# SANLAM ASSURANCES GENERALES PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2019

## CONTENTS

## COMPANY INFORMATION

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|---|---|---|
| REGISTERED OFFICE | SANLAM ASSURANCES GENERALES PLC<br>KN3, Av, Boulevard de la Révolution<br>P.O Box 924 Kigali<br>Kigali - Rwanda | |
| LEGAL ADVISORS | Anastace Mafaranga<br>P.O Box 2845<br>Kigali<br>Rwanda | Rusanganwa Jean Bosco<br>Email: jbrusan@yahoo.fr<br>Tel. +250 788500622<br>Kigali –Rwanda |
| | Ruzindana Ignace<br>Email : ruzindai2009@gmail.com<br>Tel. : +250788423017<br>Kigali- Rwanda | Gahutu Joseph<br>Email: gahunde2002@yahoo.fr<br>Tel. +250 783194661<br>Rubavu–Rwanda |
| | Mukandoli Brigitte<br>Email : bmukandoli@yahoo.fr<br>Tel. : +250788431314<br>Kigali- Rwanda | Mukanzigiye Donatille<br>Email: donamuka@yahoo.fr<br>Tel. +250 788566422<br>Kigali –Rwanda |
| | Kaburege Project<br>Email : kaburege@yahoo.fr<br>Tel.: +250788302328<br>Kigali- Rwanda | Mbera Ferdinand<br>Email: mbera_f@yahoo.fr<br>Tel. +250 788309001<br>Kigali –Rwanda |
| | Mukarusine Agnes<br>Email : murusine2007@yahoo.fr<br>Tel. : +250788417142<br>Kigali- Rwanda | Rwimo Clotilde<br>Email: rucloclo@yahoo.fr<br>Tel. +250 788424835<br>Kigali –Rwanda |
| | Rubayiza K. Joseph<br>Email : rubayijosk@yahoo.fr<br>Tel. : +250788409382<br>Rusizi- Rwanda | Twagiramungu Erneste<br>Email: ernestgira@yahoo.fr<br>Tel. +250 788740105<br>Ngoma –Rwanda |
| | Umugiraneza Jean Michel<br>Email : ujemich@yahoo.fr<br>Tel. : +250788550679<br>Kigali- Rwanda | Musabyimana Aphrodis<br>Email: musaphro@yahoo.fr<br>Tel. +250 788409753<br>Kigali –Rwanda |
| | Mugumya Jackson<br>Email : jcdaniel2012@gmail.com<br>Tel : +2500785700981<br>Kigali-Rwanda | Nduwamungu JMV<br>Email : softadvocatespace@gmail.com<br>Tel : +250788307379<br>Kigali -Rwanda |
| | Karangwa Frederic<br>Email : karangwafrederic4@gmail.com<br>Tel : +250788470116<br>Kigali-Rwanda | Bagomora Charles<br>Email : charlesbagomora@gmail.com<br>Tel : +2500788301132<br>Kigali-Rwanda |
| | Kamari Jean Baptiste<br>Email : kamaliibap@gmail.com<br>Tel : +25078446815<br>Kigali-Rwanda | Nyabagabo Felicien<br>Email : nyabafel@gmail.com<br>Tel : +250788791977<br>Kigali-Rwanda |
| | Niyondora Nsengiyumva<br>Email : nniyondora@yahoo.com<br>Tel : +250788439459<br>Kigali-Rwanda | ENSafrica Rwanda<br>Email :ebizimana@ENSafrica<br>Tel : +250733300304<br>Kigali-Rwanda |

| | | |
|---|---|---|
| AUDITOR | KPMG Rwanda Limited<br>Certified Public Accountants<br>5th Floor,Grand Pension Plaza<br>P.O Box 6755<br>Kigali,Rwanda | |
| BANKERS | Bank of Kigali<br>Avenue de la Paix<br>P.O. Box 175<br>Kigali, Rwanda | Cogebanque Limited<br>Avenue du commerce<br>P.O. Box 5230<br>Kigali, Rwanda |
| | Access Bank Rwanda<br>Avenue de la Paix<br>P.O Box 205<br>Kigali, Rwanda | Development Bank of Rwanda<br>P.O. Box 1034<br>Kigali, Rwanda |
| | I & M Bank Rwanda Limited<br>11 Bouvelard de la Revolution<br>P.O. Box 354<br>Kigali, Rwanda | Bank of Africa Rwanda Limited<br>P.O .Box 265<br>Kigali, Rwanda |
| | KCB Bank Rwanda Limited<br>Avenue de la paix<br>P.O. Box 5620<br>Kigali, Rwanda | Guaranty Trust Bank Rwanda<br>20 Boulevard de la Revolution<br>P.O Box 331<br>Kigali, Rwanda |
| | Ecobank Rwanda Limited<br>Plot 314, Avenue de la paix<br>P.O Box 3268<br>Kigali, Rwanda | Banque Populaire du Rwanda Limited<br>Headquarter<br>P.O Box 1348<br>Kigali, Rwanda |

## Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2019, which show the state of SANLAM Assurance Generales Plc (the "Company") affairs.

### INCORPORATION

The Company is incorporated in Rwanda under the Rwanda Companies Act as a private company limited by shares, and is domiciled in Rwanda. The address and the registered office is set out in page 1.

### PRINCIPAL ACTIVITIES

The Company is an independent short term insurance company and a subsidiary of SEM (Sanlam Emerging Markets). It was established in year 2010 as an independent insurance company in order to comply with the Law No. 52/2008 of 10/09/ 2008 which obliges insurance companies to split short term and long term activities. The company continues to provide general business insurance cover for short term insurance during the year.

### RESULTS AND DIVIDENDS

Profit for the year of Frw 972,862,000 has been added to retained earnings. The company has not proposed or paid any dividends (2018: Nil).

### DIRECTORS

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

| No | Names | Status | Nationality | Emails | Appointment dates |
|---|---|---|---|---|---|
| 1 | **Mr. SHUMBUSHO R. Vianney** | Independent | Rwandese | shumbushov@gmail.com | June 1, 2016 |
| 2 | **Mr. HABIMANA Jose** | Independent | Rwandese | jshdave12@gmail.com | March 13, 2018 |
| 3 | **Mr. NGIRABACU Frederic** | Independent | Rwandese | fngirabacu@gmail.com | March 14, 2019 |
| 4 | **Mr. Johannes Jakobus CORNELIUS VAN DER SANDT** | SEM representative | South African | Johan.vanderSandt@sanlam.co.za | June 1, 2016 |
| 5 | **Mr. TUMBO Patrick** | SEM representative | Kenyan | ptumbo@sanlam.co.ke | March 14, 2019 |
| 6 | **Mr. KAYITARE Celestin** | Independent | Rwandese | cekayitare@gmail.com | March 14, 2019 |
| 7 | **Mr. TCHOUKOU Emmanuel** | Independent | Cameroun | emmfinance06@gmail.com | March 14, 2019 |

### SHAREHOLDERS

SEM (Sanlam Emerging Markets) with 45.7%, SORAS Group with 44.7% and Colina Holdings Limited with 9.6% of the company's total issued ordinary share capital.

### AUDITOR

The company's auditor, KPMG Rwanda Limited was appointed in 2019, and has expressed their willingness to continue in office.

By Order of the Board
Secretary

..........May 29,..........2020

## Statement of Corporate Governance

SANLAM Assurances Générales Plc is committed to the best principles of Corporate Governance in running the operations of a company. The company ensures the compliance of all the rules, regulations and laws of the land in the conduct of its business. The company is administered in pursuit of earning credibility in the market and increasing value for the stakeholders. The decision making and powers are exercised with integrity, responsibility, accountability and transparency**.**

### Board of Directors

The directors who served during the year ended 31 December 2019 are listed on Page 3.

Though the overall responsibility of monitoring and controlling the operational and financial performance of SANLAM Assurance Générales Plc vests with the board of directors, the day to day management of the company has been delegated to the Chief Executive Officer.

### Board Meetings and Attendance

In 2019, the attendance at Board meetings is set out below:

| Name | Independence | Attendance | Term of office |
|---|---|---|---|
| **Mr. SHUMBUSHO R. Vianney** | Independent | 4 | 2nd term |
| **Mr. HABIMANA Jose** | Independent | 4 | 1st term |
| **Mr. NGIRABACU Frederic** | Independent | 3 | 1st term |
| **Mr. Johannes Jakobus CORNELIUS VAN DER SANDT** | Non-independent | 4 | 2nd term |
| **Mr. TUMBO Patrick** | Non-independent | 2 | 1st term |
| **Mr. KAYITARE Celestin** | Independent | 3 | 1st term |
| **Mr. TCHOUKOU Emmanuel** | Independent | 2 | 1st term |

The Board of Directors meets at least quarterly and is chaired by a non-executive director.

### Board Committees

The Board has instituted various committees to assist it in fulfilling its role of monitoring key activities of SANLAM Assurances Générales Limited. The Board reviews the reports and minutes of the committees and is accountable of its decisions and functions.

### Board Audit Committee

The Board Audit Committee comprises of the Chairman, two non-executive directors and one executive director. Its key objective is to assist the Board in providing an independent review of the effectiveness of the financial reporting process and internal control system of SANLAM Assurances Générales Plc. It reviews the performance and findings of the Group Internal Audit and Compliance function and recommends appropriate remedial action at least quarterly. The external and internal auditors of the Company shall have free access to the Board Audit Committee. The Auditors can request the Chairperson of the Committee to convene a meeting to consider any matter that the auditors believe should be brought to the attention of directors or shareholders.

In 2019, the Board Audit Committee members and attendance of meetings is set out below:

| Name | Number of meetings held | Number of meeting attended |
|---|---|---|
| Mr. TCHOUKOU Emmanuel (Chairman) | 4 | 2 |
| Mr. HAMIMANA Jose | 4 | 4 |
| Mr. Johannes Jakobus CORNELIUS VAN DER SANDT | 4 | 4 |
| Mr. NGIRABACU Frederic | 4 | 3 |

The Audit Committee meets at least quarterly and is chaired by a non-executive director.

**Board Underwriting and Claims strategy committee**

The Board Underwriting and Claims Strategy Committee comprises of the Chairman, two non-executive directors and one executive director. Its key objective is to assist and recommend strategic underwriting and claims initiatives to the Board, review and oversee the overall underwriting and claims policy, review underwriting and claims policies made by senior management and assist the board with discharging its responsibility to review the quality of the underwriting and claims policies and procedures.

In 2019, the Board Underwriting and Claims Strategy Committee members and attendance of meetings is set out below:

| Name | Number of meetings held | Number of meeting attended |
|---|---|---|
| Mr. KAYITARE Celestin (Chairman) | 3 | 3 |
| Mr. SHUMBUSHO R. Vianney | 3 | 3 |
| Mr. TCHOUKOU Emmanuel | 3 | 2 |
| Mr. Johannes Jakobus CORNELIUS VAN DER SANDT | 3 | 3 |

**Board Risk Management Committee**

The Board Risk Management Committee comprises of the Chairman, two non-executive directors and one executive director. Its key objective is to oversee the Risk Management Policy of the company. It meets quarterly to monitor developments relating to the practice of corporate accountability, providing independent and objective oversight and reviewing the information presented by management on corporate accountability and associated risks.

In 2019, the Board Risk Management Committee members and attendance of meetings is set out below:

| Name | Number of meetings held | Number of meeting attended |
|---|---|---|
| Mr. Jose HABIMANA ( Chairman) | 3 | 3 |
| Mr. TUMBO Patrick | 3 | 2 |
| Mr. KAYITARE Celestin | 3 | 3 |
| Mr. SHUMBUSHO R. Vianney | 3 | 3 |

## Statement of Directors' Responsibilities

The company's Directors are responsible for the preparation of financial statements that give a true and fair view of Sanlam Assurances Generales Plc, set out on pages 11 to 62 comprising the statement of financial position as 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by Law No 17/2018 of 13/04/2018 governing companies, *Regulation No. 2310/2018 - 00014[614] of 27/12/2018 of the National Bank of Rwanda on licensing conditions for insurers and reinsurers* and *BNR Regulation N° 30 /2019 Of 16/12/2019 On Publication of financial statements and other disclosures by insurers* 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.

The directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern for at least the next twelve months from the date of this statement. Nonetheless, the directors acknowledge the emergence of COVID 19 as disclosed in note 25 of the financial statements.

The independent auditor is responsible for reporting on whether, based on their audit, the annual financial statements give a true and fair view in accordance with the International Financial Reporting Standards, and in the manner required by Law No 17/2018 of 13/04/2018 governing companies, *Regulation n° 2310/2018 - 00014[614] of 27/12/2018 of the National Bank of Rwanda on licensing conditions for insurers and reinsurers* and *BNR Regulation N° 30 /2019 Of 16/12/2019 On Publication of financial statements and other disclosures by insurers.*

### Approval of annual financial statements

The financial statements on pages 11 to 62 were approved and authorised for issue by the Board of directors on
12 May 2020

Director

Director

KPMG Rwanda Limited
Certified Public Accountants
5th Floor, Grand Pension Plaza
Boulevard de la Révolution
PO Box 6755
Kigali, Rwanda

Telephone +250 788 175 700/ +250 252 579 790
Fax +254-20-2215695
Email: info.rw@kpmg.com
Internet: www.kpmg.com/eastafrica

# Independent auditor's report

## To the members of Sanlam Assurances Générales Plc

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Sanlam Assurances Générales Plc (formerly Saham Assurances Générales Plc) ("the Company") set out on pages 11 to 62 which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Sanlam Assurances Générales Plc as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, in the manner required by Law No. 17/2018 of 13/04/2018 governing companies in Rwanda and Regulation No. 30 /2019 of 16/12/2019 on publication of financial statements and other disclosures by insurers.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements taken as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| **Insurance contract liabilities: Refer to notes 2(e) and 15 of the financial statements** | |
| The Company has insurance contract liabilities. Valuation of these liabilities is highly judgemental, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported to the Company.<br><br>There is also significant judgement over uncertain future outcomes, mainly the ultimate total settlement of the policyholder liabilities.<br><br>The key assumptions that drive the reserving calculations include claims expense, loss ratios, investment returns, and persistency (including consideration of policyholder | Our audit procedures in this area included, among others:<br>— Evaluating and testing key controls around the claims handling and reserve setting processes of the Company;<br>— Evaluating claims to identify any unrecorded insurance contract liabilities at the end of the period by evaluating claims received after the reporting date;<br>— Evaluating a sample of claims reserves through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters;<br>— Re-performing reconciliations between the data recorded in the financial systems and the data used in the actuarial reserving calculations;<br>— Assessing reasonableness of the incurred but not reported reserve balances using the actuarially-determined reserve |

## To the members of Sanlam Assurances Générales Plc

**Report on the audit of the financial statements (continued)**

| | |
|---|---|
| behaviour), expenses and expense inflation, withdrawals and sensitivity analysis.<br><br>The assumptions to be made have high estimation uncertainty and changes in the estimates may lead to material impact on the valuation of the liabilities. The valuation also depends on accurate data extraction from the information systems. If the data used is not complete and accurate then material impacts on the valuation of policyholder liabilities may also arise.<br><br>Due to the high level of judgment, sensitivity of the assumptions used and complexity of the valuation of insurance contract liabilities, we considered this to be a key audit matter. | percentages per class of business;<br><br>— Challenging the validity of management's liability adequacy testing by assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of company and industry experience data and specific product features;<br><br>— Comparing the assumptions to expectations based on the Company's historical experience, current trends and our own industry knowledge;<br><br>— Evaluating the governance around the overall company reserving process, including the scrutiny applied by the internal and appointed external actuaries. We assessed qualifications and experience of those responsible and examined the output of the reviews to assess the scope and depth of these processes.<br><br>— Using our actuarial specialists to review the reserving methodology including assumptions applied and analytically reviewing the valuation results presented and movements since the previous year-end. We focused on understanding the methodologies applied and examined areas of judgement such as changes in valuation assumptions; and<br><br>— Evaluating whether the company's financial statements disclosures in relation to the assumptions used in the valuation are adequate, including disclosure of key assumptions and judgements. |

### *Other Matter relating to comparative information*

The financial statements of Sanlam Assurances Générales Plc (formerly Saham Assurances Générales Plc) for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on 1 April 2019.

### *Other matter relating to uncertainties due to COVID-19 on our audit*

On 11 March 2020, the World Health Organization declared Coronavirus (COVID-19) outbreak a pandemic in recognition of its rapid spread across the globe. COVID-19 pandemic is not expected to have a material impact on the company's operations. Uncertainties related to the potential effects of COVID-19 are relevant to understanding our audit of the financial statements of the company. All audits assess and challenge the reasonableness of estimates made by companies, the related disclosures and the appropriateness of the going concern assumption of financial statements. The appropriateness of the going concern assumption depends on assessments of the future economic environment and the company's future prospects and performance. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to significant levels of uncertainty. An audit cannot predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to COVID-19.

KPMG

# Independent auditor's report

## To the members of Sanlam Assurances Générales Plc

### Report on the audit of the financial statements (continued)

*Other information*

The Directors are responsible for the other information. The other information comprises the *Company Information*, *Report of the Directors* and *Statement of Directors' Responsibilities*. Other information does not include the financial statements and the auditor's report thereon.

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

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

*Directors' responsibilities for the financial statements*

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, in the manner required by Law No. 17/2018 of 13/04/2018 governing companies in Rwanda and Regulation N° 30 /2019 Of 16/12/2019 on Publication of financial statements and other disclosures by insurers, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

*Auditor's responsibilities for the audit of the financial statements*

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

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

# Independent auditor's report

## To the members of Sanlam Assurances Générales Plc

**Report on the audit of the financial statements (continued)**

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

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

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

We communicate with 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.

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

*Report on other legal and regulatory requirements*

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

i. 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;

ii. Proper accounting records have been kept by the Company, so far as appears from our examination;

iii. We have no relationship, interest or debt with Sanlam Assurances Générales Plc (formerly Saham Assurances Générales Plc). As indicated in our report on the financial statements, we comply with ethical requirements. These are the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), which includes comprehensive independence and other requirements.

iv. We have reported internal control matters together with our recommendations to directors in a separate management letter.

v. According to the best of the information and the explanations given to us as the auditor, as shown by the accounting and other documents of the company, the annual financial statements comply with Article 123 of Law No. 17/2018 of 13/04/2018 Governing Companies in Rwanda.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Stephen Ineget (PC/CPA 0293/0067).

KPMG RWANDA

31 MAY 2020

**KPMG Rwanda Limited**
Certified Public Accountants
5th Floor, Grand Pension Plaza
P O Box 6755
Kigali, Rwanda
Date: 31 May 2020

## Statement of Comprehensive Income

| | Notes | 2019 Frw'000 | 2018 Frw'000 |
|---|---|---|---|
| Gross premiums earned | *17(a)* | 15,525,621 | 11,280,108 |
| Insurance premiums ceded to reinsurers | *17(b)* | (2,784,507) | (2,469,413) |
| **Net earned premiums** | | **12,741,114** | **8,810,694** |
| Fees and reinsurance commission income | *18* | 1,096,936 | 899,275 |
| **Net insurance revenue** | | **13,838,050** | **9,709,970** |
| Gross benefits and claims paid | *21(a)* | (12,676,032) | (9,572,032) |
| Claims ceded | *21(b)* | 2,445,194 | 2,002,145 |
| Net change in contract liabilities | *21(c)* | 2,336,067 | 13,471 |
| **Net insurance claims incurred** | | **(7,894,772)** | **(7,556,416)** |
| Cost of acquisition of insurance contracts | 22 | (1,448,876) | (650,054) |
| Staff costs | *23* | (2,162,345) | (1,258,829) |
| Operating expenses | *26* | (2,277,220) | (1,376,710) |
| Impairment for financial assets (ECL) | 25 | (54,099) | - |
| Depreciation | *4(a)* | (140,307) | (122,531) |
| Amortisation | *4(b)* | (70,362) | (36,453) |
| | | **(6,153,209)** | **(3,444,577)** |
| **Underwriting profit/(loss)** | | **(209,931)** | **(1,291,024)** |
| Investment income | *19* | 958,521 | 779,979 |
| Fair value gains / (losses) | *26* | 155,735 | - |
| Other income | *20* | 255,143 | 549,224 |
| **Total investment income** | | **1,369,399** | **1,329,202** |
| **Profit before income tax** | | **1,159,469** | **38,179** |
| Income tax (charge)/ credit for the year | *12(c)* | (186,607) | 139,906 |
| **Profit for the period/year** | | **972,862** | **178,085** |
| Other comprehensive income: | | - | - |
| **Total comprehensive income for the year, net of tax** | | **972,862** | **178,085** |

*The notes on pages 15 to 62 are an integral part of these financial statements*

## Statement of Financial Position

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | Rwf'000 | Rwf'000 |
| **Assets** | | | |
| Property and Equipment | *4(a)* | 3,222,699 | 3,340,734 |
| Intangible assets | *4(b)* | 182,326 | 132,856 |
| Investment Properties | *5* | 5,355,579 | 5,288,457 |
| Investment in Associates | *6(c)* | 1,748,960 | 1,501,441 |
| Financial assets - Treasury bonds | *6(a)* | 1,355,755 | 381,497 |
| Financial assets - Investment in equities | *6(b)* | 2,901,275 | 2,727,312 |
| Financial assets - short term deposit | *6(e)* | 5,446,631 | 100,000 |
| Reinsurance assets | *7* | 10,269,207 | 7,934,151 |
| Receivables arising out of direct insurance arrangements | *8* | 2,091,558 | 591,254 |
| Deferred acquisition cost | *9* | 455,138 | 577,672 |
| Sundry receivables | *10* | 929,639 | 423,057 |
| Due from related parties | *11(a)* | 568,961 | 78,102 |
| Income tax receivables | *12 (a)* | 1,526,008 | 1,019,970 |
| Cash and cash equivalents | *13* | 2,973,041 | 6,022,880 |
| **Total Assets** | | **39,026,776** | **30,119,383** |
| **Equity and Liabilities** | | | |
| **Equity and reserves** | | | |
| Share capital | *14(a)* | 5,466,220 | 2,441,860 |
| Share premium | *14(a)* | 4,963,273 | 4,758,138 |
| Revaluation reserves | 14(b) | 3,008,878 | 3,008,878 |
| Other reserves | 14(d) | 4,541,805 | 3,774,851 |
| Retained earnings/(Accumulated losses) | 14(e) | (653,999) | (794,212) |
| | | **17,326,177** | **13,189,515** |
| **Liabilities** | | | |
| Deferred income tax liability | *12(b)* | 1,602,006 | 1,592,456 |
| Insurance contract liabilities | *15* | 15,801,399 | 13,249,927 |
| Trade and other payables | *16* | 3,825,589 | 2,040,550 |
| Due to related parties | *11(b)* | 189,470 | 46,935 |
| Current income tax payable | *12(d)* | 282,136 | - |
| | | **21,700,600** | **16,929,868** |
| **Total Equity and Liabilities** | | **39,026,777** | **30,119,383** |

The financial statements on pages 11 to 62 were approved and authorised for issue by the Board of Directors
on 12 May 2020

Director

Director

The notes on pages 15 to 62 are an integral part of these financial statements

**Statement of Changes in Equity**

| | Note | Share capital Frw'000 | Share premium Frw'000 | Fair Value reserve Frw'000 | revaluation reserve Frw'000 | Other Reserve Frw'000 | Retained Earnings Frw'000 | Total Frw'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1st January 2019** | | 2,441,860 | 4,758,138 | 0 | 3,008,878 | 3,774,850 | (794,213) | **13,189,515** |
| **Transactions with shareholders** | | | | | | | | |
| Transfers from Saham AG | | 2,883,189 | 205,135 | - | - | 766,965 | (3,191,330) | **663,959** |
| Proceeds from capital injection | | 2,500,000 | - | - | - | - | - | **2,500,000** |
| Restructure for the company's capital | | (2,358,829) | - | - | - | - | 2,358,829 | **-** |
| | | **3,024,360** | **205,135** | **-** | | **766,965** | **(832,501)** | **3,163,959** |
| **Comprehensive income** | | | | | | | | |
| Profit/Loss for the year | | - | - | - | - | - | 972,862 | **972,862** |
| **Total comprehensive income** | | **-** | **-** | **-** | **-** | **-** | **972,862** | **972,862** |
| **At 31 December 2019** | **14** | **5,466,220** | **4,963,273** | **-** | **3,008,878** | **4,541,805** | **(653,999)** | **17,326,177** |

| | Note | Share capital Frw'000 | Share premium Frw'000 | Fair Value reserve Frw'000 | Revaluation reserve Frw'000 | Other Reserve Frw'000 | Retained Earnings Frw'000 | Total Frw'000 |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 January 2018** | 14 | 2,441,860 | 4,758,138 | 0 | 3,008,878 | 3,774,851 | (972,298) | **13,011,428** |
| **Comprehensive income** | | | | | | | | |
| Profit/Loss for the year | | - | - | - | - | 0 | 178,075 | **178,075** |
| **Total comprehensive income** | | **-** | - | - | **-** | **-** | **-** | **-** |
| **At 31 December 2018** | | **2,441,860** | **4,758,138** | **-** | **3,008,878** | **3,774,851** | **(794,212)** | **13,189,515** |

The notes on pages 15 to 62 are an integral part of these financial statements

## Statement of Cash flows

| | Notes | 2019<br>Frw'000 | 2018<br>Frw'000 |
|---|---|---|---|
| **Profit / (Loss) before tax** | | **1,159,469** | **38,179** |
| **Adjustment for non-cash items:** | | | |
| Depreciation | 4 | 140,307 | 122,531 |
| Amortization | | 70,362 | 36,453 |
| Provision for bad and doubtful debts | | 108,086 | (25,316) |
| Investment income | | (958,521) | (779,979) |
| Gain on disposal of assets | | (5,125) | (1,086) |
| Gain/Loss on FV PL Financial assets | | - | (563) |
| Fair value gains of Equity investments | | (173,964) | (402,579) |
| Fair value gain on revaluation of investment properties | | (67,122) | - |
| Dividends received | | (20,439) | (39,348) |
| Correction of error on PPE intangibles balance | | 71,888 | - |
| Investment in equities- FV TH P&L adjustments | | 303,559 | - |
| | | **628,501** | **(1,051,708)** |
| **Changes in working capital** | | | |
| Due from related parties | | (490,859) | 376,867 |
| Reinsurance assets | | (2,335,056) | (4,931,917) |
| Insurance receivables | | (1,608,391) | (285,244) |
| Deferred acquisition cost | | 122,533 | (367,640) |
| Sundry receivables | | (506,579) | (149,777) |
| Insurance contract liabilities | | 2,551,472 | 3,878,175 |
| Trade and other receivables/payables | | 1,785,039 | (655,336) |
| Due to related parties | | 142,535 | (26,547) |
| Income tax receivables | | (400,959) | (650,912) |
| | | **(740,265)** | **(2,812,332)** |
| **Cash flows from / (used in) operating activities** | | **(111,764)** | **(3,864,040)** |
| Dividends received | | 20,439 | 39,348 |
| Income tax paid | | - | (419,774) |
| **Net cash from operating activities** | | **(91,325)** | **(4,244,467)** |
| **Cash flows from investing activities** | | | |
| Matured short term deposits | | 2,310,176 | 607,209 |
| Matured Financial assets - amortized cost | | - | 5,754,254 |
| Matured Financial assets - Government bonds | | 1,379,000 | - |
| Purchase of short term deposits | | (5,446,631) | - |
| Term deposits transfers from Saham | | (2,210,176) | - |
| Investment in equities - Transfers from Saham | | (551,237) | - |
| Government bonds transfers from Saham | | (2,304,000) | - |
| Acquisition of property and equipment | | (34,860) | (32,493) |
| PPE transfers from Saham | | (105,287) | - |
| Disposal of property and equipment | | 50,840 | 111,400 |
| Intangible transfers from Saham | | (104,000) | - |
| Acquisition of intangible assets | | (15,560) | (66,370) |
| Investment income | | 909,262 | 773,482 |
| **Cash flows from / (used in) operating activities** | | **(6,122,473)** | **7,147,482** |
| **Cash flows from financing activities** | | | |
| Transfers from Saham AG | | 663,959 | - |
| Proceeds from capital injection | | 2,500,000 | - |
| | | **3,163,959** | **-** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(3,049,839)** | **2,903,015** |
| Cash and cash equivalents at 1 January | | 6,022,880 | 3,119,865 |
| **Cash and cash equivalents at 31 December** | | **2,973,041** | **6,022,880** |

The notes on pages 15 to 62 are an integral part of these financial statements

## Notes (continued)

### 1 Corporate information

SANLAM Assurances Generales Plc is a public limited company by shares registered and domiciled in Rwanda and licensed under the Law No. 17/2018 of 13/04/2018 relating to Companies Act in Rwanda. The address of its registered office and principal place of business is stated on page 1. SANLAM Assurances Generales Plc is controlled 45.7% by Sanlam Emerging Markets, 44.7% by Soras Group, and 9.6% by Colina Holdings Limited.

Established on July 2nd 1984, SORAS was the first private insurance company to register and operate in Rwanda. It was established as per the presidential decree #556/07 which was gazetted on 5th September 1984. Since it started operations, SORAS benefitted from a close working relationship with Union des Assurances de Paris-UAP international, which was a globally renowned insurance company. Due to this partnership, SORAS quickly dominated the market with quality services and competitive insurance products.

The company also underwent restructuring in order to adhere to Law no 52/2008 of 10/09/2008 which obliges insurance companies to split short-term and long-term activities. This resulted in the creation of the SORAS Group composed of three companies: SORAS GROUP LTD, SORAS ASSURANCES GENERALES (SORAS AG) LTD and SORAS VIE LTD.

In 2014, Sanlam Group, the largest non-banking financial services provider in Africa announced its acquisition of a 63% interest in SORAS. This marked the start of a fruitful relationship between the South-African based group and SORAS which culminated in a full acquisition in 2018 with Sanlam buying the remaining stake in SORAS. This effectively made SORAS a wholly owned subsidiary of the Sanlam Group.

After Sanlam acquired a 100% interest in the Moroccan based insurance group – Saham Finances end 2018, the group realized the need for a merger between its two Rwandan subsidiaries – SORAS Assurances and Saham Assurances Rwanda.

**Merger of SORAS and Saham Assurances Rwanda**

After approval by the National Bank of Rwanda (BNR), the merger was concluded in March 2019 with effect from 1st January 2019. SORAS Assurances and Saham Assurances Rwanda under one name – SORAS, established the company as the local insurance leader. In November 2019, SORAS adopts the identity of Sanlam Assurances Generales Plc to further cement its position as the group's newest addition to its ever-growing footprint. This rebrand represents an opportunity for Sanlam to enhance its service delivery capacity in the country. Sanlam Assurances Generales Plc, as part of the Sanlam Group operate under the Sanlam Emerging Markets (SEM) business cluster.

All assets and liabilities of SAHAM Assurance Rwanda Ltd including its existed insurance policies and related obligations were transferred to SORAS Assurances Générales Limited, the surviving company. The following table summarises the equity, assets and liabilities figures that were acquired as of 1st January 2019 by the surviving company, Soras AG Ltd which later in November 2019 rebranded Sanlam AG Plc:

| Description | Amount in thousands of Frw |
|---|---:|
| Total Assets | 7,339,931 |
| Total Equity | 663,959 |
| Total Liabilities | 6,675,972 |

**Notes (continued)**

## 2 Significant accounting policies

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

### (a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2(v).

### (b) Statement of compliance

The financial statements are approved and authorized for issue by the board of directors after obtaining the necessary regulatory approvals. The directors reserve the right to amend or withdraw the financial statements.

### (c) Functional and presentation currency

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

### (d) Comparative information

The comparative information used in this report are audited financial statements of Soras Assurances Generales Ltd for the financial year ended 31 December 2018 and Saham Assurances Rwanda has not been considered because the merger took effect from 01 January 2019.

### (e) Changes in accounting policies and disclosures

#### *(i) IFRS16 Leases*

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted (as long as IFRS 15 is also applied).

The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payment.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities.

## Notes (continued)

As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability. The depreciation would usually be on a straight-line basis. In the statement of cash flows, a lessee separates the total amount of cash paid into principal (presented within financing activities) and interest (presented within either operating or financing activities) in accordance with IAS 7.

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

The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The initial lease asset equals the lease liability in most cases.

The lease asset is the right to use the underlying asset and is presented in the statement of financial position either as part of property, plant and equipment or as its own line item. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 replaces IAS 17 effective 1 January 2019, with earlier application permitted. IFRS 16 has the following transition provisions:

- Existing finance leases: continue to be treated as finance leases.
- Existing operating leases: option for full or limited retrospective restatement to reflect the requirements of IFRS 16.

Sanlam AG has considered the adoption of IFRS16 and then opted to recognise the lease payments on a straight line basis since all contracts have one (1) year lease term.

### *(ii) IFRS 9 Financial Instruments*

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted.

IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. IFRS 9 requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

**Financial assets**

When an entity first recognises a financial asset, it classifies it based on the entity’s business model for managing the asset and the asset’s contractual cash flow characteristics, as follows:

- **Amortized cost** - a financial asset is measured at amortized cost if both of the following conditions are met: the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- **Fair value through other comprehensive income** - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- **Fair value through profit or loss** - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

## Notes (continued)

Sanlam AG has adopted IFRS9 since 01 January 2018 (2017: Restated) and no changes were effected in its Financial assets business model during the financial year ended 31 December 2019 hence no FA reclassification was done.

**Subsequent measurement of financial assets**

IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications - those measured at amortized cost and those measured at fair value.

Sanlam AG, as at 31 December 2019, has the following FA investments: Cash and cash equivalents, Premium receivables, Term-deposits, Government bonds, equity investments. Except for the Equity investments which are measured at FV TH P&L, all other financial assets as illustrated are measured at amortized cost and their ECL have been computed based PD market average.

Below is a table that summarizes the company’s FA and their carrying amounts as at 31 December 2019:

| **Financial Assets\| in Rwf000’** | **31-Dec-18** | **ECL recorded in 2019** | **31-Dec-19** |
|---|---|---|---|
| Cash in hand and bank balances | 6,022,880 | 1,385 | 2,973,041 |
| Short-term deposits | 100,000 | 2,634 | 5,446,631 |
| Government Bonds - at amortized Cost | 381,497 | 650 | 1,355,755 |
| Insurance receivables | 591,254 | 17,620 | 2,091,558 |
| Due from reinsurers | 1,358,065 | 17,395 | 3,371,223 |
| Due from coinsurers | 911,842 | 4,581 | 898,143 |
| Other receivables | 222,148 | 8,891 | 663,498 |
| Prepaid expenses | 0 | 140 | 27,502 |
| Deposit and prepayments | 121,057 | 803 | 147,536 |
| **Total** | **9,708,743** | **54,098** | **16,979,556** |

## Notes (continued)

### 2 (e) Standards issued but not yet adopted

IFRS 17 was initially effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied but following the impact of the coronavirus outbreak, at its meeting on 17 March 2020, the International Accounting Standards Board (IASB) agreed to defer the effective date of IFS 17 to annual reporting periods beginning on or after 1 January 2023.

Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period.

To provide useful information about these features, IFRS 17: combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract; presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

The key principles in IFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;

- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;

- divides the contracts into groups that it will recognise and measure;

- recognises and measures groups of insurance contracts at:

  i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
  ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);

- recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately;

- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and

- discloses information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

## Notes (continued)

**(f) Insurance contracts and investment contracts**

**Classification**

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

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

**Recognition and measurement**

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

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

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

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

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

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

## Notes (continued)

**Accounting Policies (continued)**

**2 Significant accounting policies (continued)**

**(f) Insurance contracts (continued)**

**Deferred acquisition costs**

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

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

**Liability adequacy test**

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

**Reinsurance contracts held**

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

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

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

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

## Notes (continued)

**Accounting Policies (continued)**

**2 Significant accounting policies (continued)**

**(f) Insurance contracts (continued)**

**Receivables and payables related to insurance contracts and investment contracts**

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

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

**Salvage and subrogation reimbursements**

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

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

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

**(g) Investment property**

Property held for long-term rental yields that is not occupied by the Company is classified as investment property. Investment property comprises freehold land and buildings. It is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair values are recorded in the profit or loss.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long-term rental yields and is not occupied by the Company. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments. The property is carried at fair value after initial recognition.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

## Notes (continued)

**Accounting Policies (continued)**

**2 Significant accounting policies (continued)**

**Investment property (continued)**

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

**(h) Property, plant and equipment**

Land, buildings and motor vehicle are stated at fair value, based on periodic, but at least triennial, valuations by external independent appraisers, less depreciation. Land is not depreciated. Buildings are depreciated on a straight line basis to allocate the cost over the estimated useful life (60 years) of the building. The residual values and useful lives of buildings are reviewed at each statement of financial position date and adjusted accordingly. Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on the difference between the cost and residual value of the asset and is charged over the estimated useful life of each significant part of an item of equipment, using the reducing balance method of depreciation.

| | |
|---|---|
| Buildings | 14 to 60 years |
| IT Equipment | 2 years |
| Furniture and equipment | 4 years |
| Motor vehicles | 4 years |
| Apartment materials | 4 years |
| Medical and Other equipment | 4 years |

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

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition 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 when the asset is derecognised.

Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that additional future economic benefits from the existing asset will flow to the company as a result of the major renovation.

**(i) Intangible assets – Computer software**

Computer software is recognised at cost less amortisation and impairment charges. Computer software packages acquired are initially recognised at fair value. Cost associated with maintaining computer software programmes are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

## Notes (continued)

### Accounting Policies (continued)

### 2 Significant accounting policies (continued)

#### (i) Intangible assets – Computer software (continued)

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The Company's intangibles assets are made of the AIMS, Novanet, Sage Pastel softwares and are amortised on reducing balance method at the rate of 50% per annum.

Gains and 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 when the asset is derecognised.

#### (j) Financial assets and financial liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are recognized to the initial carrying amount of the financial asset/liability, as appropriate on initial recognition

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognized at the fair value derived from such observable market data.

#### i) Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through PL; and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.
For assets measured at fair value through profit or loss, gains and losses will be recorded in profit or loss

## Notes (continued)

**Accounting Policies (continued)**

**2 Significant accounting policies (continued)**

**(j) Financial assets and financial liabilities (continued)**

**ii) Recognition and derecognition**

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

**iii) Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

**Debt instruments**

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented within operating and other expenses the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises..

**Equity instruments**

The Company subsequently measures all equity investments at fair value through profit or loss. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

**iv) Impairment**

From 1 January 2019, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of these assets. No evidence for impairment found during our review of the NBV vis a vis the net realisable value of those debt instruments.

## Notes (continued)

**Accounting Policies (continued)**

**2 Significant accounting policies (continued)**

**(j) Financial instruments (continued)**

**Derecognition of financial assets**

A financial asset is derecognized when:

The rights to receive cash flows from the asset have expired, or

- The company retains the 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:
- The company has transferred substantially all the risks and rewards of the asset, or
- The company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset. 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 that the company could be required to repay.

In that case, the company also recognizes 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.

**Derecognition of financial liabilities**

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

**(k) Transactions with Related Party Companies**

These include loans to and from the holding company, fellow subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs. Loans to group companies are classified as loans and receivables. Loans from group companies are classified as financial liabilities measured at amortised cost. Loans to shareholders, directors, managers and employees are classified as loans and receivables.

## Notes (continued)

**Accounting Policies (continued)**

**2 Significant accounting policies (continued)**

**(l) Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

**(m) Trade and other payables**

Trade and other payables, including accruals, are recognised when the company has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the company. Trade and other payables are carried at amortised cost.

**(n) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**(o) Income tax expense**

Income tax expense is the aggregate amount charged / (credited) in respect of current income tax and deferred income tax in determining the profit or loss for the year. Tax is recognised in the profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

**Current income tax**

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Rwanda Income Tax Act.

**Deferred income tax**

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

# Notes (continued)

**Accounting Policies (continued)**

**2 Significant accounting policies (continued)**

**Deferred income tax (continued)**

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the company is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the company the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same entity.

**(p) Leases**

The Company leases certain property, plant and equipment. The Company does not retain a significant portion of the risks and rewards of ownership and these leases are therefore classified as operating leases.

**(q) Impairment of non-financial assets**

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

## Notes (continued)

**Accounting Policies (continued)**

**2 Significant accounting policies (continued)**

**Impairment of non-financial assets (continued)**

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**(r) Share capital**

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

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Shares are classified as equity when there is no obligation to transfer cash or other assets.

**(s) Provisions and contingencies**

Provisions are recognised when;

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be require to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity has a detailed formal plan for the restructuring, identifying at least: the business or part of a business concerned;

- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- When the plan will be implemented; and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## Notes (continued)

**Accounting Policies (continued)**

**2 Significant accounting policies (continued)**

**(t) Retirement benefit obligations**

Staff retirement benefits consists of retirement benefits and loyalty benefits. Retirement benefits are accrued based on the number of years work and an employee is entitled to the basic salary with a factor of number of years worked up to a maximum of 12 months. Loyalty bonus is accrued based on the basic salary multiple of a certain number of years in the organisation.

**(u) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction cost of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

**Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(v) Translation of foreign currencies**

The financial statements are presented in Rwandese Francs (Frw) rounded to the nearest thousand, which is the Company’s functional and reporting currency. In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are converted at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

## Notes (continued)

### 2 Significant accounting policies (continued)

### (w) Employee entitlements

*Defined contribution scheme*
The company and all its employees contribute to the Rwanda Social Security Board, which is a defined contribution scheme.

*Termination benefits*
Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

*Short-term employee benefits*
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### (x) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for services, net of any applicable taxes.

**Insurance premium**

Insurance premiums for general insurance contracts are recognised as revenue as detailed in Note 2 (b) Insurance contracts.

### (y) Interest income and expenses

Interest income and expenses for all interest-bearing financial instruments, are recognised within 'investment income' (Note 19) in the statement of profit or loss using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

### (z) Dividend income

Dividend income for available-for-sale equities is recognised when the dividend is publicly declared.

## Notes (continued)

**Accounting Policies (continued)**

**2 Significant accounting policies (continued)**

**(aa) Critical accounting judgements and key sources of estimation uncertainty**

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 and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**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.

**Impairment of available-for-sale equity financial assets**

The Company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows

**Fair value of financial instruments**

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

# Notes (continued)

**Accounting Policies (continued)**

**2 Significant accounting policies (continued)**

**(ab) Risk management objectives and policies**

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them

**2.1 Insurance risk**

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

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.

**2.1.1 Casualty insurance risks**

**a) Frequency and severity of claims**

The frequency and severity of claims can be affected by several factors. The most significant the increase in the number of cases coming to court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The following tables disclose the concentration of casualty insurance liabilities by class and by the maximum insured loss limit included in the terms of the policy. The amounts are the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from casualty insurance contracts.

**Casualty insurance risks (continued)**

The concentration by sector or maximum insured loss at the end of the year is broadly consistent with the prior year

## Notes (continued)

**Casualty insurance risks (continued)**

**b) Sources of uncertainty in the estimation of future claim payments**

Claims on casualty contracts/general risks are payable on a 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). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

### 2.2 Financial risk management

**a) Financial risk management**

The Company's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Company's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Company's performance by setting acceptable levels of risk. The Company does not hedge against any risks.

**i) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis. The Company does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

## Notes (continued)

### Credit risk (continued)

The maximum exposure of the Company to credit risk as at the balance sheet date is as follows

| | 0-30 days | 31-90 days | 91-180 days | 180-365 days | Over 365 days | Total |
|---|---|---|---|---|---|---|
| **31-Dec-19** | **Frw '000** | **Frw '000** | **Frw '000** | **Frw '000** | **Frw '000** | **Frw '000** |
| Financial assets- Government bonds | - | - | - | - | 1,355,755 | 1,355,755 |
| Reinsurance assets | 122,593 | 434,921 | 6,428,009 | - | 3,283,683 | 10,269,207 |
| Insurance receivables | 1,168,361 | 281,157 | 169,647 | 472,394 | - | 2,091,558 |
| Sundry receivables | 177,253 | - | 444,822 | - | 307,563 | 929,638 |
| Cash and cash equivalent | 2,973,041 | | | 5,446,631 | | 8,419,672 |
| **Total** | **4,441,248** | **716,078** | **7,042,478** | **5,919,026** | **4,947,001** | **23,065,830** |
| **31-Dec-18** | **Frw '000** | **Frw '000** | **Frw '000** | **Frw '000** | **Frw '000** | **Frw '000** |
| Financial assets held to maturity | - | - | - | - | 381,497 | 381,497 |
| Reinsurance assets | 200,365 | 1,398,156 | 3,112,688 | 1,568,601 | 1,693,644 | 7,973,454 |
| Insurance receivables | 329,881 | 104,225 | 26,998 | 130,150 | 1,327,100 | 1,918,354 |
| Sundry receivables | 173,770 | 11,277 | 14,709 | 223,169 | - | 422,925 |
| Cash and cash equivalent | 6,022,880 | 100,000 | - | - | - | 6,122,880 |
| **Total** | **7,726,896** | **1,613,658** | **3,154,395** | **1,921,920** | **3,402,241** | **16,819,110** |

The ageing of past due but not impaired financial assets at the reporting date was:

| | Fully Performing | Past due but not impaired | Impaired | Total |
|---|---|---|---|---|
| **31st December 2019** | **Frw 000** | **Frw 000** | **Frw 000** | **Frw 000** |
| Reinsurance assets | 6,985,523 | 3,283,683 | - | 10,269,207 |
| Insurance receivables | 1,619,164 | 472,394 | 1,363,432 | 3,454,990 |
| Due from related parties | 352,388 | 216,573 | - | 568,961 |
| Cash and cash equivalent | 2,973,041 | 5,446,631 | | 8,419,672 |
| | **11,930,116** | **9,419,282** | **1,363,432** | **22,712,830** |

| | Fully Performing | Past due but not impaired | Impaired | Total |
|---|---|---|---|---|
| **31st December 2018** | **Frw 000** | **Frw 000** | **Frw 000** | **Frw 000** |
| Reinsurance assets | 200,365 | 7,773,089 | | 7,973,454 |
| Insurance receivables | 329,881 | 261,373 | 1,327,100 | 1,918,354 |
| Due from related parties | 78,102 | - | - | 78,102 |
| Cash and cash equivalent | 6,022,880 | 100,000 | - | 6,122,880 |
| | **6,631,228** | **8,134,462** | **1,327,100** | **16,092,790** |

The past due debtors are not impaired and continue to be paid. An impairment provision of Frw 1,362,421 (2016: Frw 1,555,610) is held against the impaired receivables. The Company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

# Notes (continued)

## 2.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

| 2019 | Less than 3 months | 3-12 months | 1-5 years | After 5 years | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Financial assets - Treasury bonds | - | - | 1,055,755 | 300,000 | 1,355,755 |
| Reinsurance assets | | 5,715,204 | 4,554,002 | | 10,269,207 |
| Insurance receivables | 2,091,558 | - | - | - | 2,091,558 |
| Sundry receivables | 929,638 | - | - | - | 929,638 |
| Due from related parties | - | 568,961 | - | - | 568,961 |
| Cash and cash equivalent | 2,973,041 | 5,446,631 | - | - | 8,419,672 |
| **Total** | 5,994,237 | 11,730,796 | 5,609,758 | 300,000 | 23,634,791 |
| **Liabilities** | | | | | |
| Insurance contract liabilities | 2,742,808 | 9,359,917 | 3,698,674 | - | 15,801,400 |
| Trade and other payables | 515,268 | 3,310,320 | - | - | 3,825,588 |
| Due to related parties | - | 189,470 | - | - | 189,470 |
| Current income tax payable | - | 282,136 | - | - | 282,136 |
| **Total** | **3,258,077** | **13,141,843** | **3,698,674** | **-** | **20,098,594** |
| **Liquidity Gap as at 31 December 2019** | **2,736,160** | **-1,411,047** | **1,911,083** | **300,000** | **3,536,196** |

## 2.3 Liquidity Risk (continued)

| 2018 | Less than 3 months | 3-12 months | 1-5 years | After 5 years | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Financial assets - Held to maturity | - | - | 381,497 | - | 381,497 |
| Reinsurance assets | 1,593,286 | 4,681,289 | 1,698,879 | - | 7,973,454 |
| Insurance receivables | 434,106 | 157,148 | 1,327,100 | - | 1,918,354 |
| Sundry receivables | 173,770 | 249,155 | - | - | 422,925 |
| Due from related parties | 78,102 | - | - | - | 78,102 |
| Cash and cash equivalent | 6,022,880 | 100,000 | - | - | 6,122,880 |
| **Total** | **8,302,144** | **5,187,592** | **3,400,979** | **0** | **16,897,212** |
| **Liabilities** | | | | | |
| Insurance contract liabilities | 5,172,525 | 3,147,379 | 2,323,393 | 2,606,630 | 13,249,925 |
| Trade and other payables | 811,885 | 494,016 | 364,682 | 409,139 | 2,079,728 |
| Due to related parties | 46,935 | - | - | - | 46,935 |
| **Total** | **6,031,345** | **3,641,395** | **2,688,075** | **3,015,769** | **15,376,584** |
| **Liquidity Gap as at 31 December 2018** | **2,270,799** | **1,546,197** | **712,904** | **-3,015,769** | **1,520,628** |

## Notes (continued)

### 2.4 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

a) Currency risk

Currency risk arises on financial instruments that are denominated in foreign currency. Trade receivables, cash and trade payables are denominated in foreign currency are immaterial.

b) Equity risk

Equity price risk arises from available-for-sale equity securities held. Management of the Company monitors equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Asset Liability Committee.

The primary goal of the Company's investment strategy is to maximise investment returns in order to meet partially the Company's claims payment obligations.

c) Interest risk
The company ensures that its investments are primarily held at fixed interests rates to avoid fluctuations in earnings due to changes in interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments. The company has deposits with banks which are subject to interest rate risk.

Interest rate risk to the company is the risk of changes in market interest rates reducing the overall return or increasing the cost of finance to the company. The company limits interest rate risk by monitoring changes in interest rates in the currencies in which its deposits and investments are denominated.

The table below summarises the interest rate risk of the company as at 31 December 2019:

| **As at 31 December 2019** | **Average interest rate** | **3- 12 months**<br>Rwf'000 |
|---|---|---|
| Term deposits with banks | 9.8% | 5,446,631 |
| **Total Financial assets** | | **5,446,631** |

| **As at 31 December 2018** | **Average interest rate** | **3- 12 months**<br>Rwf'000 |
|---|---|---|
| Term deposits with banks | 10% | 100,000 |
| **Total Financial assets** | | **100,000** |

## Notes (continued)

### 2.5 Strategic Risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics are evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes.

The strategic risks were assessed based on the following indicators;

- whether risk management practices are an integral part of strategic planning;
- whether strategic goals, objectives, corporate culture, and behaviour are effectively communicated and consistently applied throughout the institution. Strategic direction and organizational efficiency are enhanced by the depth and technical expertise of Management;
- whether Management has been successful in accomplishing past goals and is appropriately disciplined;
- whether management information systems effectively support strategic direction and initiatives;
- exposure reflects strategic goals that are not overly aggressive and are compatible with developed business strategies;
- whether initiatives are well conceived and supported by appropriate communication channels, operating systems, and service delivery networks. The initiatives are supported by capital for the foreseeable future and pose only nominal possible effects on earnings volatility;
- whether strategic initiatives are supported by sound due diligence and strong risk management systems. The decisions can be reversed with little difficulty and manageable costs;

After assessment of strategic risks based on above criteria, management is convinced that this risk is low.

### 2.6 Operational Risk

The company recognizes that managing operational risk is an important feature of sound risk management practice. The most important types of operational risk involve breakdowns in internal controls and corporate governance. Such breakdowns can lead to financial losses through error, fraud, or failure to perform in a timely manner or cause the operations of the company to be compromised in some other way, for example, by its clients other staff exceeding their authority or conducting business in an unethical or risky manner. Other aspects of operational risk include major failure of information technology systems or events such as major fires or other disasters.

The company recognizes all such risks and has adopted mitigating solutions through setting clear strategies and oversight by the board of directors and senior management. a strong operational risk culture and internal control culture (including, among other things, clear lines of responsibility) and effective internal reporting.

#### 2.6.1 Compliance Risk

This is related with conforming to stated requirements. At company level, it is achieved through management processes which identify the applicable requirements (defined for example in laws, regulations, contracts, strategies and policies), assess the state of compliance, assess the risks and potential costs of non-compliance against the projected expenses to achieve compliance, and hence prioritize, fund and initiate any corrective actions deemed necessary. The company feels that compliance risk is moderate.

## Notes (continued)

### 2.6.2 Capital management

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

i. Comply with the capital requirements as set out by the regulator
ii. Comply with the regulatory solvency requirements as set out by the regulator
iii. Safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders
iv. Provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Regulator requires each insurance company to hold the minimum level of paid up capital depending on the insurance business they carry.

The solvency margin of the Company as at 31 December 2019 and 2018 is illustrated below;

| | 2019 | 2018 |
|---|---|---|
| | Frw '000 | Frw '000 |
| Admitted assets | 26,381,187 | 20,210,244 |
| Admitted liabilities | 23,280,740 | 18,294,030 |
| Solvency Margin Required | 1,749,445 | 1,988,059 |
| Solvency Margin Available | 3,100,447 | 1,916,214 |

### 2.6.3 Fair value estimation

**Valuation hierarchy**

The valuation hierarchy, and types of instruments classified into each level within that hierarchy, is set out below:

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Fair value determined using: | Unadjusted quoted prices in active market for identical assets and liabilities | Valuation model with directly or indirectly market observable inputs | Valuation models using significant non-market observable inputs |
| | | | |
| Types of financial assets: | Actively traded government and other agency securities | Corporate and other governments and loans | Highly structured OTC derivatives with unobservable parameters |
| | | | |
| Types of financial liabilities: | Listed equities | Unlisted equities | Highly structured OTC derivatives with unobservable parameters |
| | Listed derivative instruments | Over-the-counter derivatives | |

## Notes (continued)

### Valuation methods and assumptions

Reinsurance assets, insurance receivables, other receivables, deferred acquisition cost, due from related parties, insurance contract liabilities, trade and other payables, due to related parties, approximate their carrying value amounts due to the short-term maturities of these instruments.

The following tables provide the fair value measurement hierarchy of the company's assets and liabilities. The tables below include items that have recurring fair value measurements (i.e. financial assets available sale and held for trading). The fair value measurement also shows the fair value measurement of financial assets at amortised cost (i.e. financial assets held to maturity).

| | Carrying amount | Quoted prices in active market Level 1 | Significant observable inputs Level 2 | Significant unobservable inputs Level 3 |
|---|---|---|---|---|
| **31-Dec-19** | | | | |
| Financial assets - available for sale | 2,901,275 | - | - | 2,901,275 |
| Financial assets - held to maturity | 1,355,755 | - | 1,355,755 | |
| **Total** | **4,257,031** | **-** | **1,355,755** | **2,901,275** |
| **31-Dec-18** | | | | |
| Financial assets - available for sale | 2,727,312 | - | - | 2,727,312 |
| Financial assets - held to maturity | 381,497 | - | 381,497 | - |
| **Total** | **3,108,809** | **0** | **381,497** | **2,727,312** |

# Notes (continued)

**4(a) PROPERTY, PLANT AND EQUIPMENT**

| **Rwf'000** | Note | **Land** | **Buildings** | **Motor vehicles** | **Office equipment & furniture** | **IT equipments** | **Apartment materials** | **Tangible - Work in progress** | **Medical and other equipments** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | | | | |
| At 1 January 2019 | | 508,329 | 3,200,638 | 358,930 | 627,823 | 182,440 | 327,895 | 62,231 | 374,802 | **5,643,089** |
| Additions | | - | | | 10,779 | 14,056 | | 2,463 | 6,994 | **34,860** |
| Transfers from Saham | | - | - | 141,300 | | 139,339 | - | - | - | **280,639** |
| Adjustments | | - | 15,023 | (112,445) | (512,120) | (2,979) | (118,820) | - | (303,967) | **(1,050,899)** |
| Revaluation | | - | | - | - | - | - | - | - | **-** |
| Disposals | | (15,023) | (53,122) | - | - | - | - | - | - | **- 68,145** |
| **At 31 December 2019** | | **493,306** | **3,162,539** | **387,785** | **126,481** | **332,856** | **209,075** | **64,693** | **77,830** | **4,839,543** |
| | | | | | | | | | | |
| **DEPRECIATION** | | | | | | | | | | |
| At 1 January 2019 | | - | 623,788 | 307,264 | 587,221 | 167,828 | 257,811 | - | 358,444 | **2,302,355** |
| Transfers from Saham | | - | - | 74,740 | | 121,836 | | | | **196,576** |
| Adjustments | | - | 1,037 | (94,026) | (502,319) | (18,712) | (85,438) | - | (300,505) | **(999,963)** |
| Charge for the current year | | - | 69,054 | 24,952 | 10,395 | 30,934 | - | - | 4,540 | **140,307** |
| Depreciation on disposals | | - | (22,430) | - | - | - | - | - | - | **- 22,430** |
| At 31 December 2019 | | - | 671,449 | 312,930 | 95,296 | 301,885 | 172,372 | - | 62,479 | **1,616,844** |
| | | - | - | - | - | - | - | - | - | **-** |
| **Net book value at 31 December 2019** | | **493,306** | **2,476,068** | **74,855** | **31,185** | **30,971** | **36,703** | **64,693** | **14,918** | **3,222,699** |

Adjustments were done on costs and accumulated depreciation to match the assets register and book of accounts as at 31st December 2019.

## Notes (continued)

**PROPERTY, PLANT AND EQUIPMENT**

| Rwf'000 | Note | Land | Buildings | Motor vehicles | Office equipment & furniture | IT equipments | Apartment materials | Tangible - Work in progress | Medical and other equipments | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | | | | |
| At 1 January 2018 | | 521,705 | 3,337,060 | 358,930 | 616,073 | 172,267 | 324,537 | 55,248 | 374,572 | 5,760,393 |
| Additions | | - | - | - | 11,750 | 10,173 | 3,358 | 6,983 | 230 | 32,493 |
| Revaluation | | - | - | - | - | - | - | - | - | - |
| Disposals | | (13,376) | (136,421) | | - | - | - | - | - | (149,797) |
| **At 31 December 2018** | | **508,329** | **3,200,638** | **358,930** | **627,823** | **182,440** | **327,895** | **62,231** | **374,802** | **5,643,089** |
| **DEPRECIATION** | | | | | | | | | | |
| At 1 January 2018 | | - | 603,525 | 290,042 | 573,687 | 153,216 | 234,449 | - | 352,991 | 2,207,908.9 |
| Charge for the current year | | - | 71,710 | 17,222 | 13,534 | 14,612 | - | - | 5,453 | 122,531.0 |
| Depreciation on disposals | | - | (51,447) | - | - | - | - | - | - | (51,447.0) |
| At 31 December 2018 | | - | 623,788 | 307,264 | 587,221 | 167,828 | 257,811 | - | 358,444 | 2,302,355 |
| **Net book value at 31 December 2018** | | **508,329** | **2,576,851** | **51,666** | **40,602** | **14,612** | **70,085** | **62,231** | **16,358** | **3,340,734** |

## Notes (continued)

### 4(b). INTANGIBLE ASSETS

| **INTANGIBLE ASSETS** | Software | Intangible - Work in progress | **Total** |
|---|---|---|---|
| **Year ended 31 December 2019** | | | |
| Cost | | | |
| At 01 January 2019 | 834,061 | 96,404 | 930,465 |
| Transfers from Saham AG | 594,167 | - | 594,167 |
| Adjustments | (318,660) | - | (318,660) |
| Transfer to/from work-in-progress | - | - | - |
| Additions | - | 15,560 | 15,560 |
| **At 31 December 2019** | **1,109,569** | **111,964** | **1,221,533** |
| Amortization | | | |
| At 01 January 2019 | 797,609 | - | 797,609 |
| Transfers from Saham AG | 423,006 | | 423,006 |
| Adjustments | (251,770) | - | (251,770) |
| Charge for the year | 70,362 | - | 70,362 |
| At 31 December 2019 | 1,039,207 | - | 1,039,207 |
| Net carrying amount | | | |
| **At 31 December 2019** | **70,362** | **111,964** | **182,326** |
| **Year ended 31 December 2018** | | | |
| Cost | | | |
| At 01 January 2018 | 834,061 | 30,034 | 864,095 |
| Transfer to/from work-in-progress | - | - | - |
| Additions | - | 66,370 | 66,370 |
| **At 31 December 2018** | **834,061** | **96,404** | **930,465** |
| Amortization | | | |
| At 01 January 2018 | 761,156 | - | 761,156 |
| Charge for the year | 36,453 | - | 36,453 |
| **At 31 December 2018** | **797,609** | **-** | **797,609** |
| Net carrying amount | - | - | - |
| **At 31 December 2018** | **36,452** | **96,404** | **132,856** |

Intangible assets are made up of the AIMS software, Sage Financial system but Sage is still under development.

## Notes (continued)

### 5 Investment properties

| | 2019<br>Frw '000' | 2018<br>Frw '000' |
|---|---|---|
| Balance as at 01 January | 5,288,457 | 5,288,457 |
| Fair value gains | 67,122 | - |
| Balance as at 31 December | **5,355,579** | **5,288,457** |

Investment property was revalued to Frw 5,355,579 as at 31 December 2019.

The following tables provide the fair value measurement hierarchy of the investment property.

| | Carrying amount | Quoted prices in active market Level 1 | Significant observable inputs Level 2 | Significant unobservable inputs Level 3 |
|---|---|---|---|---|
| 31 December 2019 | 5,355,579 | | | 5,355,579 |
| 31 December 2018 | 5,288,457 | - | - | 5,288,457 |

Investment property relates to the building of PRIMA 2000 where the building is fully rented to third parties. As at 31 December 2019, the fair values of the properties are based on valuations performed by Architect Uwizeyimana Straton and Associates accredited independent valuer.

The fair value of the investment property has been determined on a market value basis in accordance with the methods and standards of cost estimation and analysis as set by the Institute of Rwanda Property Valuers (IRPV) and the International Valuation Standards Council. The valuations were performed by Uwezeyimana Straton, an accredited independent valuer with a recognized and relevant professional qualification with recent experience in the category of the investment property being valued.

The valuation was based on the mean of the cost based approach and income approach in which the estimated discount rate was 10%.

In arriving at the valuation figures the following principles have been assumed and applied.

a) A willing buyer and willing seller both of whom are fully informed about the property and not acting out of compulsion.

b) That to the date of valuation, a reasonable period of time would be allowed to properly market the property taking into account the nature of the property, the state of the market and allowing sufficient time for the agreement price, terms and completion of the sale.

c) That the state of the market, levels of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation

d) That no account would be taken of any bid by a purchaser with special interest.

## Notes (continued)

### 6 Financial assets

### a) Financial assets – Treasury bonds

| | 2019 | 2018 |
|---|---|---|
| | Frw '000' | Frw '000' |
| Principle amount | 1,300,000 | 375,000 |
| Accrued interests | 56,405 | 6,497 |
| Expected credit loss | (650) | - |
| | **1,355,755** | **381,497** |

Below is the listing of the government bonds held:

| No | Issuer | Effective date | Expiry date | Interest rate | 2,019 | 2,018 |
|---|---|---|---|---|---|---|
| | | | | | Rwf'000 | Rwf'000 |
| 1 | BNR | 20-May-14 | 20-May-19 | 12.25% | - | 375,000 |
| 2 | BNR | 26-Aug-16 | 20-Aug-21 | 12.25% | 1,000,000 | - |
| 3 | BNR | 25-Nov-16 | 22-Nov-19 | 12.00% | - | - |
| 4 | BNR | 23-Feb-18 | 17-Feb-23 | 11.80% | - | - |
| 5 | BNR | 23-Feb-18 | 17-Feb-23 | 11.80% | 300,000 | - |
| | **Total** | | | | **1,300,000** | **375,000** |

Financial assets held-to-maturity are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in profit or loss. The losses arising from impairment of such investments are recognised in profit or loss under the 'Impairment loss on financial assets line. The instruments are not listed or actively traded and their fair values approximate their carrying values.

| (b) Financial assets – Investment in equities | 2019 | FV movements | 2018 |
|---|---|---|---|
| | Rwf'000 | Rwf'000 | Rwf'000 |
| Zep-Re | 2,880,411 | 158,656 | 2,721,754 |
| Rwanda Stock Exchange | 20,865 | 15,308 | 5,557 |
| | 2,901,275 | 173,964 | 2,727,312 |

Available for sale financial assets are valued using models which sometimes only incorporates data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. The available-for-sale investment (unquoted equity) is recorded at cost less impairment where there is no active market for these investments.

| (c) Investment in associates | Interest held | 2019 | FV movements | 01/01/2019 | 2018 |
|---|---|---|---|---|---|
| | | Rwf'000 | Rwf'000 | Rwf'000 | Rwf'000 |
| Soras Towers Ltd | 23% | 731,211 | - 268,789 | - | 1,000,000 |
| Socar | 20% | 466,512 | - 34,929 | - | 501,441 |
| **Transfers from Saham:** | | | | | |
| GEMECA | 43% | 236,568 | 65,668 | 170,899 | - |
| RIM | 15% | 314,670 | 152,699 | 161,971 | - |
| | | **1,748,960** | **(85,351)** | **332,871** | **1,501,441** |

## Notes (continued)

All associates are unlisted and have the same year end as the Company. The investment in the associates comprises the cost of shares in associates. Socar is incorporated in Burundi and SANLAM Towers Ltd, Gemeca Petroleum Ltd and RIM investments are incorporated in Rwanda.

| (e) Financial assets –Short term deposit | 2019 | 2018 |
|---|---|---|
| | Rwf'000 | Rwf'000 |
| Term deposit | 5,267,333 | 100,000 |
| interest accrued | 181,933 | - |
| Expected credit loss | (2,634) | - |
| | 5,449,265 | 100,000 |

### 7 Receivables arising out of reinsurance arrangements

| | 2019 | 2018 |
|---|---|---|
| | **Frw '000'** | **Frw '000'** |
| Due from reinsurers | 3,371,223 | 1,358,065 |
| Due from coinsurers | 898,143 | 911,842 |
| Reinsurance share of reserves - Claims | 4,554,002 | 4,626,307 |
| Reinsurance share of reserves - Unearned premium | 1,445,839 | 1,037,936 |
| | **10,269,207** | **7,934,151** |

### 8 Receivables arising out of direct insurance arrangements

| | 2019 | 2018 |
|---|---|---|
| | **Frw '000'** | **Frw '000'** |
| Due from clients | 3,454,990 | 1,918,353 |
| Gross insurance receivable | 3,454,990 | 1,918,353 |
| Allowance for doubtful debts | (1,363,432) | (1,327,100) |
| Net insurance receivable | **2,091,558** | **591,254** |

The following is the breakdown of the company's receivables per nature of clients:

| | **2019** | **2018** |
|---|---|---|
| **PREMIUM RECEIVABLES PER NATURE** | **RWF'000** | **RWF'000** |
| NGOs | 234,535 | 66,300 |
| Government institutions | 39,340 | 11,121 |
| Corporate clients | 1,670,825 | 472,318 |
| Individuals | 146,859 | 41,515 |
| | 2,091,558 | 591,254 |

### 9 Deferred acquisition cost

| | 2019 | 2018 |
|---|---|---|
| | **Frw '000'** | **Frw '000'** |
| As at 1 January | 577,672 | 210,021 |
| Expenses deferred | 455,138 | 577,672 |
| Amortisation | (577,672) | (210,021) |
| As at 31 December | **455,138** | **577,672** |

## Notes (continued)

### 10 Other receivables

| | 2019 | 2018 |
|---|---|---|
| | **Frw '000'** | **Frw '000'** |
| Other receivables | 604,848 | 197,221 |
| Prepaid expenses | 27,502 | - |
| Dividend Receivable | 75,114 | 75,114 |
| Deposits | 157,370 | 121,057 |
| Other | 74,639 | 29,665 |
| Expected credit losses | (9,834) | - |
| | **929,639** | **423,059** |

Trade and other receivables are non-interest bearing and are generally on short term period of 30 to 90 days and are expected to be recovered within twelve months after the reporting date.

### 11 Related party transactions

SANLAM Assurances Generales Plc is indirectly owned 100% by SANLAM Group Limited. The ultimate parent of the company is Sanlam Group Limited, a limited liability company registered and domiciled in South Africa. SANLAM Group Limited has invested in the following companies: SANLAM Assurance Generales Plc, SANLAM Vie Limited, SOCAR, and SANLAM Towers Limited. SANLAM Assurances Generales Plc has investments in SANLAM Towers Limited and SOCAR, an insurance company domiciled in Burundi.

**a) Due from related parties**

| | 2019 | 2018 |
|---|---|---|
| | **Frw '000'** | **Frw '000'** |
| SANLAM VIE | 39,521 | 78,102 |
| SANLAM Towers | 36,510 | - |
| Sanlam Rwanda | 315,877 | **-** |
| CHL | 163,476 | - |
| SAHAM MALI | 4,414 | - |
| TOGO | 9,163 | - |
| | **568,961** | **78,102** |

**b) Due to related parties**

| | 2019 | 2018 |
|---|---|---|
| | **Frw '000'** | **Frw '000'** |
| SANLAM Group Limited | 46,935 | 46,935 |
| COLINA PARTICIPATION | **34,694** | **-** |
| SAHAM COTE D'IVOIRE | **7,808** | - |
| SAHAM ASSISTANCE | **146,935** | - |
| SAHAM CONGO | **33** | - |
| | **189,470** | **46,935** |

**c) Compensation of key management personnel**

Key management personnel of the company include all directors and senior management. The summary of compensation of key management personnel for the year is as follows:

| | 2019 | 2018 |
|---|---|---|
| | **Frw '000'** | **Frw '000'** |
| Salaries | 1,751,618 | 984,087 |
| Medicals and expenses | 128,314 | 97,089 |
| Social security contribution | 104,106 | 55,910 |
| | **1,984,038** | **1,137,086** |

## Notes (continued)

### 11 Related party transactions (continued)

#### d) Related party transactions

Terms and conditions of transactions with related parties;

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the company has not recorded any impairment of receivables relating to amounts owed by related parties.

The following transactions were carried out with related parties during the year

| Sales to related party | Nature of transaction | 2019 Frw '000' | 2018 Frw '000' |
|---|---|---|---|
| SANLAM Vie PLC | Shared services | - | 78,102 |
| | Motor insurance | 20,945 | 12,001 |
| | Property insurance | 22,546 | 12,776 |
| | Medical insurance | 38,210 | 23,646 |
| | | | 126,525 |
| SANLAM Group | Shared services | - | - |
| | Motor insurance | - | 2,235 |
| | | - | 2,235 |
| SANLAM Towers | Shared services | - | - |
| | Property insurance | 28,871 | 30,524 |
| | | 28,871 | 30,524 |
| **Purchase from related party** | | | |
| SANLAM Vie Limited | Private staff retirement plan | - | 23,414 |
| SAHAM Assistance | Road assistance | 159,891 | - |
| | | 159,891 | 23,414 |

#### e) Directors' emoluments

| | 2019 Frw '000' | 2018 Frw '000' |
|---|---|---|
| Non- executive | 88,159 | 25,840 |
| | **88,159** | **25,840** |

### 12 Income tax

#### (a) Income tax receivables

| Rwf'000 | 2019 | 2018 |
|---|---|---|
| Balance as at 01 January | 1,019,970 | 369,058 |
| Paid during the year | - | 419,774 |
| Withholding tax | 506,039 | 231,137 |
| **Balance as at 31 December** | **1,526,008** | **1,019,970** |

## Notes (continued)

### 12. Income Tax (continued)

### (b) Deferred income tax liability

| Frw'000 | Tax rate | 1 January | Current year charge/ (credit) to income statement | Charge to OCI | Transfers from Saham | 31 December |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| Investment property | | 1,396,843 | 46,720 | - | - | 1,443,563 |
| Property, Plant and Equipment | | 763,412 | (97,463) | - | 61,694 | 727,643 |
| Other temporary differences | | (462,598) | (13,699) | - | (92,905) | (569,203) |
| Tax losses | | (105,202) | (31,088) | - | 136,290 | - |
| **Balance as at 31 December** | **30%** | **1,592,455** | **(95,530)** | **-** | **105,079** | **1,602,006** |
| **2018** | | | | | | |
| Investment property | | 1,276,069 | 120,774 | - | - | 1,396,843 |
| Property, Plant and Equipment | | 783,892 | - 20,480 | - | - | 763,412 |
| Other temporary differences | | - 327,600 | - 134,998 | - | - | - 462,598 |
| Tax losses | | - | - 105,202 | - | - | - 105,202 |
| **Balance as at 31 December** | **30%** | **1,732,361** | **(139,906)** | **-** | **-** | **1,592,456** |

### (c) Income tax charge

| | Tax rate | 2,019 | 2,018 |
|---|---|---|---|
| Current income tax charge for the year | 30% | 282,136 | - |
| Deferred income tax charge (credit) | 30% | (95,529) | (139,906) |
| | | **186,607** | **(139,906)** |

### (d) Current income tax payable

| | 2019 | 2018 |
|---|---|---|
| | **Rwf'000** | **Rwf'000** |
| Profit before tax | 1,159,469 | 38,179 |
| Reintegrated expenses | 816,179 | 530,261 |
| Deductions | (671,143) | (925,460) |
| Losses carried forward | (364,050) | 0 |
| **Total taxable income** | **940,455** | **(357,020)** |
| Current income tax payable @30% | 282,136 | - |

The current income tax payable for the year ended 31 December 2019 is Rwf 282 million whereas as of 31 December 2018 there was no corporate income tax payable as the company made a tax loss.

## Notes (continued)

### (e) Reconciliation of effective tax rate

The income tax charge on the company's (loss)/profit differs from theoretical amount that would arise using the basic rates as following:

| | Effective tax rate % | 2019 Frw'000 | | Effective tax rate % | 2018 Frw'000 |
|---|---|---|---|---|---|
| **Accounting Loss/Profit** | | **1,159,469** | | | **38,179** |
| Income tax | 24% | 282,136 | | 0% | - |
| Trading losses | 0% | - | | (276%) | (105,202) |
| Effects of non-deductible expense | (1%) | (13,699) | | (354%) | (134,998) |
| Under/over provision of deferred tax in prior years | (7%) | (81,830) | | 263% | 100,294 |
| | **16%** | **186,607** | **-** | **(366%)** | **(139,906)** |

### 13 Cash and cash equivalents

| | 2019 Frw '000' | 2018 Frw '000' |
|---|---|---|
| Cash on hand | 1,843 | 6,661 |
| Bank balances | 2,972,583 | 6,016,219 |
| Expected credit loss | (1,385) | - |
| | **2,973,041** | **6,022,880** |

### 14 Share capital and reserves

#### a) Share capital

| Details | Number of shares | Ordinary shares (Frw '000) | Share premium (Frw '000) | Total (Frw '000) |
|---|---|---|---|---|
| At 1 January 2018 | 244,186 | 2,441,860 | 4,758,138 | 7,199,998 |
| **At 31 December 2018** | **244,186** | **2,441,860** | **4,758,138** | **7,199,998** |
| At 1 January 2019 | 244,186 | 2,441,860 | 4,758,138 | 7,199,998 |
| Transfers from Saham AG | 288,319 | 2,883,189 | 205,135 | 3,088,324 |
| Proceeds from capital injection | 250,000 | 2,500,000 | - | 2,500,000 |
| Restructure of the company's share capital against the retained earnings | (235,883) | (2,358,829) | - | (2,358,829) |
| **At 31 December 2019** | **546,622** | **5,466,220** | **4,963,273** | **10,429,493** |

The total authorised number of ordinary shares is 546,622 (2018: 244,186), with a par value of Frw 10,000 per share (2018: 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.

**Share premium**

Share premium comprises additional paid-in capital in excess of the par value. This reserve is not ordinarily available for distribution.

## Notes (continued)

**b) Revaluation reserves**

The revaluation reserve represents the surplus on the revaluation of buildings and freehold land net of deferred income tax. The reserve is non-distributable. There was no revaluation in the year.

**c) Fair value reserves**

The available for sale reserve is attributable to changes in fair value of investment securities classified under the available-for-sale category. This is shown on the statement of other comprehensive income and on the profit and loss when the underlying asset has been derecognised or impaired. There was no movement during the year.

**d) Other reserves**

Other reserves are attributable to changes in fair value of investment property. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the year in which they arise and appropriated from retained earnings to other reserves. The reserve is non-distributable unless the investment property is sold.

**e) Retained earnings/ (Accumulated) Losses**

This comprises of retained profits or accumulated losses for the company.

### 15 Insurance contract liabilities

| | 2019 | 2018 |
|---|---|---|
| | Frw '000' | Frw '000' |
| **Gross** | | |
| Claims reported and loss adjustment expenses | 7,397,348 | 7,942,556 |
| Claims incurred but not reported (IBNR) | 2,364,383 | 1,920,020 |
| Provision for unearned premium | 6,039,668 | 3,387,351 |
| Total gross insurance contract liabilities | **15,801,399** | **13,249,927** |
| **Reinsurance share of Reserves** | | |
| Claims reported and loss adjustment expenses | 4,554,002 | 4,626,307 |
| Unearned premium | 1,445,839 | 1,037,936 |
| Total reinsurers' share of insurance contract liabilities | **5,999,841** | **5,664,243** |
| **Net** | | |
| Claims reported and loss adjustment expenses | 2,843,346 | 3,316,248 |
| Claims incurred but not reported (IBNR) | 2,364,383 | 1,920,020 |
| Unearned premiums | 4,593,829 | 2,349,415 |
| Total net insurance contract liabilities | **9,801,558** | **7,585,684** |

| | | |
|---|---|---|
| **Breakdown of current and non-current** | | |
| Current | 15,801,399 | 13,249,927 |
| Non-current | | - |
| | **15,801,399** | **13,249,927** |

The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation.

## Notes (continued)

### Insurance contract liabilities (continued)

#### Short term insurance liabilities

The Company uses the chain ladder techniques to estimate the ultimate cost of claims and the IBNR. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated claims cost for each year.

### 16 Trade and Other payables

| | 2019 Frw '000' | 2018 Frw '000' |
|---|---|---|
| Claims payable | 224,920 | 177,252 |
| Due to reinsurance companies | 1,430,256 | 219,502 |
| Due to local insurance companies | 216,286 | 347,473 |
| Accrued expenses | 432,029 | 289,695 |
| Transitory account | 22,992 | 21,402 |
| Government medical fund payable | 53,538 | 241,766 |
| Provision for staff cost | 173,030 | 214,895 |
| Value added tax | - | 76,575 |
| Commission expense payable | 196,218 | 111,140 |
| Pay As You Earn | 70,899 | 25,718 |
| AGACIRO DEVELOPMENT FUND | 818 | 1,039 |
| Sundry payables | 21,620 | 21,620 |
| Special Guarantee Fund | 22,905 | 16,332 |
| Rwanda Social Security Board | 21,455 | 14,832 |
| Other payables | 862,500 | 206,658 |
| BNR supervision fees payable | 76,123 | 54,651 |
| | **3,825,589** | **2,040,550** |

All trade and other payables are current liabilities.

## Notes (continued)

### 17 Revenue

#### a) Net earned premium

| | 2019 Frw '000' | 2018 Frw '000' |
|---|---|---|
| Gross written premium | 15,224,469 | 10,930,234 |
| Unearned premium at the beginning of the year | (6,039,668) | (3,387,351) |
| Unearned premium from Saham AG | 2,574,797 | 0 |
| Unearned premium at the end of the year | 3,387,351 | 3,201,310 |
| | **15,146,950** | **10,744,193** |
| Change in Reinsurers share of unearned premium reserves | | |
| Unearned premium at the end of the year | 1,445,839 | 1,037,936 |
| Unearned premium from Saham AG | (29,231) | - |
| Unearned premium at the beginning of the year | (1,037,936) | (502,021) |
| Total reinsurers' share of insurance contract liabilities | **378,671** | **535,915** |
| Total net earned premium | **15,525,621** | **11,280,108** |

#### b) Insurance premiums ceded to reinsurers

| | 2019 Frw '000' | 2018 Frw '000' |
|---|---|---|
| Insurance premiums ceded to reinsurers | 2,784,507 | 2,469,413 |
| Total reinsurers' share of insurance contract liabilities | **2,784,507** | **2,469,413** |

### 18 Fees and reinsurance commission income

| | 2019 Frw '000' | 2018 Frw '000' |
|---|---|---|
| Commission income | 772,640 | 612,870 |
| Policy administration fees | 324,296 | 286,405 |
| | **1,096,936** | **899,275** |

### 19 Investment income

| | 2019 Frw '000' | 2018 Frw '000' |
|---|---|---|
| Rental income from investment property | 120,667 | 148,787 |
| Rental income from other properties | 68,402 | 134,490 |
| Gain on sale of financial assets - available for sale | - | 563 |
| Dividend received | 20,439 | 39,348 |
| Interest income | 749,003 | 456,791 |
| | **958,521** | **779,979** |

## Notes (continued)

### 20 Other income

| | 2019<br>Frw '000' | 2018<br>Frw '000' |
|---|---|---|
| Income on asset cessions | 5,125 | 1,086 |
| Revenues from intercompany transactions | 43,932 | 82,827 |
| Salary advance interest | - | 3,366 |
| Other operating revenue | 316,365 | 461,944 |
| | **255,143** | **549,224** |

### 21 Net insurance claims

#### a) Gross benefits and claims paid

| | 2019<br>Frw '000' | 2018<br>Frw '000' |
|---|---|---|
| Gross benefits and claims paid | 12,676,032 | 9,572,032 |
| | **12,676,032** | **9,572,032** |

### 21 Net insurance claims (continued)

#### b) Claims ceded

| | 2019<br>Frw '000' | 2018<br>Frw '000' |
|---|---|---|
| Claims ceded to co-insurers | 0 | 312 |
| Claims ceded to re-insurers | 2,445,194 | 2,001,833 |
| | **2,445,194** | **2,002,145** |

#### c) Net change in claims reserves

| | 2019<br>Frw '000' | 2018<br>Frw '000' |
|---|---|---|
| Change in claim reserves | (2,612,995) | 1,772,114 |
| Claims incurred but not reported (IBNR) | 192,310 | 1,920,020 |
| Change in reinsurers shares of claim reserves | 84,618 | (3,705,605) |
| | **(2,336,067)** | **(13,471)** |
| **Change in outstanding claims** | | |
| Gross claims at the beginning | (8,753,770) | (5,408,096) |
| Gross claims at the end | 7,397,348 | 8,753,770 |
| | **(1,356,421)** | **3,345,674** |

### 21 Net insurance claims (continued)

#### c) Net change in contract liabilities (continued)

| | | |
|---|---|---|
| **Reinsurer share in gross claims** | | |
| Reinsurance share in gross claims at the beginning | (4,626,307) | (920,702) |
| Reinsurance share in gross claims at the end | 4,554,002 | 4,626,307 |
| | **(72,305)** | **3,705,605** |
| **Change in incurred but not reported (IBNR) claims** | | |
| Gross IBNR at the beginning | (1,108,806) | (762,346) |
| Gross IBNR at the end | 2,364,383 | 1,920,020 |
| | **1,255,577** | **1,157,674** |

## Notes (continued)

### 22 Cost of acquisition of insurance contracts

| | 2019 | 2018 |
|---|---|---|
| | Frw '000' | Frw '000' |
| Motor | 411,642 | 246,012 |
| Fire | 245,796 | 87,402 |
| Liability | 18,211 | 5,707 |
| Transportation | 1,769 | 4,570 |
| Accident | 19,271 | 9,526 |
| Medical | 717,395 | 271,886 |
| Engineering | 30,388 | 19,287 |
| Guarantee/Bonds | 4,405 | 5,663 |
| | **1,448,876** | **650,054** |

### 23 Staff costs

| | 2019 | 2018 |
|---|---|---|
| | Frw '000' | Frw '000' |
| Salaries | 1,751,618 | 980,174 |
| Allowances | 79,377 | 10,671 |
| Social Security contribution | 104,106 | 55,488 |
| Long Term Retainer Expense | 40,292 | 111,494 |
| Medicals and expenses | 128,314 | - |
| Recruitment and Advertising | 403 | |
| Other staff expenses | 58,235 | 101,002 |
| | **2,162,345** | **1,258,829** |

## Notes (continued)

| 24 | Operating expenses | 2019<br>Frw'000 | 2018<br>Frw'000 |
|---|---|---|---|
| | Services consumables | 324,546 | 124,582 |
| | Provision for bad and doubtful debts | - 108,086 | 25,316 |
| | Consumables | 146,122 | 124,247 |
| | Government medical fund | 392,623 | 241,766 |
| | Utilities | 162,428 | 108,271 |
| | Advertising | 45,904 | 36,484 |
| | Telephone and fax | 177,501 | 119,531 |
| | Repair and maintenance | 169,004 | 119,995 |
| | lease rentals on operating leases | 92,228 | 40,885 |
| | Travel local | 74,161 | 25,347 |
| | Insurance | 21,859 | 22,103 |
| | Subscriptions | 69,986 | 36,409 |
| | Fines and penalties | 6,784 | 10,637 |
| | Legal expenses | 67,664 | 32,089 |
| | Directors remuneration | 88,159 | 25,840 |
| | Bank charges | 37,945 | 29,981 |
| | Travel Overseas | 28,481 | 19,947 |
| | Consulting and professional fees | 72,254 | 122,509 |
| | Petrol and oil | 19,473 | 16,970 |
| | Local taxes | 12,529 | 16,410 |
| | Beneficiate participants | - | - |
| | Postage | 5,260 | 4,206 |
| | Magazines books and periodicals | - | - |
| | Training | 26,129 | 901 |
| | Gifts | - | 5,450 |
| | Other expenses | - | - |
| | BNR supervision fees | 102,152 | 54,651 |
| | Bad debts written off | - | - |
| | Audit fees | 39,357 | 22,500 |
| | Office expenses | 2,040 | 1,569 |
| | Road assistance services | 159,891 | - |
| | Donations | 500 | - |
| | Other Operating Expenses | 40,326 | -<br>11,885 |
| | | **2,277,220** | **1,376,710** |

## Notes (continued)

### 25. Impairment for financial assets (ECL)

The table below presents the ECL (Expected Credit Losses) for the company's financial assets split par source:

| Financial assets in Frw'000 | 31-Dec-18 | | 31-Dec-19 | |
|---|---|---|---|---|
| | **Amount** | **ECL** | **Amount** | **ECL** |
| Cash in hand and bank balances | 6,022,880 | - | 2,973,041 | 1,385 |
| Short-term deposits | 100,000 | - | 5,446,631 | 2,634 |
| Government Bonds - at amortized Cost | 381,497 | - | 1,355,755 | 650 |
| Insurance receivables | 591,254 | - | 2,091,558 | 17,620 |
| Due from reinsurers | 1,358,065 | - | 3,371,223 | 17,395 |
| Due from coinsurers | 911,842 | - | 898,143 | 4,581 |
| Other receivables | 222,148 | - | 663,498 | 8,891 |
| Prepaid expenses | 0 | - | 27,502 | 140 |
| Deposit and prepayments | 121,057 | - | 147,536 | 803 |
| **Total** | **9,708,743** | - | **16,979,556** | **54,098** |

### 25 (b) Movement in impairment

| | **2019** | **2018** |
|---|---|---|
| | **Frw '000'** | **Frw '000'** |
| Balance at 1 Jan | - | - |
| Impairment loss charge for the year | 54,098 | - |
| Balance as at 31 December | **54,098** | **-** |

### 26. Fair value gains/ (losses)

| Investment | 2019 | | | |
|---|---|---|---|---|
| | **01-Jan** | **Transfers from Saham** | **FV gains/(loss)** | **31-Dec-19** |
| Soras Towers Ltd | 1,000,000 | - | -268,789 | 731,211 |
| Zep Re | 2,721,754 | - | 158,656 | 2,880,411 |
| RSE | 5,557 | - | 15,308 | 20,865 |
| Socar | 501,441 | - | -34,929 | 466,512 |
| Gemeca Petroleum | - | 170,899 | 65,668 | 236,568 |
| RIM SA | - | 161,971 | 152,699 | 314,670 |
| Short-term deposits | 100,000 | 5,267,333 | - | 5,267,333 |
| Prima 2000 Building | 5,288,457 | - | 67,122 | 5,355,579 |
| **TOTAL** | **9,617,209** | **5,600,203** | **155,735** | **15,273,147** |

## Notes (continued)

**26. Fair valuation gain/(losses) continued**

| Investment | 2018 | | | |
|---|---|---|---|---|
| | **01-Jan** | **Transfers from Saham** | **FV gains/(loss)** | **31-Dec-18** |
| Soras Towers Ltd | 1,000,000 | - | - | 1,000,000 |
| Zep Re | 2,721,754 | - | - | 2,721,754 |
| RSE | 5,557 | - | - | 5,557 |
| Socar | 501,441 | - | - | 501,441 |
| Short-term deposits | 707,209 | - | | 100,000 |
| Prima 2000 Building | 5,288,457 | - | - | 5,288,457 |
| **TOTAL** | **10,224,418** | **-** | **-** | **9,617,209** |

**27. Business combination**

On 1 January 2019 the merger between Soras Assurances Generales Ltd and Saham Assurances Rwanda took effect .

The following balance sheet amounts were merged from the two entities as at 1 January 2019.

## Notes (continued)

### 27. Business combination (continued)

| | SORAS | SAHAM (ADJUSTED) | CONSOLIDATED |
|---|---|---|---|
| | FRW '000' | FRW '000' | FRW '000' |
| **ASSETS** | | | |
| | | | |
| Property and equipment | 3,340,734 | 105,287 | 3,446,021 |
| Intangible assets | 132,856 | 104,000 | 236,856 |
| Investment properties | 5,288,457 | - | 5,288,457 |
| Investment in associates | 1,501,441 | - | 1,501,441 |
| Financial assets - at amortised cost | 381,497 | 2,386,000 | 2,767,497 |
| Financial assets- at FVPL | 2,727,312 | 493,071 | 3,220,383 |
| Financial assets -term deposit | 100,000 | 2,319,353 | 2,419,353 |
| Receivables arising out of reinsurance arrangements | 7,973,454 | 323,494 | 8,296,948 |
| Receivables arising out of direct insurance arrangements | 591,254 | 287,042 | 878,296 |
| Other receivables | 422,925 | 599,862 | 1,022,787 |
| Deferred acquisition costs | 577,672 | 136,000 | 713,672 |
| Due from related parties | 78,102 | 165,267 | 243,369 |
| Current income tax | 1,019,969 | - | 1,019,969 |
| Cash and bank balances | 6,022,880 | 420,555 | 6,443,435 |
| | | | |
| **Total assets** | **30,158,553** | **7,339,931** | **37,498,484** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 2,441,860 | 2,883,189 | 5,325,049 |
| Share premium | 4,758,138 | 205,135 | 4,963,273 |
| Property revaluation reserve | 3,774,850 | - | 3,774,850 |
| Fair value reserve | - | - | - |
| Other reserve | 3,008,878 | 766,965 | 3,775,84 |
| Accumulated losses | -794,213 | -3,191,330 | -3,985,543 |
| | | | |
| **Total equity** | 13,189,513 | 663,959 | 13,853,472 |
| | | | |
| **Liabilities** | | | |
| Insurance contract liabilities | 14,033,662 | 5,193,664 | 19,227,326 |
| Other payables | 1,295,988 | 1,186,013 | 2,482,001 |
| Due to related parties | 46,935 | 191,218 | 238,153 |
| Deferred income tax | 1,592,455 | 105,077 | 1,697,532 |
| | | | |
| **Total liabilities** | **16,969,040** | **6,675,972** | **23,645,012** |
| | | | |
| **Total equity and liabilities** | **30,158,553** | **7,339,931** | **37,498,484** |

### 28. Events after reporting dates

The company acknowledges the emergence of Corona virus (COVID 19) in the first half of 2020. This year 2020 began with the outbreak of a new strain of the Coronavirus (COVID-19) in China and end April with confirmed cases in more than 150 countries. The spread of the virus has been far reaching and has caused disruption to supply chains, the travel and tourism industry. All economic activities were affected and it has slowed global growth and caused investment market volatility in first quarter of 2020.

The impact of COVID 19 to the company is not expected to be material to its results considering the following:

- The company has remained open because the insurance is part of essential services in Rwanda. It has activated its business continuity services to allow it to continue servicing its customers.

## Notes (continued)

### 28. Events after reporting dates (Continued)

- The growth in gross written premiums of the company are expected to slow down for 2020 especially between March and June 2020. However, the company is expected to recover after July 2020 when all economic activities will start to be open.
- The company did a forecast of its PL, balance sheet and cash flow for 2020 and includes the impact of COVID 19 and the results below stated show that the budget will not be achieved and the net profit after tax would be reduced by 24%. There would be no risk on liquidity and solvency margin due to performance of this year 2020. The expectation was that the performance will be affected only up to July 2020 and that is why the gross written premium was decreased by 13% compared to the budget.

| | | | Change |
|---|---|---|---|
| **In Thousand Frw** | **Forecast 2020** | **Budget 2020** | **vs Budget 2020** |
| | | | |
| Gross Written Premium | 15 841 034 | 18 299 065 | -13% |
| Net underwriting results | 182 363 | 380 318 | -52% |
| Investment income | 844 775 | 856 079 | -1% |
| Other income | 90 533 | 160 000 | -43% |
| Taxation | - 231 287 | - 230 378 | 0% |
| Profit after tax | 886 385 | 1 166 019 | -24% |
| Net claims ratio | 63% | 60% | 2% |
| Commission ratio | 6% | 4% | 3% |
| Expenses ratio | 30% | 33% | -4% |
| Combined ratio | 99% | 97% | 1% |

The company therefore considers the pandemic of COVID 19 to be a non-adjusting post balance sheet event because of its robust capital and liquidity position and the operational and financial actions taken by SANLAM. The stringent measures to reduce the operational risks and expenses will continue to emerge across all departments.

The company will closely monitor the impact of COVID 19 as the situation evolves.

## I. Calculation of solvency margin 2019

Required solvency margin

| | Required Solvency Margin for the period ended | Amount in Frw' |
|---|---|---|
| | | |
| 1 | Gross premium less reinsurance ceded last preceding year | 8,747,225,385 |
| 2 | Solvency Margin Required: Solvency Margin Required: 20% of 1.1 or Rwf 500 million whichever is greater | 1,749,445,077 |
| | | |
| | **Compliance with Solvency Margin** | |
| 3 | Total assets | 39,026,776,418 |
| 4 | Less: Non-Admitted Assets as per II.A.7 | 4,834,865,570 |
| 5 | Less deductions for assets subject to maximum admissible % as per II.B.7 | 7,810,723,996 |
| 6 | Admitted Assets I.3 less I.4 and I.5 | 26,381,186,852 |
| 7 | Less admitted Liabilities as per III.C.3 | 23,280,740,176 |
| 8 | **Solvency Margin Available (I.6 less I.7)** | **3,100,446,677** |
| **9** | **Excess or Deficiency of solvency required (I.8 less I.2)** | **1,351,001,600** |
| **10** | **Solvency Coverage Ratio (I.8 divided by I.2)** | **177.22%** |
| | | |
| **II.A. Non -Admitted Assets** | | |
| | | **Amount** |
| 1 | Intangible assets | 182,325,822 |
| 2 | Exposures (Loans& Investments) to connected persons | 568,960,628 |
| 3 | Loans to insurance intermediaries overdue for more than 6 months | - |
| 4 | Receivables from reinsurers overdue for more than 6 months | 2,386,466,000 |
| 5 | Coinsurance and other receivables overdue for more than 6 months | 897,217,238 |
| 6 | Deferred expenses, deferred taxes and prepayments | 799,895,882 |
| **7** | **Total Non-Admitted Assets (add II.A.1 to 6)** | **4,834,865,570** |
| | | |

| | **II.B Deductions for Assets Subject to Maximum Admissible Percentages** | | | |
|---|---|---|---|---|
| | | **Amount** | **Maximum Admissible Percentages** | **Deductions** |
| | | **A** | **B** | **A less B** |
| 1 | Investment in equities, listed | 2,880,410,641 | 90% | 288,041,064 |
| 2 | Investment in equities, unlisted | 1,769,824,724.25 | 70% | 530,947,417 |
| 3 | Investments in debt securities | - | 70% | 0 |
| 4 | Investments in properties | 8,324,952,282 | 80% | 1,664,990,456 |
| 5 | Receivables from reinsurers which are not overdue | 984,757,029 | 90% | 98,475,703 |
| 6 | (a) All other assets (total assets less II.A.7 and II.B.A 1,2,3,4 and 5) | 20,231,966,171.15 | | |
| | Less: | | | |
| | (-) Cash | 2,973,040,814 | | |
| | (-)Deposits balances | 5,446,631,442 | | |
| | (-)Government securities | 1,355,755,205 | | |
| | (b) All other assets subject to maximum % | 10,456,538,710 | 50% | 5,228,269,355 |
| 7 | **Total deductions (Add II.B.1,2,3,4,5 and 6b)** | | | **7,810,723,996** |

**III.C Admitted Liabilities**

| | | **Amount on Balance Sheet A** | **Additional percentage factor B** | **Admitted liabilities (A plus AXB)** |
|---|---|---|---|---|
| 1 | Technical Provision | | | |
| | Unearned premium | 6,039,667,675 | 10.00% | 6,643,634,442 |
| | Unexpired risk | - | 10.00% | - |
| | Outstanding claims | 7,397,348,871 | 10.00% | 8,137,083,759 |
| | IBNR | 2,364,382,999 | 10.00% | 2,600,821,299 |
| | Other provisions | - | 0.00% | - |
| | Actuarial/mathematical | - | - | - |
| 2 | All other liabilities (Total liabilities less Technical Provisions) | 5,899,200,676 | 0.00% | 5,899,200,676 |
| | **Total Admitted Liabilities** | | | **23,280,740,176** |