0%
Other	39,531	39,531	0.0%
	<u>436,345</u>	<u>436,345</u>	0.0%



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

m) Provisions

General

Provisions are recognised when the Insurer has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Insurer expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

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. As at 31 December, the actuary recommended an additional Frw of reserve to cater for any reserve inadequacies. 2019 Frw 45 million.

n) Revenue recognition

Gross premiums

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. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

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

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

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

n) Revenue recognition (cont'd)

Unearned reinsurance premiums

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

Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument. Investment income also includes dividends when the right to receive payment is established.

Net realised gains and losses

Net realised gains and losses recorded in the statement of profit or loss include gains and losses on financial assets and properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Benefits, claims and expenses recognition

Gross benefits and claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF 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 on DPF contracts. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

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.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Finance cost

Interest paid is recognised in the statement of profit or loss as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest-bearing financial liability

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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2 Significant accounting policies

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations

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

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The nature of the changes in accounting policies can be summarised, as follows:

Scope

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

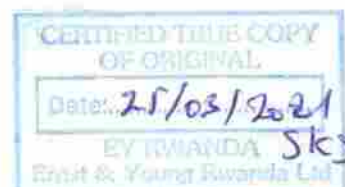
Key requirements

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts



2 Significant accounting policies

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations (continued)

Transition

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17.

The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

- Modified retrospective approach - based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application
- Fair value approach - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 Fair Value Measurement and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date)

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

Amendments to IFRS 17 In June 2020, the IASB issued amendments to IFRS 17. These amendments follow from the Exposure Draft (ED) on proposed Amendments to IFRS 17 Insurance Contracts. As a result of its re-deliberations, the IASB has made changes to the following main areas of IFRS 17:

- Deferral of the effective date of IFRS 17 and IFRS 9 for qualifying insurance entities by two years to annual reporting periods beginning on or after 1 January 2023)
- Scope of the standard
- Expected recovery of insurance acquisition cash flows from insurance contract renewals ▶ CSM relating to investment activities
- Applicability of the risk mitigation option for contracts with direct participation features
- Reinsurance contracts held - expected recovery of losses on underlying onerous contracts
- Simplified presentation of insurance contracts in the statement of financial position
- Additional transition reliefs In addition to the above changes, the amendments also include several other minor and editorial changes to IFRS 17.

Impact

IFRS 17, together with IFRS 9, will result in profound changes to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity of some insurance entities, resulting in increased volatility compared to today's models. Key performance indicators will also likely be affected.

2 Significant accounting policies

2.4 Changes in accounting policy and disclosures
New and amended standards and interpretations (continued)

Definition of a Business - Amendments to IFRS 3

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Minimum requirements to be a business

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

Market participants' ability to replace missing elements

Prior to the amendments, IFRS 3 stated that a business need not include all of the inputs or processes that the seller used in operating that business, 'if market participants are capable of acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes'. The reference to such integration is now deleted from IFRS 3 and the assessment must be based on what has been acquired in its current state and condition.

Assessing whether an acquired process is substantive

The amendments specify that if a set of activities and assets does not have outputs at the acquisition date, an acquired process must be considered substantive only if: (a) it is critical to the ability to develop or convert acquired inputs into outputs; and (b) the inputs acquired include both an organised workforce with the necessary skills, knowledge, or experience to perform that process, and other inputs that the organised workforce could develop or convert into outputs. In contrast, if a set of activities and assets has outputs at that date, an acquired process must be considered substantive if:

(a) it is critical to the ability to continue producing outputs and the acquired inputs include an organised workforce with the necessary skills, knowledge, or experience to perform that process; or (b) it significantly contributes to the ability to continue producing outputs and either is considered unique or scarce, or cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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2 Significant accounting policies

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations (continued)

Narrowed definition of outputs

The amendments narrowed the definition of outputs to focus on goods or services provided to customers, investment income (such as dividends or interest) or other income from ordinary activities. The definition of a business in Appendix A of IFRS 3 was amended accordingly.

Optional concentration test

The amendments introduced an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. Entities may elect to apply the concentration test on a transaction-by-transaction basis. The test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if an entity elects not to apply the test, a detailed assessment must be performed applying the normal requirements in IFRS 3.

Transition

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Impact

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner.

The amendments could also be relevant in other areas of IFRS (e.g., they may be relevant where a parent loses control of a subsidiary and has early adopted Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28))



2 Significant accounting policies

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations (continued)

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments to IFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss
- The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

A fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship. To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value. The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

2 Significant accounting policies

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations (continued)

The amendments to IAS 39

The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

Transition

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed.

Impact

In finalising the amendments, the IASB has provided reliefs that are essential to mitigate the hedge accounting issues that could arise during the period of uncertainty before IBOR contracts are amended to new benchmark rates.

Definition of Material - Amendments to IAS 1 and IAS 8

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Obscuring information

The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
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2 Significant accounting policies

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations (continued)

New threshold

The amendments replaced the threshold 'could influence', which suggests that any potential influence of users must be considered, with 'could reasonably be expected to influence' in the definition of 'material'. In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users.

Primary users of the financial statements

The current definition refers to 'users' but does not specify their characteristics, which can be interpreted to imply that an entity is required to consider all possible users of the financial statements when deciding what information to disclose. Consequently, the IASB decided to refer to primary users in the new definition to help respond to concerns that the term 'users' may be interpreted too widely.

Other amendments

The definition of material in the Conceptual Framework and IFRS Practice Statement 2: *Making Materiality Judgements* were amended to align with the revised definition of material in IAS 1 and IAS 8.

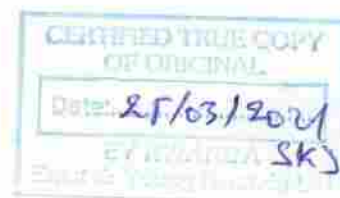
Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

- There is no substantive change to other terms and conditions of the lease.



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
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2 Significant accounting policies

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations (continued)

Covid-19-Related Rent Concessions -Amendment to IFRS 16

Effective for annual periods beginning on or after 1 June 2020.

Key requirements

In May 2020, the IASB amended IFRS 16 *Leases* to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

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

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).

Transition

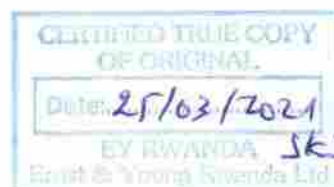
Lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the

amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied. The information required by paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is not required to be disclosed.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020.

Impact

The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the covid-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary.



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
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2 Significant accounting policies

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations (continued)

Reference to the Conceptual Framework - Amendments to IFRS 3

Effective for annual periods beginning on or after 1 January 2022.

Key requirements

In May 2020, the IASB issued *Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to a previous version of the IASB's *Conceptual Framework* (the 1989 *Framework*) with a reference to the current version issued in March 2018 (the *Conceptual Framework*) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the *Conceptual Framework*, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Transition

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the *Amendments to References to the Conceptual Framework in IFRS Standards* (March 2018).

Impact

The amendments are intended to update a reference to the *Conceptual Framework* without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the *Conceptual Framework* in use.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

Effective for annual periods beginning on or after 1 January 2022.

Key requirements

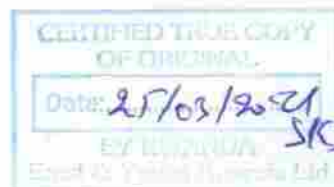
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Transition

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for first-time adopters.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

Effective for annual periods beginning on or after 1 January 2022.



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

2 Significant accounting policies

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations (continued)

Key requirements

In May 2020, the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Transition

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

Impact

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognised contract loss provisions using the guidance from the former standard, IAS 11 *Construction Contracts*, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are "directly related to contract activities", but we believe that guidance in IFRS 15 *Revenue from Contracts with Customers* will be relevant.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

Key requirements

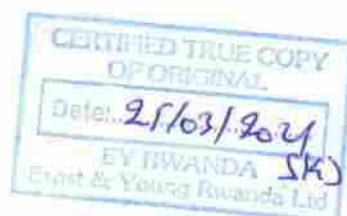
The amendments address the conflict between IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact

The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.



2 Significant accounting policies

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations (continued)

The Conceptual Framework for Financial Reporting

Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

Purpose

The revised *Conceptual Framework for Financial Reporting* (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Key provisions

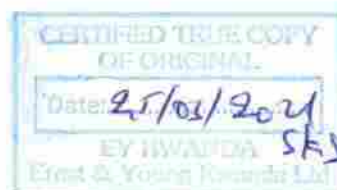
The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 - The objective of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 - Measurement
- Chapter 7 - Presentation and disclosure
- Chapter 8 - Concepts of capital and capital maintenance

The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate accompanying document, *Amendments to References to the Conceptual Framework in IFRS Standards*, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 and for those applying IAS 8.

Impact

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.



2 Significant accounting policies

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations (continued)

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2022.

Key requirements

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Meaning of the term settlement

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity. Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current. Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore, not considered to represent 'settlement'.

Transition

Many entities will find themselves already in compliance with the amendments. However, entities need to consider whether some of the amendments may impact their current practice. Entities need to carefully consider whether there are any aspects of the amendments that suggest that terms of their existing loan agreements should be renegotiated. In this context, it is important to highlight that the amendments must be applied retrospectively.

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

2 Significant accounting policies

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations (continued)

Improvements to International Financial Reporting Standards

Key requirements

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

2018-2020 cycle (issued in May 2020)

The following is a summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 1 First Time adoption of International Financial Reporting Standards
Subsidiary as a first-time adopter

- The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
- An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

IFRS 9 Financial Instruments

Fees in the '10 per cent' test for derecognition of financial liabilities

- The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.
- An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
- An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

Illustrative Examples accompanying IFRS 16 Lease
Lease incentives

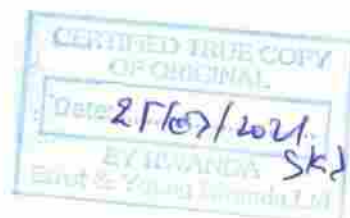
- The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

IAS 41 Agriculture

Taxation in fair value measurements

- The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

3(a) Gross written premiums

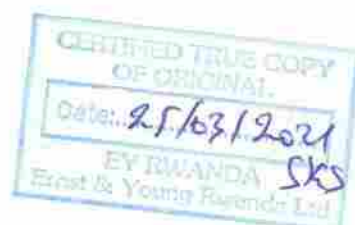
	2020 FRW'000	2019 FRW'000
Motor	940,067	725,753
Fire	792,864	811,143
Engineering	341,198	246,594
Liabilities	186,675	112,512
Marine	203,149	242,455
Bonds	224,437	256,884
Other	<u>639,145</u>	<u>417,867</u>
	<u>3,327,535</u>	<u>2,813,208</u>

3(b) Unearned premium reserves

	2020 UPR			2019 UPR		
	Gross UPR FRW'000	reinsurer's portion FRW'000	Net UPR FRW'000	Gross UPR FRW'000	reinsurer's portion FRW'000	Net UPR FRW'000
Motor	497,875	77,714	420,161	402,096	37,866	364,231
Fire	353,037	309,961	43,076	383,161	352,846	30,315
Engineering	165,909	115,214	50,695	110,558	93,851	16,707
Liabilities	110,964	46,098	64,866	54,500	23,557	30,943
Marine	77,815	52,472	25,343	128,223	100,381	27,842
Bonds	50,233	44,227	6,006	162,793	149,788	13,005
Others	<u>200,414</u>	<u>153,592</u>	<u>46,822</u>	<u>121,753</u>	<u>93,023</u>	<u>28,730</u>
	<u>1,456,247</u>	<u>799,278</u>	<u>656,969</u>	<u>1,363,084</u>	<u>851,312</u>	<u>511,773</u>

3(c) Premium ceded and commission income

	2020		2019	
	Premium ceded RWF'000	Commission income RWF'000	Premium ceded RWF'000	Commission income RWF'000
Fire	689,105	190,965	748,171	190,109
Engineering	230,924	56,719	212,809	52,941
Motor	146,736	2,848	131,463	-
Liabilities	68,533	12,805	42,963	5,234
Marine	76,213	22,918	186,337	34,759
Bonds	197,564	51,928	236,363	71,667
Others	<u>428,514</u>	<u>122,610</u>	<u>189,684</u>	<u>69,602</u>
	<u>1,837,589</u>	<u>460,793</u>	<u>1,747,790</u>	<u>424,312</u>



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

3(d) Premium adjustment and profit commission

	2020		2019	
	Premium Adjustment RWF'000	Profit Commission RWF'000	Premium Adjustment RWF'000	Commission Profit RWF'000
Fire	13,730	21,945	-	3,282
Engineering	7,366	16,276	-	3,977
Liabilities	7,692	-	5,566	-
Marine	8,058	10,571	2,328	4,521
Bonds	-	28,822	-	12,499
Others	<u>72,765</u>	<u>9,047</u>	<u>121,366</u>	<u>1,914</u>
	<u>109,611</u>	<u>86,661</u>	<u>129,260</u>	<u>26,193</u>
	<u>1,947,200</u>	<u>547,454</u>	<u>1,877,050</u>	<u>450,505</u>

Profit Commission were received on profitable account from Reinsurers as per reinsurance treaties.

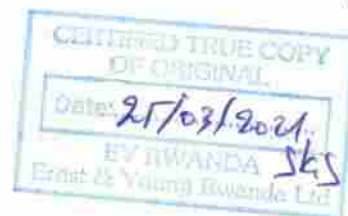
3(e) Movement in deferred reinsurance commission

	2020 RWF'000	2019 RWF'000
Fire	78,749	-
Engineering	26,159	-
Liabilities	10,832	-
Marine	4,585	-
Bonds	12,758	-
Others	<u>35,985</u>	-
	<u>169,068</u>	-

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

Reinsurer Name	Credit rating	Rating Agency	2020		2019	
			Premium ceded	Commission on premium ceded	Premium ceded	Commission on premium ceded
			FRW'000	FRW'000	FRW'000	FRW'000
PTA Reinsurance Company Ltd	BBB	AM				
Kenya Reinsurance Corporation Ltd	BB+	Best	757,018	227,345	1,017,103	224,262
		AM				
		Best				
Africa Reinsurance Corporation Ltd	A	AM	26,236	6,789	39,252	13,005
Swiss Re	A+	Best	403,376	131,927	248,359	61,071
		AM				
		Best	90,865	30,474	116,581	38,028
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				
MAPFE Asistencia	A	Best	12,615	631	93,006	9,468
		AM				
Klapton	B-	Best	2,801	1,530	5,051	3,458
		Global Credit rating (GCR)				
Sonarwa General Insurance Company Ltd	N/A		91,634	20,284	-	-
Continental Re	B+	A/N	66,027	12,269	10,552	1,553
		Global Credit rating (GCR)				
Starstone	A-	AM	131,776	32,249	91,557	24,333
		Best				
Cica Re	B	AM	26,893	14,100	36,545	18,916
		Best				
Waica re	B+	Global Credit rating (GCR)	51,097	12,774	53,356	14,709
		Global Credit rating (GCR)				
NCA Re	BBB-	Global Credit rating (GCR)	30,519	6,095	6,877	2,063
		Global Credit rating (GCR)				
Aveni Re			6,905	2,072	6,488	1,946
MUA	N/A	A/N	6,905	2,072	6,488	1,946
			56,397	12,492	44,795	7,978



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

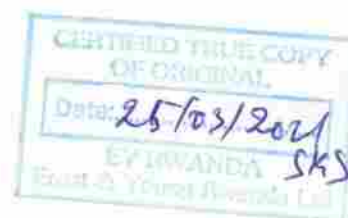
The above premiums were ceded to reinsurers and co-insurer as follows:

Premium ceded and commission income (Continued)

Sanlam	N/A	A/N	14,757	1,986	35,015	8,601
Radiant Insurance Company	N/A	A/N	33,182	6,990	25,448	8,479
BK General Insurance Ltd	N/A	A/N	16,984	1,770	13,854	4,877
Britam	N/A	A/N	50,181	9,878	7,604	1,284
Prime Insurance Company	N/A	A/N	39,373	8,329	6,861	1,121
UAP						
Ghana Re	N/A	A/N	24,122	3,891	12,258	3,407
	B+	AM Best	7,537	1,507		
			<u>1,947,200</u>	<u>547,454</u>	<u>1,877,050</u>	<u>450,505</u>

3(f) Commission expenses and deferred acquisition cost

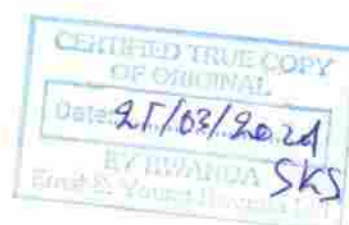
	2020 Frw"000"		2019 Frw"000"	
	Commission expenses	Deferred acquisition cost	Commission expenses	Deferred acquisition cost
Motor Policy	86,670	3,335	77,663	8,476
Fire Industrial	92,347	21,788	123,847	32,146
Engineering	34,990	(2,201)	29,777	(13,306)
Liabilities	19,437	(5,057)	12,248	(1,072)
Marine	21,697	(106)	12,516	(246)
Bonds	9,416	12,680	24,711	13,356
Others	<u>57,517</u>	<u>(10,163)</u>	<u>43,122</u>	<u>2,816</u>
	<u>322,074</u>	<u>20,276</u>	<u>323,884</u>	<u>42,170</u>



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

The commission expenses were paid to insurance intermediaries as follows:

	2020	2019
	FRW'000	FRW'000
Alliance Insurance Brokers	113,710	105,843
Global Risk Advisors Ltd	40,231	75,300
Muzigirwa Emmanuel	39,730	39,570
Rwigamba Eugene	29,033	23,147
Ingabire Carine	30,477	15,109
Ascoma Rwanda Limited	4,877	14,215
Falcon Insurance Services Ltd	1,708	13,475
Munyurangabo Eliezer	1,900	9,390
Zamara Insurance Broker	5,660	7,527
Union Insurance Brokers	793	6,892
Cuzo Insurance Brokers	3,643	2,734
Uwase Catherine	5,148	2,318
Staple Brokerage Ltd	432	1,943
Liaison Rwanda	551	1,566
Alpha Z -Group Ltd	-	1,484
Frontier Inc Ltd	618	1,315
Equity Bank Rwanda Ltd	1,709	602
Virgi Kanji Manji Khetani	775	461
Royal Associates Insurance Brokers	8	420
Pioneer Insurance Agency Ltd	303	409
BCP Investment Managers	-	238
Bazubagira Djalila	-	192
Ingabire Joyeuse	38	40
Kigali Trust Brokers	-	30
Zion Insurance Brokers	987	12
Rwamuhizi Felix	36,183	-
Amina Agency	1,823	-
Kalimba Jean Claude	341	-
Uwamahoro Diane	609	-
Manishimwe Marie Grace	144	-
Mukanziga Alphonsine	139	-
Muhayimana Liliane	92	-
Nsanzineza Maurice	32	-
Safe Insurance Broker	26	-
Mugisha Christian	17	-
Kayitare Gloire	8	-
Alpha Insurance Brokers Ltd	329	(348)
	<u>322,074</u>	<u>323,884</u>



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

4	Investment income	2020	2019
		FRW'000	FRW'000
	Interest earned on fixed term deposits	162,510	126,308
	Interest earned on Government Bonds	44,883	33,541
	Rental Income*	<u>45,017</u>	<u>-</u>
		<u>252,410</u>	<u>159,849</u>

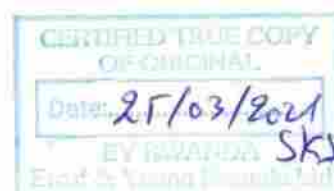
*The rental income is from a house registered under UPI no.1/02/07/01/447, located at Kamuhire Village, Kamatamu Cell, Kacyiru Sector, Gasabo District.

	Maturity analysis of lease payments	2021	2022
		FRW'000	FRW'000
	Investment property subject to operating lease**	46,656	46,656

**The lease agreement is for a period of three years starting from 01 January 2020 to 31 December 2022. For additional disclosures on the asset subject to operating lease refer to note 17.

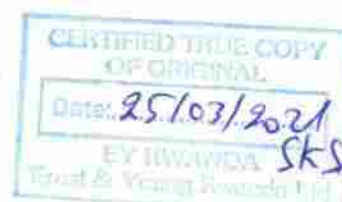
5	Finance and other income	2020	2019
		FRW'000	FRW'000
	Insurance policy fees	24,419	17,103
	Interest earned on current accounts balances	5,435	-
	Sundry income (Non - insurance certificate fee)	-	4,759
	Bad debt recovery	652	-
	Gain on disposal of fixed assets	-	900
	Miscellaneous Income	163	-
	Exchange gain on cash and cash equivalents	<u>5,622</u>	<u>9,743</u>
		<u>36,291</u>	<u>32,505</u>

The balance on exchange gain contain both unrealized and realized exchange gain, realised exchange gain is Frw 3,903, 087 and unrealised exchange gain is Frw 1,718,658



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

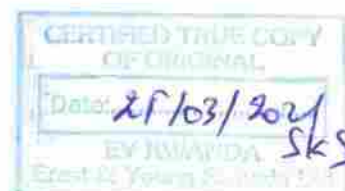
6	Gross claims and policyholder benefit payable	2020	2019
6(a)	Gross claims paid	FRW'000	FRW'000
	Motor	166,006	467,441
	Fire	131,188	15,515
	Marine	62,000	6,617
	Engineering	22,620	160
	Bond	15,000	-
	Other	<u>39,531</u>	<u>17,859</u>
		<u>436,345</u>	<u>507,592</u>
6(b)	Outstanding Claims		
	Motor	93,064	(47,813)
	Fire	133,570	47,131
	Marine	24,982	4,385
	Other	(13,606)	24,239
		<u>238,010</u>	<u>27,942</u>
	Gross claims and policyholders' benefits payable	<u>674,355</u>	<u>535,534</u>
6(c)	Claims paid reinsurance recovery		
	Motor	43,719	278,853
	Fire	85,005	14,737
	Marine	21,463	5,276
	Engineering	16,382	145
	Others	<u>42,369</u>	<u>7,589</u>
		<u>208,938</u>	<u>306,600</u>
6(d)	Claims outstanding reinsurance recovery	2020	2019
		FRW'000	FRW'000
	Motor	45,123	11,500
	Fire	162,883	-
	Marine	13,318	-
	Engineering	3,025	517
	Others	(7,800)	1,653
		<u>216,549</u>	<u>13,670</u>
	Total Claims recoverable from reinsurers	<u>425,487</u>	<u>320,270</u>
6(e)	Change in claims incurred but not reported		
	Incurred but not reported	<u>57,751</u>	<u>54,992</u>
		<u>57,751</u>	<u>54,992</u>



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

7(a) Operating and other expenses

	2020	2019
	FRW'000	FRW'000
Employee benefits (Note 6)	459,798	417,719
Advertising and promotional expenses	24,453	13,202
Bidding and Tendering	4,331	2,786
Depreciation on property and equipment (Note 8)	30,655	28,896
Office rent	-	-
Telephone, water and electricity	15,142	12,323
Travelling and accommodation	10,625	26,359
Office tea and water expenses	1,020	1,410
Directors' allowances	52,500	45,975
Subscription and contribution to associations	10,000	13,967
Corporate social responsibilities	-	300
Supervision fees	14,066	9,132
Audit fee	33,553	17,512
Consultancy fees	64,308	11,375
Internet expenses	18,720	13,880
Fuel and lubricants	9,680	9,475
Office consumables and supplies	7,292	5,376
Training	772	1,585
Repairs and maintenance	7,627	2,137
Penalties and fines	12	2,455
Insurance	23,829	21,762
Rates, other taxes and non-deductible duties	2,403	443
Other general expenses	3,137	826
Leave provision	(10,420)	16,011
Staff welfare expenses	1,873	3,072
Legal charge	5,955	9,270
Provision for premium receivable	-	(2,781)
Other office expenses	7,219	2,115
Parking fees	1,825	755
Comesa fees	12,863	10,462
Donation to non-profit organization	800	1,950
Impairment of deposits in financial institutions	755	6,947
Depreciation on right of use asset	<u>36,298</u>	<u>36,298</u>
	<u>851,091</u>	<u>742,994</u>

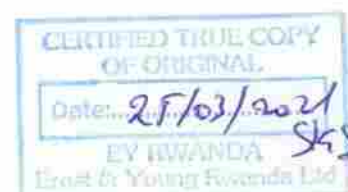


MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

	2020	2019
	FRW'000	FRW'000
7(b) Finance Cost		
Interest charge on lease liability	6,333	12,476
Bank charges	<u>5,161</u>	<u>5,436</u>
	<u>11,494</u>	<u>17,912</u>
8 Employee benefits expense		
Salaries and wages	439,602	398,172
Contributions to the Rwanda Social Security Board	<u>20,196</u>	<u>19,547</u>
	<u>459,798</u>	<u>417,719</u>
9		
Current income tax charge	98,729	-
Deferred income tax (Note 18)	<u>(21,566)</u>	<u>-</u>
Income tax expense	<u>77,163</u>	<u>-</u>

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

	2020	2019
	FRW'000	FRW'000
Profit before income tax	<u>390,672</u>	<u>187,893</u>
Tax calculated at the statutory income tax rate of 30% (2019 - 30%)	117,202	56,368
Tax effect of:		
Tax effect of permanent differences	2,067	6,447
Unrecognized deferred tax asset on tax loss	-	(62,815)
Prior year loss carried forward	(18,628)	-
Recognition of deferred tax asset derecognized in prior year	<u>(23,478)</u>	<u>-</u>
Income tax expense	<u>77,163</u>	<u>-</u>



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

	2020 FRW'000	2019 FRW'000
10(a) Cash and cash equivalents		
Cash at bank	434,216	357,476
Cash at hand	<u>214</u>	<u>146</u>
	<u>434,430</u>	<u>357,622</u>

All balances are current

10(b) Deposits placed with financial institutions		
Deposits placed with financial institutions	2,305,105	2,056,647

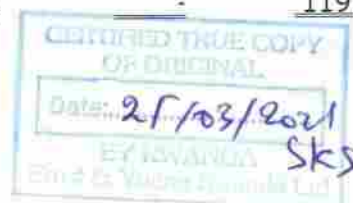
Deposits placed with financial institutions are classified as current assets and are interest bearing.

The deposits movement over the year is as follows

	2020 FRW'000	2019 FRW'000
At start	2,056,647	1,399,731
Additional placements	239,427	660,206
Interest earned	162,476	126,308
Interest received	(153,694)	(121,459)
Expected credit loss	<u>249</u>	<u>(8,139)</u>
At the end	<u>2,305,105</u>	<u>2,056,647</u>
11 Receivables arising out of direct insurance arrangements		
Trade receivable	369,495	119,203
Expected credit loss	<u>-</u>	<u>-</u>
	<u>369,495</u>	<u>119,203</u>

All receivables arising out of direct insurance arrangements are current and are aged as below.

Year 2020					
	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	179,818	39,670	149,765	-	369,253
NGOs and Public institutions	-	-	242	-	242
Expected credit loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>179,818</u>	<u>39,670</u>	<u>150,007</u>	<u>-</u>	<u>369,495</u>
Year 2019					
	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	116,125	-	-	-	116,125
NGOs and Public Institutions	3,078	-	-	-	3,078
Expected credit loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>119,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,203</u>



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

12	Deferred acquisition costs	2020 FRW'000	2019 FRW'000
	At start of year	147,782	105,612
	Net movements in the year	(20,276)	42,170
	At end of year	<u>127,506</u>	<u>147,782</u>
	All balances are current		
13	Other assets		
	Cash paid out as guarantee	16,902	13,337
	Other taxes recoverable	33,302	17,287
	Brokers/agents advances	170	170
	Advance to staff	100	-
	Prepayments	<u>15,607</u>	<u>14,332</u>
		<u>66,081</u>	<u>45,126</u>
	All balances are current		
	Cash paid out as guarantee includes:		
	• Rent deposit: Frw 5. 4 million		
	• Bid guarantee requested from commercial bank: Frw 11.5million		
14	Reinsurance assets	2020 FRW'000	2019 FRW'000
	Unearned premium reserve reinsurance share (note 22)	799,278	851,312
	Outstanding claims reinsurance share (note23)	217,170	60,030
	Reinsurance share of IBNR (Note 23)	<u>71,201</u>	<u>11,793</u>
		<u>1,087,649</u>	<u>923,135</u>
15	Financial Assets at amortised cost		
	Government Bonds	487,178	260,626
	Accrued Interest	<u>7,785</u>	<u>5,039</u>
		<u>494,963</u>	<u>265,665</u>
16	Investment property		
	Investment property	<u>540,000</u>	<u>261,325</u>
		<u>540,000</u>	<u>261,325</u>

The company has purchased a house registered under UPI no.1/02/07/01/447, located at Kamuhire Village, Kamatamu Cell, Kacyiru Sector, Gasabo District. The property is being rented by the Embassy of Kenya. The transfer of the investment property was finalized in the year 2020 upon finalization of the last instalment towards settlement of the consideration.

The company accounts for an asset as investment property, any property which is land, a building (or a part of it), or both, held for the purposes of earning rentals; capital appreciation; or both.

Investment property is recognized when it is probable that the future economic benefits that are associated with the property will flow to the company, and the cost of the property can be reliably measured. Investment property is initially measured at cost, including transaction costs and subsequently measured using fair value model.

There was no fair valuation in current year since the property was fully acquired in the year 2020 and thus its cost is considered a good approximation of the fair value at the year end.

The movement in property investment is the balance paid as the company first paid initial payment of Frw 261,325,000 and then Frw 278,675,000 to reach the agreed amount of Frw 540,000,000



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

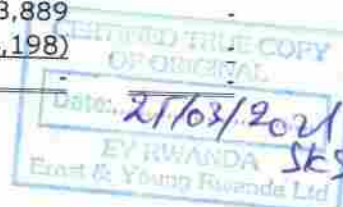
17	Leases	2020	2019
		FRW'000	FRW'000
	17.a. Right of use		
	01 January	48,398	-
	Additions	-	84,697
	Amortization charge	(36,299)	(36,299)
	31 December	<u>12,099</u>	<u>48,398</u>
	17.b Lease Liabilities		
	01 January	53,121	-
	Additions	-	84,697
	Accretion of interest	6,333	12,476
	Payment of principal portion of lease liability	(39,862)	(31,576)
	Payment of interest portion of lease liability	(6,333)	(12,476)
	31 December	<u>13,259</u>	<u>53,121</u>

18 Deferred income tax
Deferred income tax is calculated using the enacted income tax rate of 30% (2019: 30%). The movement on the deferred income tax account is as follows:

	2020	2019
	FRW'000	FRW'000
Property and equipment	12,048	5,691
Provisions	9,518	24,618
Accumulated tax losses	-	23,889
Other temporary difference	-	-
Deferred income tax not recognized	-	(54,198)
	<u>21,566</u>	<u>-</u>

18 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:

	January 2020 FRW '000	Credit to P&L FRW '000	Charge to OCI FRW '000	December 2020 FRW '000
Year ended 31 December 2020				
Property and equipment	-	12,048	-	12,048
Provisions	-	9,518	-	9,517
Tax losses	-	-	-	-
Deferred income tax not recognized	-	-	-	-
Net deferred tax asset	<u>-</u>	<u>21,566</u>	<u>-</u>	<u>21,566</u>
	January 2019 FRW '000	Charge to to P&L FRW '000	Charge to OCI FRW '000	December 2019 FRW '000
Year ended 31 December 2019				
Property and equipment	-	5,691	-	5,691
Provisions	-	24,618	-	24,618
Tax losses	-	23,889	-	23,889
Deferred income tax not recognized	-	(54,198)	-	(54,198)
Net deferred tax asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

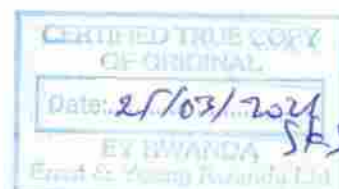


MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

19 Intangible assets

	2020 FRW'000	2019 FRW'000
Cost:		
At start of year	152,768	75,649
Additions	<u>81,449</u>	<u>77,119</u>
Cost at end of year	<u>234,217</u>	<u>152,768</u>
Accumulated amortization:		
At start of year	-	-
Amortization charge	-	-
Impairment charge	-	-
At end of year	<u>234,217</u>	<u>152,768</u>
Net book value at end of year	<u>234,217</u>	<u>152,768</u>

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



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

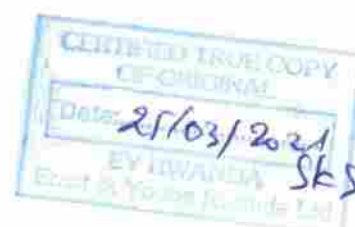
20 Motor vehicle and equipment
2020

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 2020	48,992	15,337	9,068	23,633	11,525	108,555
Additions	-	2,740	16,794	-	1,528	21,062
Disposal/fully depreciated	-	(9,075)	(2,370)	(18,557)	(485)	(30,487)
As at 31 December 2020	<u>48,992</u>	<u>9,002</u>	<u>23,492</u>	<u>5,076</u>	<u>12,568</u>	<u>99,130</u>
Accumulated Depreciation						
As at 1 January 2020	26,998	12,594	5,719	22,344	7,468	75,123
Charge for the year	12,248	2,250	11,746	1,270	3,141	30,655
Disposal/fully depreciated	-	(9,075)	(2,370)	(18,557)	(485)	(30,487)
As at 31 December 2020	<u>39,246</u>	<u>5,769</u>	<u>15,095</u>	<u>5,057</u>	<u>10,124</u>	<u>75,291</u>
Net book Value	<u>9,746</u>	<u>3,233</u>	<u>8,397</u>	<u>19</u>	<u>2,444</u>	<u>23,839</u>

2019

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 2019	36,700	15,137	19,270	23,633	9,551	104,291
Additions	19,492	200	6,698	-	1,975	28,364
Disposal	(7,200)	-	(16,900)	-	-	(24,100)
As at 31 December 2019	<u>48,992</u>	<u>15,337</u>	<u>9,068</u>	<u>23,633</u>	<u>11,526</u>	<u>108,555</u>
Accumulated Depreciation						
As at 1 January 2019	18,350	8,760	18,595	16,436	4,586	66,727
Charge for the year	12,248	3,834	4,024	5,908	2,882	28,896
Disposal	(3,600)	-	(16,900)	-	-	(20,500)
As at 31 December 2019	<u>26,998</u>	<u>12,594</u>	<u>5,719</u>	<u>22,344</u>	<u>7,468</u>	<u>75,123</u>
Net book Value	<u>21,994</u>	<u>2,743</u>	<u>3,349</u>	<u>1,288</u>	<u>4,058</u>	<u>33,432</u>

All motor vehicle and equipment are non-current



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

21 Insurance contract liabilities

	2020	2019
	FRW'000	FRW'000
Unearned premiums reserve	1,456,247	1,363,084
Incurred and Reported Claims	377,498	138,988
Claims incurred but not reported (IBNR)	<u>123,799</u>	<u>66,048</u>
	<u>1,957,544</u>	<u>1,568,120</u>

The balances are all current.

22 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:

	2020	2019
	FRW'000	FRW'000
At start of year - Gross	1,363,084	944,616
At start of year - Net	<u>511,772</u>	<u>433,524</u>
Gross UPR	1,456,247	1,363,084
UPR reinsurer's portion	(799,278)	(851,312)
Net change	656,969	511,772
At end of year - Gross	<u>1,456,247</u>	<u>1,363,084</u>
At end of year - Net	<u>656,969</u>	<u>511,772</u>

The balances are all current

22 Unearned premium(cont')

2020

2019

	Gross UPR	UPR reinsurer's portion	Net UPR	Gross UPR	UPR reinsurer's portion	Net UPR
	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000
Motor	497,875	77,714	420,161	402,096	37,866	364,231
Fire	353,037	309,961	43,076	383,161	352,846	30,315
Engineering	165,909	115,214	50,695	110,558	93,851	16,707
Liabilities	110,964	46,098	64,866	54,500	23,557	30,943
Marine	77,815	52,472	25,343	128,223	100,381	27,842
Bonds	50,233	44,227	6,006	162,793	149,788	13,005
Others	<u>200,414</u>	<u>153,592</u>	<u>46,822</u>	<u>121,753</u>	<u>93,023</u>	<u>28,730</u>
	<u>1,456,247</u>	<u>799,278</u>	<u>656,969</u>	<u>1,363,084</u>	<u>851,312</u>	<u>511,772</u>

The balances are all current

23 Notified claims and IBNR

Notified claims	377,498	138,988
Claims incurred but not reported (IBNR)	<u>123,799</u>	<u>66,048</u>
	<u>501,297</u>	<u>205,036</u>

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. Minimum reserves (15% of the outstanding claims provisions held at the end of previous valuation period) were calculated for Bonds, Engineering and Liability classes of business, the other classes of business adopted the actuarial IBNR reserves.

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

23 Notified claims and IBNR (continued)
Movement in notified claims and IBNR

	2020			2019		
	Gross FRW'000	Reinsurance FRW'000	Net FRW'000	Gross FRW'000	Reinsurance FRW'000	Net FRW'000
At start of year:	138,988	(60,030)	78,958	111,047	-	111,047
Notified claims	-	-	-	-	-	-
Incurred but not reported	66,048	(11,792)	54,256	11,055	-	11,055
Total at start of year	205,036	(71,822)	133,214	122,102	-	122,102
Claims paid in the year	(436,345)	208,938	(227,407)	(507,592)	306,601	(200,991)
Increase in liabilities:						
Arising from current years' claims	813,843	(426,108)	387,735	646,580	(366,630)	279,950
Total at end of year	377,498	(217,170)	160,328	138,988	(60,029)	78,959
Incurred but not reported	123,799	(71,201)	52,598	66,048	(11,793)	54,255
Total at end of year	501,297	(288,371)	212,926	205,036	(71,822)	133,214

24 Deferred commission income

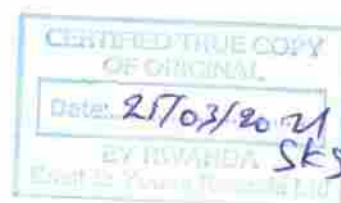
Deferred commission income

2020 FRW'000	2019 FRW'000
169,068	-

25 Other payables

	2020 FRW'000	2019 FRW'000
Trade payables	35,917	31,944
CIT payable, VAT and WHT payable	135,056	56,506
Accrued expenses	36,221	28,681
Other payables	17,417	22,337
Commissions and other payables to brokers	164,113	92,453
Due to Mayfair Kenya Limited (Note 26)	24,835	23,297
	<u>413,559</u>	<u>227,578</u>

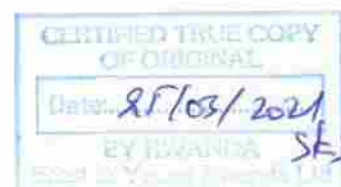
All balances are current.



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

26 Creditors arising from reinsurance arrangements

	2020	2019
	FRW'000	FRW'000
Africa Reinsurance Corporation	165,867	78,160
Kenya Reinsurance Corporation	(13,853)	8,184
PTA Reinsurance Company Ltd	120,418	442,307
Swiss Re	77,877	122,721
Lloyds UK/Willis Limited	5,733	-
New India Assurance Co Ltd	-	-21
Mapfre Asistencia	(526)	-251
Sonarwa General Insurance Company Ltd	36,998	3,945
Continental Re	94,902	39,720
Starstone	5,180	12,866
Cica Re	25,994	17,214
MUA	6,283	3,477
Sanlam	37,154	26,414
UAP	12,277	8,851
Ghana	1,095	-
Klapton	53,678	-
Waica Re	19,300	-
Prime Insurance Ltd	(1,361)	-
Radiant Insurance Company Ltd	(2,238)	-
Britam Insurance Company Rwanda Ltd	21,709	-
BK General Insurance Ltd	7,647	-
	<u>674,134</u>	<u>763,587</u>
All balances are current		



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

27 Share capital

Details	Number of shares outstanding	Ordinary shares (FRW'000)	Total (FRW '000)
At 1 Jan 2019	166,864	1,668,640	1,668,640
Capital contribution	<u>37,253</u>	<u>372,535</u>	<u>372,535</u>
At 31 December 2019	<u>204,117</u>	<u>2,041,175</u>	<u>2,041,175</u>
At 1 January 2020	204,117	2,041,175	2,041,175
Capital contribution	<u>37,718</u>	<u>377,180</u>	<u>377,180</u>
At 31 December 2020	<u>241,835</u>	<u>2,418,355</u>	<u>2,418,355</u>

The total authorized number of ordinary shares is 241,835 (2019: 204,117), with a par value of FRW 10,000 share (2019: 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

28 Contingent liabilities and capital commitments

There was not commitment and or contingent liabilities at the end of the year 2020.

29 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.

List of related parties and their relationship

Mayfair Kenya

Andrea Ltd

Gorajja Ravindra Hargovind

Amb Benjamin Rugangazi

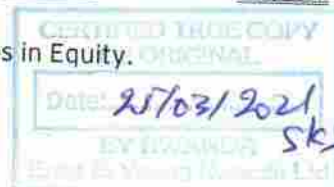
Anjay Vithalbbai patel

Vishal Rajinderkumar patel

Daniel Mugisha Muhimuzi

The following transactions were carried out with related parties:

	2020 FRW'000	2019 FRW'000
(a) Directors remuneration		
Directors' fees and allowances	<u>52,500</u>	<u>45,975</u>
(b) Key management remuneration		
Salaries and wages	<u>265,172</u>	<u>276,834</u>
(c) Transactions with related parties		
Premiums paid	1,640	1,963
Premiums received on short term insurance policies	827	353
(d) Due to related parties		
Mayfair Insurance Company (Kenya) Limited	<u>24,835</u>	<u>23,297</u>
(e) Capital contributions in the year are disclosed in the statement of changes in Equity.		



30 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:

Sensitivities analysis

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

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

It should be noted that the movements in these assumptions are non-linear.

31 December 2020	Change in assumptions	Impact on gross liabilities	Impact on net liabilities
		Frw '000'	Frw '000'
(a) Average claim cost	+5%	396,373	168,345
(a) Insurance risk			

The Company issues contracts that transfer 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. 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.

Claims are payable on claims occurrence basis.

The company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR).

For certain contracts, the company has limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year. The company also has the right to re-price the risk at renewal. It also has the ability to impose deductibles and reject fraudulent claims.

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 finalisation of any contract. The Company reinsurance placement policy assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

30 Management of insurance and financial risk

Claim development

	Year 2017	Year 2018	Year 2019	Year 2020
At end of underwriting year	64,349,859	364,571,891	477,770,610	619,707,894
One year later	87,384,849	503,667,000	600,564,386	
Two year later	104,231,358	542,340,137		
Three year later	138,453,984			
Cumulative claims	138,453,984	542,340,137	600,564,386	619,707,894
Cumulative payment	(138,237,484)	(539,148,229)	(572,991,992)	(273,190,585)
Outstanding	<u>216,500</u>	<u>3,191,908</u>	<u>27,572,394</u>	<u>346,517,309</u>

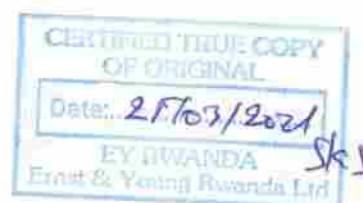
b) Reinsurance risk

In common with other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under excess of loss reinsurance contracts. To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristic of the reinsurers. Reinsurance contracts do not relieve the Company from its obligations to cedants and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

The quantitative analysis of the reinsurance risk is as follow:

Premiums

	Premium ceded	Commission income	Net
	RWF'000	RWF'000	RWF'000
Fire	689,105	190,965	498,140
Engineering	230,924	56,719	174,205
Motor	146,736	2,848	143,888
Liabilities	68,533	12,805	55,728
Marine	76,213	22,918	53,295
Bonds	197,564	51,928	145,636
Others	<u>428,513</u>	<u>122,610</u>	<u>305,903</u>
	<u>1,837,588</u>	<u>460,793</u>	<u>1,376,795</u>



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

30 Management of insurance and financial risk (continued)

Insurance risk (continued)

Claims

Product

Claims paid

Outstanding claims

Reinsurer's share in paid and payable claims

	Frw'000'	Frw '000'	Frw'000'
Motor	166,006	154,587	88,842
Fire	131,188	180,861	247,889
Marine	62,000	29,417	34,782
Engineering	22,620	10,000	19,407
Bond	15,000	-	34,569
Other	39,531	2,633	88,842
	<u>436,345</u>	<u>377,498</u>	<u>425,489</u>

Year 2020

FRW 250m-FRW
1000m

Above FRW 1000m

Total

FRW 000

FRW 000

FRW 000

Motor	Gross	10,938,244		10,938,244
	Net	10,893,030		10,893,030
Fire	Gross	-	1,323,735,853	1,323,735,853
	Net	-	150,205,771	150,205,771
Engineering	Gross	285,664,970		285,664,970
	Net	38,014,222		38,014,222
Liabilities	Gross	48,374,380		48,374,380
	Net	21,541,563		21,541,563
Marine	Gross	218,815,995		218,815,995
	Net	51,156,328		51,156,328
Bonds	Gross	16,037,575		16,037,575
	Net	1,881,674		1,881,674
Other	Gross	92,263,422		92,263,422
	Net	25,018,038		25,018,038
Total	Gross	672,094,586	1,323,735,853	1,995,830,439
	Net	148,504,855	150,205,771	298,710,626

(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



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

30 Management of insurance and financial risk (continued)

Market risk

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.

As at the year ended 31 December 2020, the company had the following assets denominated in foreign currencies:

Description	31 December 2020	31 December 2019
	USD	USD
Bank balance	268,200	138,565
Creditors balance	123,500	94,007

At 31 December 2020, if the Rwanda Franc had weakened/strengthened by 5% against the US dollar with all other variables held constant, pre-tax profit for the period would have been FRW 12,727,696 (2019: FRW 6,395,626) higher/lower mainly as a result of US dollar denominated bank balances.

At 31 December 2020, if the Rwanda Franc had weakened/strengthened by 5% against the USD with all other variables held constant, pre-tax profit for the year would have been Frw 6,005,033 (2019: FRW 4,336,153) higher/lower mainly as a result of USD denominated liabilities

(i) 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.

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

30 Management of insurance and financial risk (continued)

(b) Financial risk (continued)

Credit risk (cont'd)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020	2019
	FRW'000	FRW'000
Receivables arising out of direct insurance arrangements	369,495	119,203
Other assets	1,281,236	45,126
Deposits with financial institutions	2,305,105	2,056,647
Cash at bank	<u>434,430</u>	<u>357,622</u>
	<u>4,390,266</u>	<u>2,578,598</u>

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):

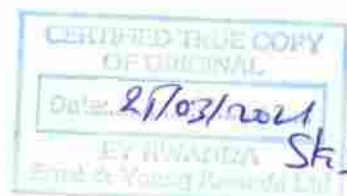
The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables arising out of direct insurance arrangements. The expected loss rates are based on the payment profiles of premiums over a period of 24 months from 1 January 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.

Receivables arising out of direct insurance arrangements

	2020	2019
	FRW '000	FRW '000
Neither past due nor impaired	179,819	119,203
Past due but not impaired	189,677	-
Impaired	-	-
Gross	<u>369,496</u>	<u>119,203</u>
Less: Expected credit loss	<u>-</u>	<u>-</u>
Net	<u>369,496</u>	<u>119,203</u>

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 90 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.



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

30 Management of Insurance of Financial Risk (continued)

Credit risk (continued)

Financial assets Classification

	Measurement category		Carrying amount		Difference
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Amortised cost	Amortised cost	434,430	434,430	-
Deposits placed with financial institutions	Amortised cost	Amortised cost	2,800,068	2,800,068	-
Receivables arising out of direct insurance arrangements	Amortised cost	Amortised cost	369,495	369,495	-
Deferred acquisition costs	Amortised cost	Amortised cost	127,507	127,507	-
Other assets	Amortised cost	Amortised cost	66,080	66,080	-
Reinsurance asset	Amortised cost	Amortised cost	1,087,650	1,087,650	-

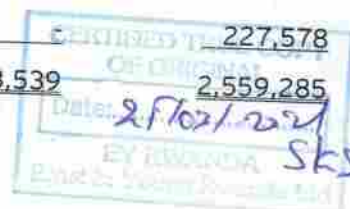
c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its daily cash flow requirements and optimizes its cash return on investments by immediately investing any excess cash on hand. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disaster.

The table below presents the undiscounted cash flows payable by the Company at the balance sheet date

	0 - 3 months	3- 12months	TOTAL
At 31 December 2020:	FRW'000	FRW'000	FRW '000
Insurance contract liabilities	501,297	-	501,297
Unearned premium reserves	156,590	1,299,728	1,456,257
Creditors arising from reinsurance arrangements	-	674,134	674,134
Lease liability	13,255	-	13,255
Other payables	413,559	-	413,559
	<u>1,084,701</u>	<u>1,973,862</u>	<u>3,058,563</u>
	0 - 3 months	3-12 months	TOTAL
At 31 December 2019: Liabilities	FRW'000	FRW'000	FRW '000
Insurance contract liabilities	205,036	-	205,036
Unearned premium reserves	68,132	1,294,952	1,363,084
Creditors arising from reinsurance arrangements	-	763,587	763,587
Other payables	227,578	-	227,578
	<u>500,746</u>	<u>2,058,539</u>	<u>2,559,285</u>



MAYFAIR INSURANCE COMPANY RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2020

Management of Insurance of Financial Risk (continued)

(d) Capital management and going concern

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the Statement of financial position, are:

To comply with the capital and regulatory solvency requirements as set out in Regulation No. 2310/2018 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 1,500 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.

The directors have assessed the impact of COVID 19 and are of the view that the pandemic will have a small impact on its profitability, but it won't have an impact on the company's going concern, due to:

- ▶ The entity has a solvency buffer of 99.7% above the regulatory minimum as at 31 December 2020.
- ▶ The entity has a liquid asset of Frw 3.1billion which management is of the view is sufficient to meet claims cover, in addition the budgeted premium for January 2021 was been surpassed by 52%.
- ▶ Insurance company have been classified among company that offer essential service that give us the possibility of still working even in period of total lockdown.

The Company's paid up Capital at the end of 2020 and 2019 are presented on note 21. The table below summarizes the solvency margin of the Company at 31 December 2020 and 2019.

	2020	2019
	FRW 000	FRW 000
Admitted assets	4,421,576	3,458,246
Admitted liabilities	(3,423,319)	(2,769,218)
Solvency margin	998,257	689,028
Required margin	500,000	500,000
Excess	498,257	189,028
	<u>199.7%</u>	<u>137.81%</u>

FAIR VALUE

Fair values versus carrying amounts

The carrying amounts of the company's financial assets and liabilities approximates its fair values.



Mayfair Insurance Company Rwanda Limited
Supplementary information
For the year ended 31 December 2020

Appendices

Appendix (i) - Liquidity Ratio 2020

Current assets & liabilities

	2020		2020
Current Assets	FRW '000	Current Liabilities	FRW '000
Cash paid as security	16,902	Outstanding claims	377,498
Other assets	170	Unearned Premium Reserve	1,456,247
Trade debtors	369,495	Tax payable	35,917
Fixed deposit	2,305,105	Other liabilities	188,694
Prepayments	15,607	Reinsurance liabilities	674,134
Cash and bank balances	434,430	Commission payable	164,113
Deferred acquisition costs	127,507	Due to Related party	24,835
Withholding tax receivable	33,302	Incurred but not reported claims	123,799
Reinsurance asset	<u>1,087,650</u>	Deferred commission	<u>169,068</u>
	<u>4,390,167</u>		<u>3,214,305</u>
Liquidity ratio	137%		

Appendix (i) - Liquidity Ratio 2019

Current assets & liabilities

	2019		2019
Current Assets	FRW '000	Current Liabilities	FRW '000
Cash paid as security	13,337	Outstanding claims	138,988
Other assets	170	Unearned Premium Reserve	1,363,084
Trade debtors	119,203	Tax payable	31,944
Fixed deposit	2,056,647	Other liabilities	107,524
Prepayments	14,333	Reinsurance liabilities	763,587
Cash and bank balances	357,622	Commission payable	64,813
Deferred acquisition costs	147,782	Due to Related party	23,297
Withholding tax receivable	17,287	Incurred but not reported claims	66,048
Reinsurance asset	<u>923,134</u>		<u>-</u>
	<u>3,649,515</u>		<u>2,559,285</u>
Liquidity ratio	143%		

Mayfair Insurance Company Rwanda Limited
Supplementary information
For the year ended 31 December 2020

Appendix 2 - Revenue account (31 Dec 2020)

	Motor FRW'000	Fire FRW'000	Engineering FRW'000	Liabilities FRW'000	Marine FRW'000	Bonds FRW'000	Others FRW'000	Total 2020 FRW'000
Gross premium written	940,067	792,864	341,198	186,675	203,149	224,437	639,144	3,327,535
Less: Ceded Premium	(146,736)	(702,835)	(238,290)	(76,225)	(84,271)	(197,564)	(501,278)	(1,947,200)
Net premium written	793,331	90,029	102,908	110,450	118,878	26,873	137,866	1,380,335
Decrease or Increase in UPR	(55,930)	(12,761)	(33,988)	(33,923)	2,498	6,999	(18,092)	(145,196)
Net earned premium	737,401	77,268	68,920	76,527	121,376	33,872	119,774	1,235,139
Commission Income	2,848	212,910	72,995	12,805	33,489	80,750	131,658	547,454
Movement in deferred commission	-	(78,749)	(26,159)	(10,832)	(4,585)	(12,758)	(35,984)	(169,068)
Administration and other fees	15,832	3,218	765	595	809	2,035	1,165	24,419
Net income	756,080	214,647	116,520	79,096	151,089	103,899	216,613	1,637,944
Gross claims paid	166,006	131,188	22,620	17,793	62,000	15,000	21,738	436,345
Reinsurance/co-insurance cover	(88,842)	(248,389)	(19,407)	(8,787)	(34,781)	2,070	(27,852)	(425,987)
Claims outstanding, start of year	(61,024)	(47,291)	(504)	(9,160)	(4,435)	(15,000)	(1,575)	(138,988)
Claims outstanding, End of year	154,587	180,861	10,000	2,103	29,417	-	530	377,498
Movement in IBNR	22,335	37,287	(17,018)	315	10,109	(4,962)	9,684	57,751
Net insurance claims incurred	193,063	53,657	(4,310)	2,264	62,310	(2,891)	2,526	306,619
Expenses								
Acquisition cost	86,670	92,347	34,990	19,437	21,697	9,416	57,516	322,074
Deferred Acquisition Cost	3,335	21,788	(2,201)	(5,057)	(106)	12,680	(10,162)	20,276
Expenses of management	457,148	109,933	54,492	41,365	59,622	75,393	64,633	862,585
Total Expenses	547,153	224,069	87,281	55,744	81,212	97,490	111,987	1,204,935
Underwriting profit /(Loss)	15,864	(63,079)	33,550	21,088	7,567	9,300	102,100	126,390

Mayfair Insurance Company Rwanda Limited
Supplementary information
For the year ended 31 December 2019

	Motor FRW'000	Fire FRW'000	Engineering FRW'000	Liabilities FRW'000	Marine FRW'000	Bonds FRW'000	Others FRW'000	Total 2019 FRW'000
Gross premium written	725,753	811,143	246,594	112,512	242,455	256,885	417,867	2,813,208
Less: Ceded Premium	(131,463)	(748,171)	(212,809)	(48,529)	(188,665)	(236,363)	(311,050)	(1,877,050)
Net premium written	594,290	62,972	33,785	63,983	53,790	20,522	106,817	936,158
Decrease or Increase in UPR	594,290	62,972	33,785	63,983	53,790	20,522	106,817	936,158
Net earned premium	571,939	41,426	38,673	65,536	34,006	9,745	96,585	857,910
Commission Income	-	193,391	56,918	5,234	39,280	71,667	84,014	450,505
Administration and other fees	10,820	2,009	1,105	304	840	571,939	41,426	38,673
Net income	582,760	236,826	96,696	71,075	74,126	82,632	181,403	1,325,517
Gross claims paid	467,441	15,515	160	4,263	6,617	-	13,596	507,592
Reinsurance/co-insurance cover	(239,801)	(44,037)	(7,392)	-	(5,793)	(15,570)	(7,677)	(320,271)
Claims outstanding, start of year	(108,837)	(160)	-	-	(50)	-	(2,000)	(111,047)
Claims outstanding, End of year	61,024	47,291	504	9,160	4,435	15,000	1,575	138,988
Movement in IBNR	28,970	503	18,518	-	1,472	4,962	567	54,992
Net insurance claims incurred	208,797	19,112	11,790	13,424	6,680	4,391	6,061	270,255
Expenses	-	-	-	-	-	-	-	-
Acquisition cost	77,663	123,847	29,777	12,249	12,516	24,711	43,122	323,885
Deferred Acquisition Cost	(8,476)	(32,146)	13,305	1,072	246	(13,356)	(2,816)	(42,171)
Expenses of management	421,279	132,036	31,287	25,655	41,493	45,213	63,944	760,906
Total Expenses	490,465	223,737	74,369	38,976	54,255	56,568	104,250	1,042,620
Underwriting profit /(Loss)	(116,503)	(6,023)	10,537	18,675	13,191	21,672	71,091	12,641

Mayfair Insurance Company Rwanda Limited
Supplementary information
For the year ended 31 December 2020

Appendix (iii) - Calculation of solvency margin

Required Solvency Margin

1. Gross premium less reinsurance ceded last preceding year
2. Solvency Margin Required: 20% of I.1 or FRW 500 million whichever is greater

Amount (in'000' FRWs)
936,158
500,000

Compliance with Solvency Margin

3. Total Assets

4. Less: Non-Admitted Assets as per II.A.7

5. Less: Deductions for assets subject to maximum admissible % as per II. B.5

6. Admitted Assets I.3 less I.4 and I.5

7. Less Admitted Liabilities as per III. C.3

8. Solvency Margin Available (I.6 less I.7)

9. Excess or Deficiency of solvency required (I. 8 less I. 2)

10. Solvency Coverage Ratio (I.8 divided by I. 2)

5,716,950
432,298
863,077
4,421,576
3,423,319
998,256
498,256
199.7%

II.A. Non-Admitted Assets

PARTICULARS

1. Intangible assets
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
7. Total Non-Admitted Assets (add II.A.1 to 6)

Amount (in'000' FRWs)
234,216
100
-
-
-
197,981
432,298

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	540,000	80%	108,000
Receivables from reinsurers which are not overdue	-	90%	-
4. (a) All other assets (Total assets less II.A.7 and II.B.A 1,2,3)	4,744,653		
Less:			
(-) Cash	214		
(-) Deposit Balances	2,739,321		
(-) Government securities	494,963		
(b) All other assets subject to maximum %	1,510,154	50%	755,077
5. Total Deductions (add II.B 1,2,3 and 4b)			863,077

III.C. Admitted Liabilities

PARTICULARS	Amount on B/Sheet "A"	Additional percentage factor "B"	Admitted liabilities "A + A * B"
1. Technical Provisions			
-Unearned premium	1,957,544	10%	2,153,299
-Unexpired risk	1,456,247	10%	1,601,872
-Outstanding claims	-	10%	-
-IBNR	377,498	10%	415,248
2. All other liabilities (Total liabilities less Technical Provisions)	123,799	10%	136,179
3. Total Admitted Liabilities	1,270,021	0%	1,270,021
			3,423,319