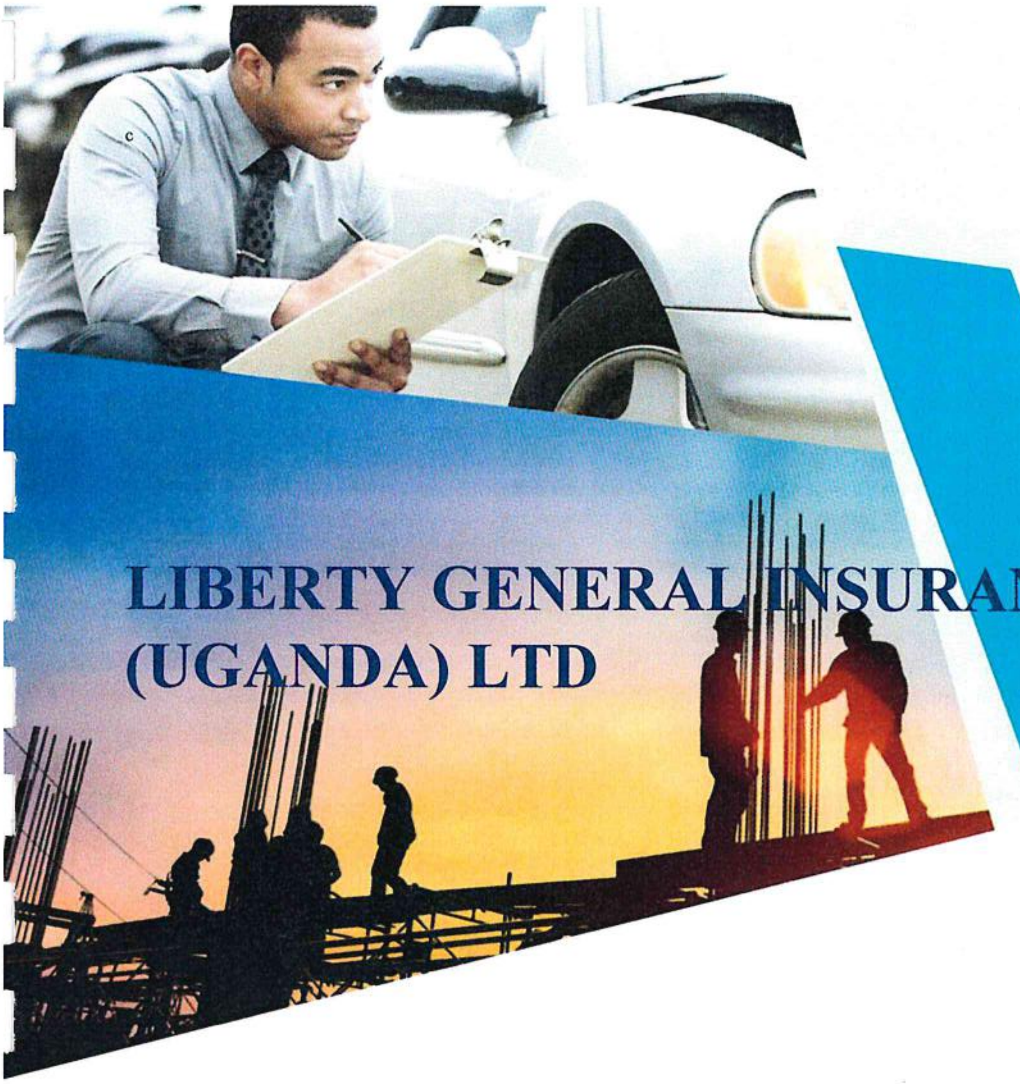


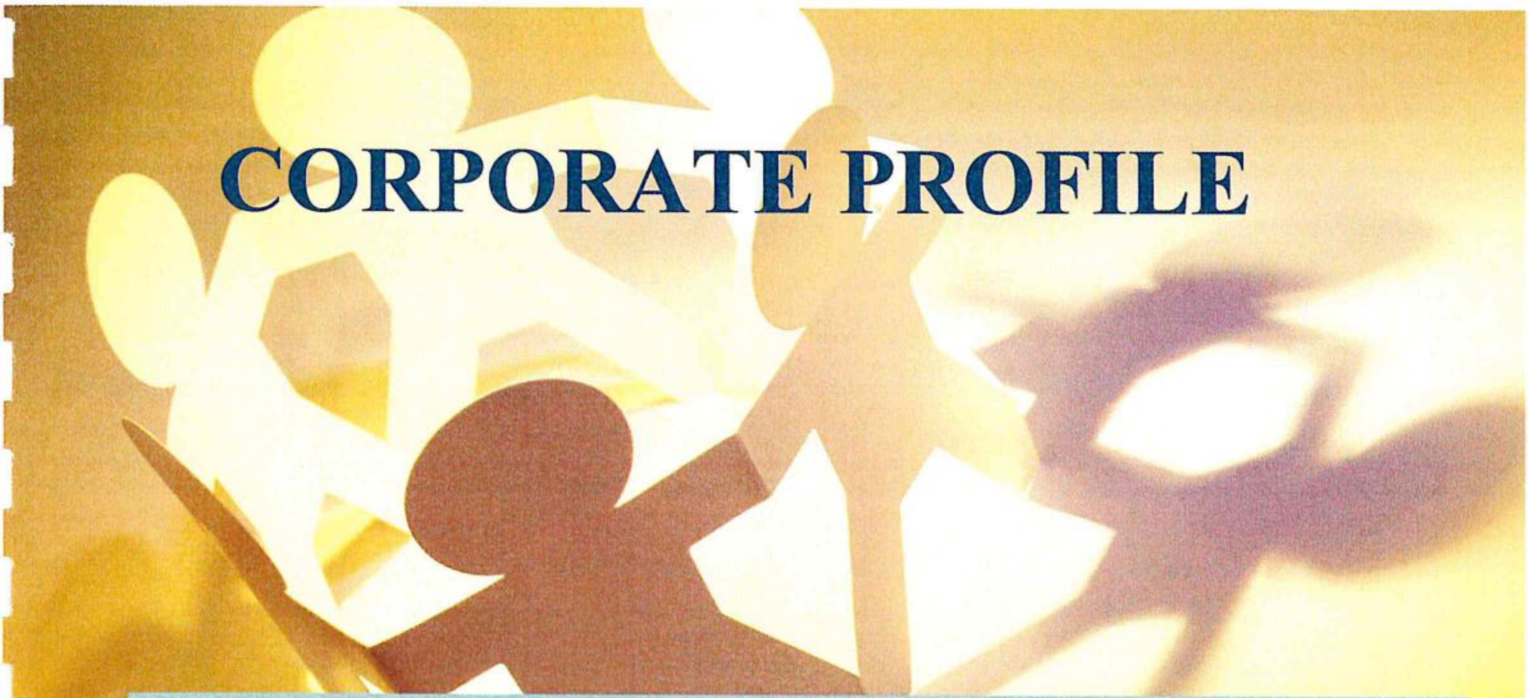
LIBERTY

LIBERTY GENERAL INSURANCE (UGANDA) LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

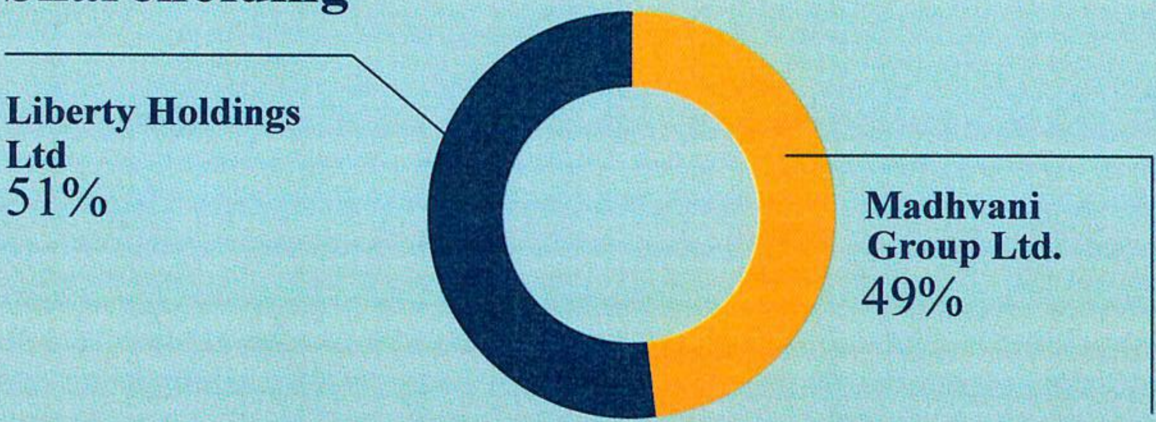
Table of Contents

CONTENTS	PAGE



CORPORATE PROFILE

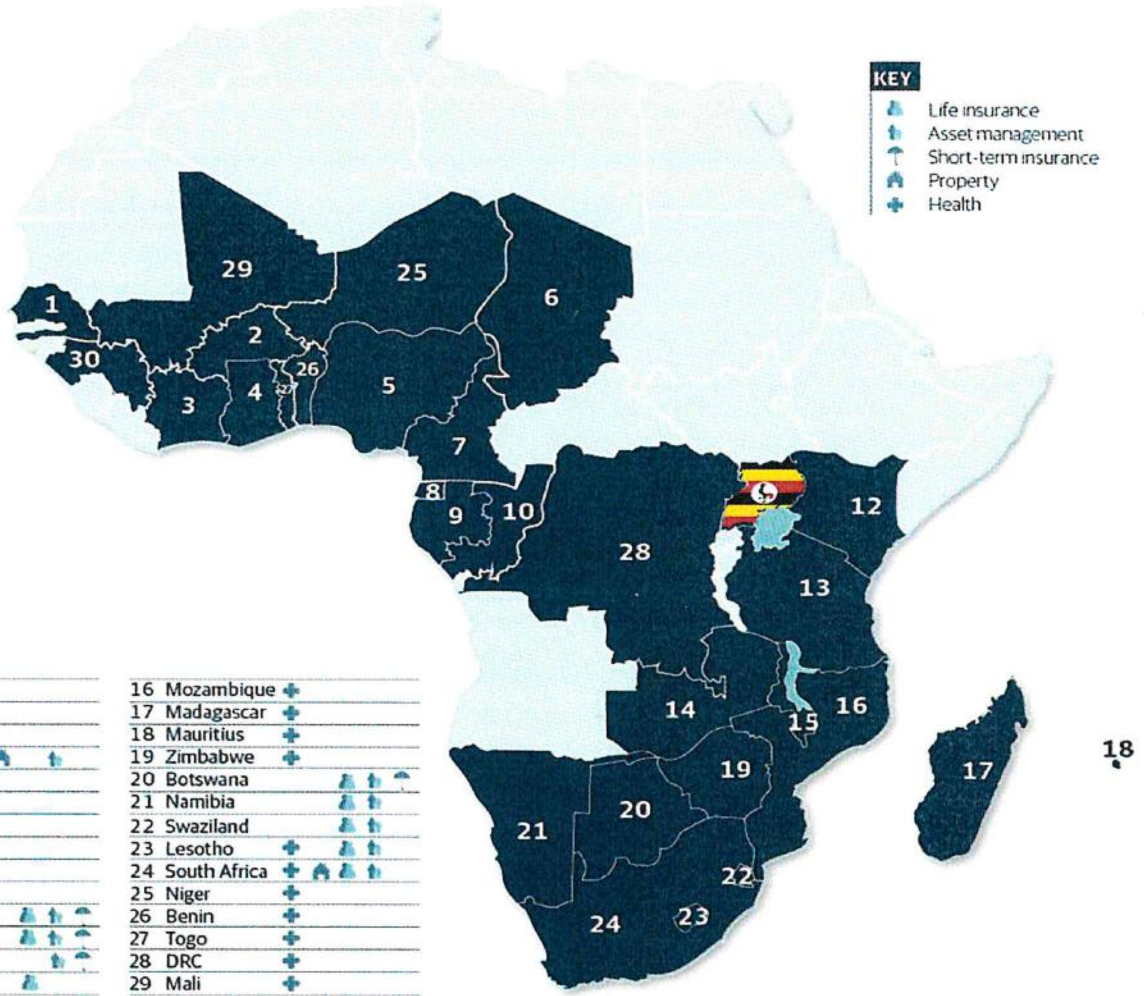
Shareholding



Liberty General Insurance Uganda Limited (LGIUL) is 51% owned by Liberty Holdings Ltd, a Johannesburg Stock Exchange listed insurer that was founded in 1957 by Sir Donald Gordon. Liberty Holdings is an integral part of Standard Bank Group, who have a 53.62% shareholding in Liberty Holdings.

The remaining 49% of LGIUL is owned by Madhvani Group, one of Uganda's largest and most esteemed private enterprise groups with significant interests in almost all sectors of the economy. The flagship of the Group is Kakira Sugar Limited, which was established in 1930, and now enjoys a commanding position in Uganda's economy.

Liberty's presence in Africa



1	Senegal	Health				
2	Burkina Faso	Health				
3	Ivory Coast	Health				
4	Ghana	Health	Property		Asset management	
5	Nigeria	Health				
6	Chad	Health				
7	Cameroon	Health				
8	Equatorial Guinea	Health				
9	Gabon	Health				
10	Congo	Health				
11	Uganda	Health		Life insurance	Asset management	Short-term insurance
12	Kenya	Health		Life insurance	Asset management	Short-term insurance
13	Tanzania	Health			Asset management	Short-term insurance
14	Zambia	Health		Life insurance		
15	Malawi	Health				Short-term insurance
16	Mozambique	Health				
17	Madagascar	Health				
18	Mauritius	Health				
19	Zimbabwe	Health				
20	Botswana			Life insurance	Asset management	Short-term insurance
21	Namibia			Life insurance	Asset management	
22	Swaziland			Life insurance	Asset management	
23	Lesotho	Health		Life insurance	Asset management	
24	South Africa	Health	Property	Life insurance	Asset management	
25	Niger	Health				
26	Benin	Health				
27	Togo	Health				
28	DRC	Health				
29	Mali	Health				
30	Guinea Conakry	Health				

Liberty Health is Present in 27 Countries

Liberty Life is Present in 8 Countries Liberty Short Term is Present in 4 countries

About the group

Our Purpose

It all starts with being more than a financial services organization.

Improving people's lives by making their financial freedom possible

Our Vision

Is a picture of what we would like to be in 2020

Transform Liberty to be the trusted leader in South Africa and chosen markets by delivering superior value through exceptional client and adviser experiences

Our Legitimacy

Allows us to confidently deliver on our purpose

- Trusted partners to our clients and advisers for over 60 years
- Unrivalled FA distribution capability
- Pioneering financial solutions track record
- Integral part of the Standard Bank Group
- Passionate and committed people
- Strong capital base and unique ability to manage risk

Our capabilities across Africa

Our Capabilities

Replicable solutions

Consistent benefit offering and service experience across Africa

Product solutions, IT platforms and administration capabilities are replicated across geographies allowing consistent interaction between countries

Local Management

Dedicated team at Group that provides insurance expertise and support services such as actuarial, legal, marketing and other resources

In country client management and servicing

Consistent standards and service level agreements

Local Knowledge & expertise

Solutions are locally benchmarked and nuanced where required to comply with local legislation

Footprint

Strong Life, Health and Short term presence in East Africa footprint.

Service excellence

Solid service delivery track record with a team of professionals, experienced and skilled staff in-country and at Group

Technical competence and innovation are among our core strengths

Brand

Strong brand provides assurance to our clients, as well as consistent experience across all territories

LIBERTY

About the Liberty Group

Liberty offers a comprehensive range of short/long-term insurance products, value added services, health solutions, retirement income facilitation, investment, and lifestyle risk solutions for both the retail and corporate markets. Liberty is one of the four biggest listed long-term insurers on the JSE by market capitalization and ranks as one of the 50 largest companies in South Africa, with products distributed across multiple channels throughout Africa.

In 2002 Liberty established a unique and valuable Bancassurance agreement with Standard Bank, the biggest bank in Africa, also Liberty's majority shareholder at 53.62%. In 2007 Liberty acquired 100% of STANLIB Asset Management, currently a significant participant in the institutional and mutual fund market in South Africa and East Africa, offering clients a range of distinct investment solutions from varied franchises via portfolios and specialist asset classes.

Liberty is an established and growing Pan-African financial services group, with a presence in 27 countries in Southern Africa, East & Central Africa and West Africa.

Liberty Uganda Services

In Uganda, Liberty has over 10 years of exceptional customer service experience – offering services in long-term insurance, investments and health services. Today, Liberty Uganda has a comprehensive financial services suite – built to comprehensively meet our customers needs at every step of their life journey.

LIBERTY GENERAL

Through the acquisition of East Africa Underwriters Limited (EAUL), Liberty now offers bespoke short-term insurance to meet our customer's needs.

We offer short-term insurance solutions for Individuals, SME, Corporates and specialized risks like Oil and Gas, Infrastructure et cetera.

LIBERTY LIFE

Liberty Life Assurance Uganda Limited (LLAU) was established in 2006 and is a specialist life insurance company and one of Uganda`s largest life insurers.

We provide group and individual/ personal risk insurance solutions for life changing events.

LIBERTY HEALTH

Our range of health options have been carefully crafted to suit a range of different needs and to meet those needs with quality care:

We empower customers to make appropriate choices. Our partnerships across the healthcare industry ensure that customers have access to the best and widest practitioners to improve their healthcare

LIBERTY

GOVERNANCE

DIRECTORS

Liberty General Insurance Uganda Limited has a board of 7 directors, all of whom are of good public standing. The board members are:-

- Mr. Peter Kabatsi - Chairman
- Mr. Kamlesh. M Madhvani
- Mr. Patrick Mweheire
- Mr. Mike Du Toit
- Mr. Xolani Nxanga
- Marasa Holdings Limited
- Mr. Ravi Singh
- Independent Sugar Estates Limited

MANAGEMENT

Under the Board of Directors we have a strong, qualified and experienced management team. The team ensures that the correct business management, financial and underwriting principles and practices are applied to ensure that the company goes about its business in the most professional manner.

REINSURANCE PROTECTION

One of the major strengths is the support we enjoy from our reinsurers. Our reinsurance programme is handled through an experienced reinsurance broker. Some of our reinsurers includes:-

- Africa Re
- Zep Re
- East Africa Re
- Uganda Re

Our insurance programme is placed with financially sound, properly managed and rated Reinsurers.

RISK MANAGEMENT

As insurance risks become more complex and of higher value, risk management becomes imperative for any insurance company which wishes to remain competitive. We I constantly review our client's insurance programs and provide specialist service in the following areas:

- Analysis, identification and evaluation of risks
- Planning, implementation and maintenance of your insurance program
- Risk management and loss control, including property liability and other surveys.
- Effective claims management

We assess risks by surveying and recommending risk improvement measures on a regular basis. This is done by an independent Risk Manager commissioned by the company.

In addition, we run seminars for corporate clients on risk management and product knowledge for our mutual benefit.

COMPANY OBJECTIVES

Our objectives are stated as follows:

- To provide swift professional service and customer care to our clients.
- Capture and grow our market share in premium volume without sacrificing our underwriting standards.
- Increasing our net retentions in line with our growth in premium income and reserves.
- Monitoring our portfolio by risk assessment and risk improvement to the mutual benefit of our clients and ourselves.
- Developing our management information capability for long term sustainability.
- Developing our manpower through training to meet both the company's growth and profitability needs and the individual staff member's needs.
- Improving our staff welfare.
- Consistently producing I satisfactory return on the investment for our shareholders

TRAINING

One of our prime commitments is to attract and retain top quality people. We will develop in house resources to train and build an inspired and highly motivated staff team.

. Career development potential will be fostered at every opportunity, either through in – house insurance or junior management courses, and local external or overseas courses.

Liberty General Insurance Uganda Limited will provide its people with the best training available to maintain high competencies and therefore give our customers the best value and service.

CUSTOMER SERVICE

At Liberty, we know how to take care of your business, whether you have a small operation or a large corporate enterprise. For small businesses, we offer a wide range of comprehensive covers tailor made to suit such businesses. The covers provided are flexible enough to provide essential and immediate cover while allowing the business to add more covers as it grows. .

For medium or large businesses, we provide all the convenience of commercial packages that allow greater scope to select and have the covers tailored to suit the needs.

With the support from our Re-insurers, we have the capacity to deal with the complex requirements of large corporate clients and their brokers.

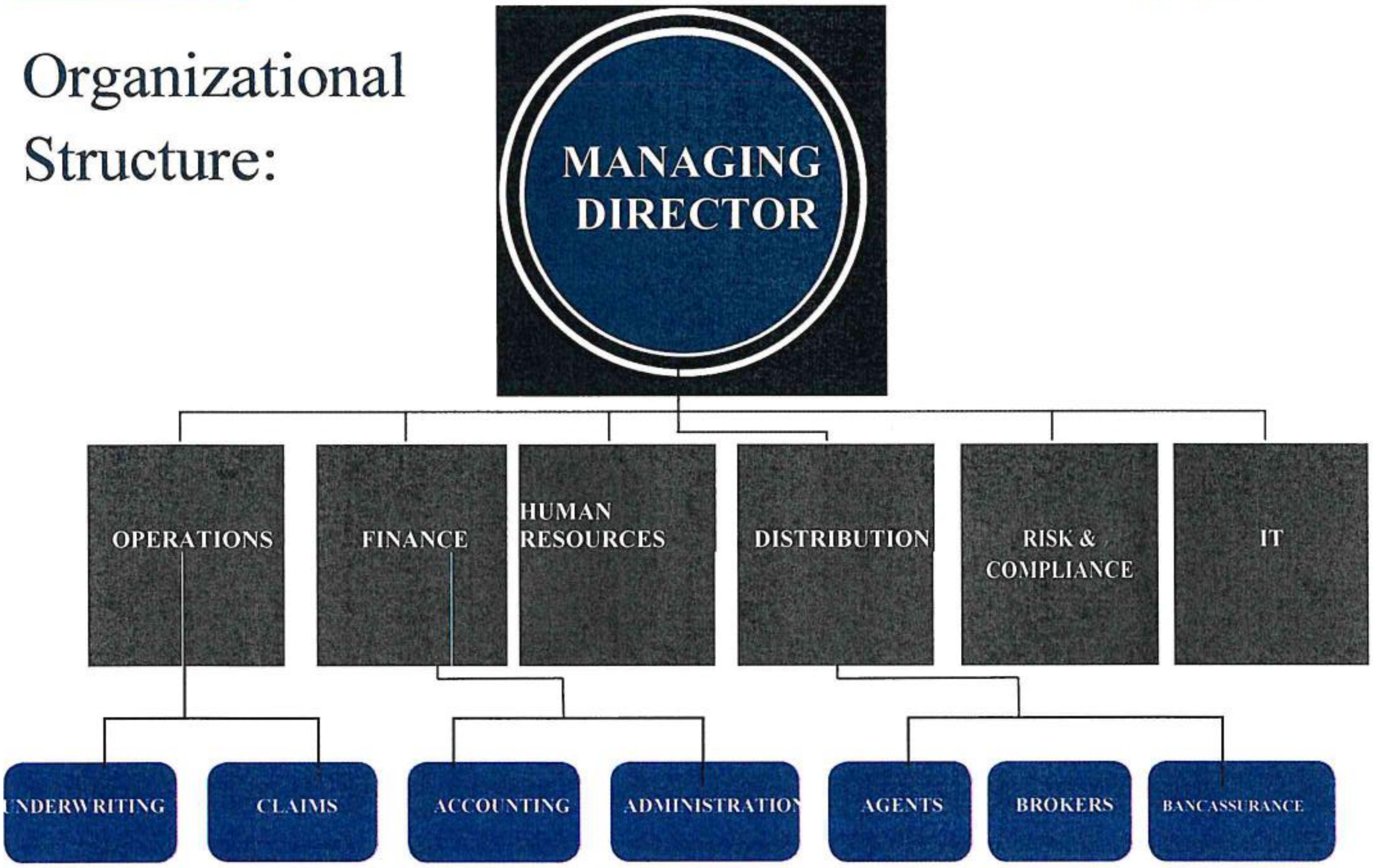
CONFIDENTIALITY

Staff l regularly liaise with our clients and are privy to information of highly sensitive nature; strict confidentiality is always adhered to.

CHANNELS OF DISTRIBUTION

We pride ourselves in building partnership that benefit our clients and our business. We do business with reputable and licensed brokers, banks, agents. .

Organizational Structure:



Liberty is not just our name,

it's what we do everyday

Why Liberty General Insurance?

Liberty General Insurance is your ideal one stop insurance centre offering you a whole range of insurance covers and through our packages, we provide more variety of benefits both locally and internationally. We provide benefits and limits, which can be tailor made to individual requirements.

Liberty General Insurance has a record of accomplishment and financial integrity. The financial stability of Liberty General Insurance, its shareholders and reinsurers will ensure solid protection of your business and give you peace of mind.

Insurance cover includes:

Fire and Special Perils

This policy provides cover against fire, lightning, earthquake, rain, wind, water, hail, impact by animals or vehicles, riot, strike, malicious damage.

Motor Private/Commercial Motor Insurance

Covers against accidental loss of or damage to the Motor Vehicle and its accessories and spare parts whilst thereon due to any cause not specifically excluded by the policy.

Burglary Insurance

This policy provides cover for theft of movable property declared to the insurer, following violent and forcible entry into or exit from the premises from threat of violence.

Fire and Special Perils and Business Interruption

This policy provides cover against loss following interruption of or interference with the business as a consequence of damage occurring during the period of insurance at the premises.

The insurance under this item is limited to loss of gross profit due to reduction in turnover or increase in cost of Working capital.

LIBERTY

Group Personal Accident

We provide cover for accidental death, bodily injury and or disease/illness to employees on 24hour basis happening anywhere in the world arising out of and in the course of both employment and at leisure. The death and disability benefits can be selected as a fixed sum or a multiple of annual earnings. Additional benefits include medical expenses and funeral benefits.

Fidelity Guarantee

This policy provides protection against loss of money and/or property of the insured or for which they are responsible stolen by an insured employee during the currency of the policy resulting in personal financial gain by the employee.

All Risks

This policy provides all risks cover within the territorial limits for valuables and portable items such as laptops, cameras, tablets, cell phones and the like.

Money

This policy covers loss or damage to money (as defined) on the premises during or after working hours or in transit to and from the bank or branch offices resulting out of burglary, holdups, violence or threat thereof.

Workers Compensation

Covers the insured against accidental death and/or bodily injury to employees arising out of and in the course of their employment. Benefits follow the Workers Compensation Act Cap 255. Cover can be extended to include Employers Liability.

Electronic Equipment Insurance

This policy covers computers, laptops, photocopiers, printers, satellite dishes and electronic equipment of all kinds against accidental damage.

Package policies

Liberty General Insurance designs package policies which work as an umbrella to cover all possible risks. Examples of some of the sectors we have designed package policies for are:

- Shopkeepers
- Fuel stations
- Hotels
- Distributors
- SMEs
- Bank clients
- Domestic package

Public Liability

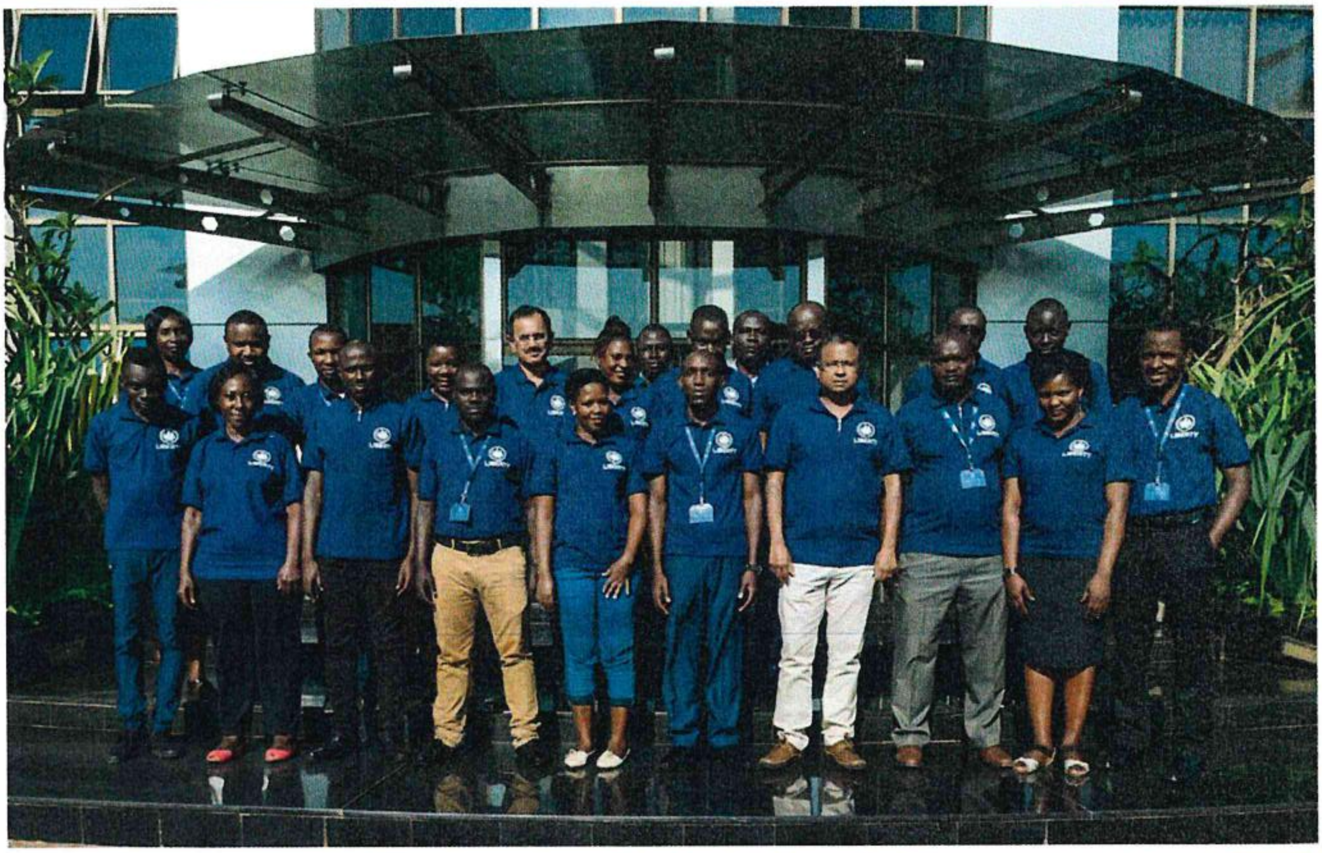
This policy covers the legal liability arising out of and in the course of the business of the insured consequent upon:
i) Accidental death and or bodily injury to third parties.
ii) Accidental loss of or physical damage to third party property.

In summary

Be assured of our best services as you place business with Liberty General Insurance.We are committed to settling valid claims timeously. .

If you require any more information or a quotation please contact us on email at **info@liberty.co.ug or call us at +256 (0) 312 246 500**

LIBERTY

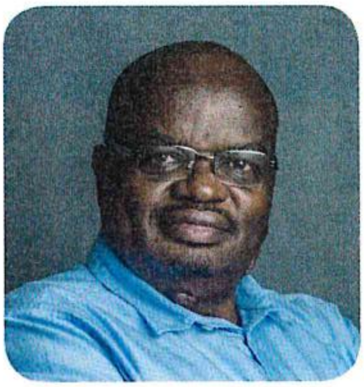


TOGETHER
EVERYONE
ACHIEVES
MORE

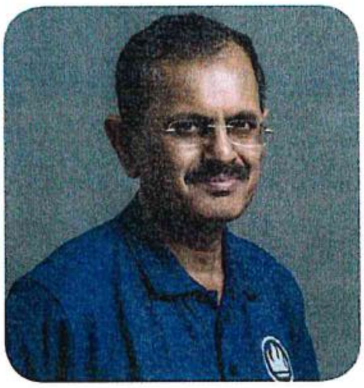
UNDERWRITING & CLAIMS PROCESS EFFICIENCY

"We have an internal customer service charter which stipulates our binding Turn Around Time (TAT) for all functional areas of the company in order to meet market expectations"

Senior Management team



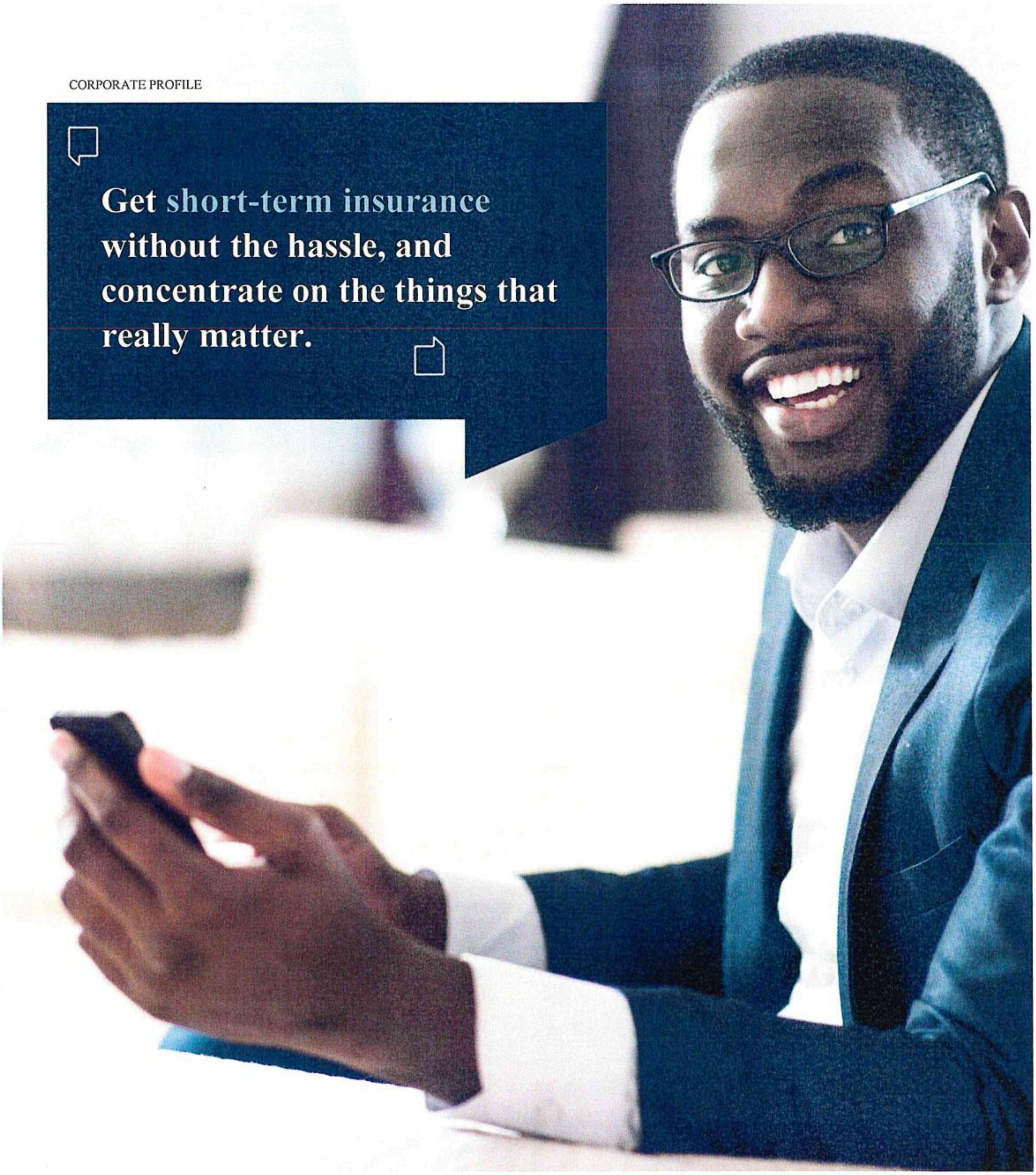
Peter Chakah Makhanu
Managing Director



K. Balasundar
Head of Operations

Tonny Mudoola
Head of Finance

Get short-term insurance without the hassle, and concentrate on the things that really matter.



CORPORATE INFORMATION

DIRECTORS

Mr. Peter Kabatsi	- Chairman	Appointed November 2016
Liberty Holdings Limited	- Member	Appointed January 2016
Mr. Kamlesh M Madhvani	- Member	Appointed August 2002
Mr. Xolani Nxanga	- Member	Appointed January 2016
Mr. Ravi Singh	- Member	Appointed June 2016
Mr. Patrick Mweheire	- Member	Appointed January 2016
Marasa Holdings Limited	- Member	Appointed January 2016
Independent Sugar Estates Limited	- Member	Appointed January 2016

COMPANY SECRETARY

Madhvani Group Limited
P O Box 54, Jinja

REGISTERED OFFICE

3rd Floor, 99 Buganda Road
P O Box 22938
Kampala

AUDITOR

KPMG
Certified Public Accountants
Plot 2 & 4A Nakasero Road
P O Box 3509
Kampala, Uganda

BANKERS

Stanbic Bank Uganda Limited
Kampala Corporate Branch
P O Box 7131
Kampala, Uganda

Bank of Baroda Uganda Limited
Plot 18, Kampala Road
P O Box 7197
Kampala, Uganda

Standard Chartered Bank Uganda Limited
5 Speke Road
P O Box 7111
Kampala, Uganda

Diamond Trust Bank Uganda Limited
Plot 17/19, DTB Centre,
Kampala Road
P.O Box 7155,
Kampala, Uganda

Bank of India Uganda Limited
Plot 37 Jinja Road
P O Box 7332
Kampala, Uganda

Commercial Bank of Africa Uganda Limited
Twed Towers, Plot 10
Kafu Road, Nakasero
P.O. Box 74827
Kampala, Uganda

CORPORATE INFORMATION *(continued)*

Equity Bank Uganda Limited
Plot 390, Muteesa 1
Road, Katwe
PO Box 10184
Kampala, Uganda

Finance Trust Bank Uganda Limited
Plot 121 & 115
Block 6, Katwe
P O Box 6972,
Kampala, Uganda

Tropical Bank Uganda Limited
Plot 27 Kampala Road
P O Box 9485
Kampala, Uganda

LAWYERS

Kasirye, Byaruhanga & Co. Advocates
Plot 33 Clement Hill Road
P O Box 10946
Kampala, Uganda

Kampala Associated Advocates
KAA House, Plot 41
Nakasero Road
P O Box 9566
Kampala, Uganda

Arcadia Advocates
Plot 6, Acacia Avenue,
3rd Floor, Acacia Place
P O Box 28987
Kampala, Uganda

OVERVIEW OF FINANCIAL PERFORMANCE 2015-2019

	2019 Shs'M	2018 Shs'M	2017 Shs'M	2016 Shs'M	2015 Shs'M
Gross written premiums	17,463	13,673	12,771	11,024	10,399
Reinsurance premium ceded	(7,228)	(6,486)	(5,983)	(5,146)	(5,697)
Net written premiums	**10,235**	**7,187**	**6,788**	**5,878**	**4,702**
Net movement in unearned premium reserve	(96)	(160)	(364)	(470)	(85)
Net earned premium	**10,139**	**7,027**	**6,424**	**5,408**	**4,617**
Investment and other income	1,530	1,690	2,793	2,491	4,497
Total income	**11,669**	**8,717**	**9,217**	**7,899**	**9,114**
Net claims incurred	(2,999)	(1,437)	(1,689)	(1,641)	(1,729)
Income net of claims	**8 670**	**7,280**	**7,528**	**6,258**	**7,385**
Net commission (expense)/income	(1,532)	(683)	(282)	82	140
Management expenses	(8,103)	(6,122)	(6,702)	(5,817)	(4,522)
Profit before tax	**(965)**	**475**	**544**	**523**	**3,003**
Income tax (expense)/credit	337	(96)	53	64	(410)
Profit for the year	**(628)**	**379**	**597**	**587**	**2,593**
Other comprehensive income/(loss) – net of tax	153	(73)	17	(247)	-
Total comprehensive income for the year	**(475)**	**306**	**614**	**340**	**2,593**
Financial Performance Matrices					
Management expense ratio	80%	87%	104%	108%	98%
Claims ratio	30%	20%	26%	30%	37%
Commission ratio	15%	10%	4%	-2%	-3%
Combined ratio	125%	118%	135%	136%	132%
Cession ratio	41%	47%	47%	47%	55%
Non-Financial disclosures					
Number of Staff	26	23	20	19	19
Number of Agents	21	4	-	-	-

Report of the directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of Liberty General Insurance Uganda Limited ("the Company").

Overview

Principal activities

The Company's principal activity is to transact in all classes of non-life insurance business.

Results

The net loss for the year of Shs 966 million has been included to retained earnings and other reserves (2018: Shs 379 million). The Company recorded net other comprehensive income of Shs 153 million (2018: loss of Shs 73 million) in relation to fair value gains on equity investments held.

The summarised performance of the business per class is shown below.

	Motor Shs'000	Fire Shs'000	Accident Shs'000	Marine Shs'000	Other Shs'000	Total
Net earned premiums 2019	5,053,251	1,558,954	2,514,701	369,554	642,528	**10,138,988**
Net earned premiums 2018	2,949,347	1,427,158	2,111,267	390,923	148,664	**7,027,359**
Total expenses 2019	(4,038,688)	(1,245,957)	(2,009,814)	(295,357)	(513,525)	**(8,103,341)**
Total expenses 2018	(3,622,250)	(1,956,014)	(2,166,736)	(349,950)	(146,971)	**(8,241,921)**
Underwriting Results						
2019	**(1,247,631)**	**(312,997)**	**(504,887)**	**(74,197)**	**(356,576)**	**(2 496 288)**
2018	**(672,903)**	**(528,856)**	**(55,469)**	**40,973**	**1,693**	**(1,214,562)**

Total expenses = Net claims cost + Net commissions cost + Management expenses

Business review

The gross premium income during the year increased from Shs 13.7 billion in 2018 to Shs 17.5 billion in 2019 representing 28% increase year on year. This was mainly driven by growth from the brokerage channel.

The net premium income increased by Shs 3.1 billion from Shs 7.0 billion in 2018 to Shs 10.1 billion in 2019 mainly due to some significant risks underwritten for which the Company had little retention capacity.

During the year under review, net commission expense was Shs 1.5 billion against the previous year net commission expense amount of Shs 683 million.

Technical underwriting performance review

Underwriting loss for the year was Shs 2.5 billion compared to a loss of Shs 1.2 billion in 2018. Claims outstanding at the end of the year increased from Shs 8.1 billion to Shs 11.0 billion. The net incurred claims are Shs 3.0 billion (2018: Shs1.4 billion) which is 30% (2018: 20%) of net earned premium. Net earned premium increased by Shs 3.1 billion. The net unearned premium reserve reduced by Shs 513 million to Shs 2.4 billion (2018: Shs 2.9 billion).

Report of the directors (cont'd)

Investment Income

Total investment income for the year was Shs 1.4 billion (2018: Shs 1.3 billion). Below are the average yields obtained on various investments.

	2019	2018
Mortgage loans		
• Denominated in Uganda shillings	14.5%	14.50%
• Denominated in US dollars (weighted average)	4.50%	4.50%
Government Treasury bills	11.80%	11.31%
Corporate bond	14.70%	14.70%

The high demand towards end of year 2019 in the market in the year resulted in a slight increase of the average yield in Government treasury bills by from 11.3% to 11.8%. Latest auction rates have risen upto 13.9% in 2020.

Foreign exchange earnings and outgoings

There was a net exchange loss of Shs 100 .million (2018: Shs 96 million gain) during the year due to a marginal depreciation of the Uganda shilling against the US dollar in the year 2019 compared to an appreciation of rates in 2018.

Material events after the balance sheet date

There were no material events after the balance sheet date.

Foreign operations

The Company operates solely in Uganda.

Financial review

Capital and funds

There were no movements in the share capital of the Company. There has been no transfer (2018: Shs 19 million) to the capital reserve due to losses posted for the year ended 2019. A total of Shs 349 million (2018: Shs 273 million) has been transferred to the contingency reserve from retained earnings to meet regulatory requirements. Below is the position of the capital and reserves of the Company at the date of the balance sheet.

	2019 Shs '000	2018 Shs '000
Share capital	4,000,000	4,000,000
Contingency reserves	4,147,228	3,797,974
Capital reserve	707,512	707,512
Available for sale fair value reserve	481,736	383,869
Retained earnings	4 411 900	5,389,544
Total	**13 748 376**	**14,278,899**

Report of the directors (cont'd)

Cash flow activities

Below is a summarized statement of cash flows:

Particulars	**2019**	**2018**
	Shs' 000	**Shs' 000**
Net cash used in operating activities	(1,520,261)	(2,059,704)
Net cash generated from investing activities	1,205,824	1,632,745
Net cash out-flows from financing activities	(340,724)	-
Decrease in cash and cash equivalents	**(655,161)**	**(426,959)**

There is a proper system of budgetary control in place. The Finance & Investment Committee monitors performance regularly. Extensive reporting on all major operational aspects of the Company is done on a regular basis. The Company's reinsurance program is critically monitored in order to minimise risks and costs.

Pending litigation

There is no pending litigation against the Company.

Subsidiary companies

The Company does not have any subsidiaries.

Board of directors

The current members of the board are as shown on page 17.
There were no changes to the composition of the board during the year under review.

Prospects of business and action plan for the next year

The directors expect that business will grow substantially, as a result of expanded distribution channels and footprint as well as the growth in Bancassurance business.

Statutory requirements

Share capital

Under Section 6 (1 (b)) of the Insurance Act of Uganda 2011, a Company carrying on non-life insurance business is required to have a paid up capital of at least Shs 4 billion. The Company has met this requirement.

The issued share capital is Shs 4,000 million divided into 400,000 ordinary shares of Shs 10,000 each. (2018; 4,000 million)

Security deposits

Under Section 7(1) of the Insurance Act of Uganda, the Company is required to maintain a security deposit of at least 10% of the prescribed paid up capital, which is Shs 400 million. The Company has a statutory deposit amounting to Shs 905 million (2018: Shs 824 million) and it has therefore fulfilled this requirement.

Report of the directors (cont'd)

Deposit with a commercial bank

Under Section 29(2) of the Insurance Act of Uganda, the Company is required to maintain a further deposit equivalent to 20% of the minimum security deposit in a commercial bank. The Company has satisfied this statutory requirement by making deposits with various commercial banks. At 31 December 2019, the total amount fixed with commercial banks was Shs 8.6 billion (2018: Shs 8.7 billion)

Employees

The number of persons employed by the Company at the end of the year was 26 (2018: 21).
Out of the 26 members of staff employed by Liberty General Uganda Limited as at 31 December 2019, 18 are male and 8 are female.

Auditor

The Company's auditor, KPMG being eligible for reappointment, have expressed their willingness to continue in office in accordance with section 167(2) of the Companies Act of Uganda.

Director

..14...May.......~~March~~ 2020

CORPORATE GOVERNANCE REPORT

Introduction

The Liberty General Insurance Limited Corporate Governance Framework comprises the Board of Directors, Committees of the Board, Management and Operations Committees, as well as policies, procedures and systems which together govern the management of the business. The Company continuously embraces the principles of good corporate governance to ensure that its business remains sustainable, relevant and profitable.

The Board of Directors and Management have embraced the principles of integrity, accountability and transparency in directing and running the affairs of the Company. The Corporate Governance Framework also guides the relationship between Liberty General Insurance Uganda Limited its parent shareholder, Liberty Holdings Ltd, as well as its relations with other member companies of the Liberty Africa Group.

Board of Directors

The Mandate of the Company's Board of Directors is to implement principles of good corporate governance, determine the strategic direction of the company and ensure sustainability of the business. The Board of Directors is therefore responsible for implementing the Strategic Plan through oversight, enhanced shareholder value, company growth, profitability, financial reporting, accountability and safeguarding of company assets.

In order to achieve this efficiently, the Board has delegated various responsibilities to various committees of the Board and Management Committees, while the mandate to oversee the running of the business has been conferred to the Managing Director. There are two committees of the board, namely: Audit and Risk Committee and the Investment Committee.

The Board of Directors as at 31 December 2019 was constituted of one non-executive director, seven executive directors representing both shareholders and, the Managing Director. The Board and its committee hold meetings three times on a quarterly basis.

In the year 2019, the Board of directors held meetings as follows:

Board Member	04 April 2019	31 July 2019	16 October 2019
Mr. Peter Kabatsi	P	P	P
Liberty Holdings Limited	P	P	P
Mr. Kamlesh M Madhvani	P	P	P
Mr. Xolani Nxanga	P	P	P
Mr. Ravi Singh	P	P	P
Mr. Patrick Mweheire	AP	A	A
Marasa Holdings Limited	P	P	P
Independent Sugar Estates Limited	P	P	P

P – Present A - Absent with Apologies N/A – Resigned AP – Alternate Present

Secretary to the Board during the year ended 31 December 2019 was K.P Eswar.

The Audit and Risk Committee (ARC)

The mandate of this committee is to oversee the implementation of effective policies, procedures and internal controls. The ARC also sets and reviews the company's risk management strategy, while enforcing compliance with internal and regulatory provisions.

This committee also reviews the scope of work, skills of the Internal Audit function and provides guidance in the resolution of audit findings. The ARC reinforces best practice in Corporate Governance through the implementation of its mandate. The Audit and Risk committee is charged with approving the company's financial statements, and acts as the liaison with the External Auditors. In this regard, the ARC provides oversight and assurance for financial reporting.

The Audit and Risk Committee is constituted of four executive directors, the Managing Director, representatives from the Finance Department, Operations, Risk and Compliance Function.

In the year 2019, the Audit and Risk Committee held meetings as follows:

Director	02 April 2019	30 July 2019	15 October 2019
Ravi Singh	P	P	P
Xolani Nxanga	P	P	P
K. N. Nair	P	P	P
Rajiv Sahay*1	P	P	N/A
Parag Shah*2	-	-	P

P – Present A - Absent with Apologies N/A – Resigned AP – Alternate Present
*1- Resigned on 30 July 2019 *2- Joined .

Secretary to the ARC during the year ended 31 December 2019 was the Head of Finance, Tonny Mudoola.

Investment Committee (IC)

The objective of the Investment Committee is to oversee the design of the company's investment strategy and to monitor its implementation. The committee monitors performance of the company's investment portfolio, as administered by professional asset managers in accordance with the Board Investment Strategy, and reviews compliance of the investment managers with benchmarks and performance standards.

The committee is constituted of four executive directors, the Managing Director, a representative from the Finance Department and a representative from Risk and Compliance Function. The IC holds meetings three times on a quarterly basis.

In year 2019, the Investment Committee held meetings as follows:

Director	02 April 2019	30 July 2019	15 October 2019
K. N. Nair	P	P	P
Xolani Nxanga	P	P	P
Mike du Toit	P	P	P
Rajiv Sahay*1	P	P	N/A
Parag Shah*2	-	-	P

P – Present A - Absent with Apologies N/A – Resigned AP – Alternate Present
*1- Resigned on 30 July 2019 *2- Joined .

Secretary to the ARC during the year ended 31 December 2019 was the Head of Finance, Tonny Mudoola.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Company's directors are responsible for the preparation and fair presentation of the financial statements of MUA Insurance Uganda Limited set out on pages 30 to 80 comprising the statement of financial position as at 31 December 2019,the statements of comprehensive income, changes in equity and 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 and the Companies Act of Uganda.

The company's directors are also responsible for such internal controls as they 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 the next twelve months from the date of this statement.

The auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and Companies Act of Uganda

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of Liberty General Insurance Uganda Limited, as indicated above, were approved and authorised for issue by the Board of Directors on ..31...March......2020.

....	....
Peter Kabatsi	**Peter Makhanu**
Chairman	*Managing Director*

Date .....14...May................2020

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Independent auditor's report

TO THE MEMBERS OF LIBERTY GENERAL INSURANCE UGANDA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Liberty General Insurance Uganda Limited ("the Company"), set out on pages 30 to 80 which comprise the statement of financial position as at 31 December 2019, and the statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 the Liberty General Insurance Uganda Limited 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 (IFRSs), the Companies Act of Uganda and the Insurance Act of Uganda (2017).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit matters

Key audit matters are those matters that, in our 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 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
Insurance contract liabilities	
Refer to Note 25 Insurance contract liabilities	
The key audit matter	**How the matter was addressed in our audit**
Short term insurance contract liabilities constitute 35% of the company's total 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. Changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation of insurance liabilities. The key assumptions that drive the reserving calculations include graduate development factors, loss ratios, inflation assumptions and claims expense assumptions.	Our audit procedures in this area included, among others: — Evaluating and testing key controls around the claims handling and reserve setting processes of the company; — Checking for any unrecorded liabilities at the end of the period; — Checking samples of claims reserves by comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters; — Re-performing reconciliations between the data recorded in the financial systems and the data used in the actuarial reserving calculations; — Using our internal actuaries to review the actuarial reserving methodology, to challenge assumptions applied and to analytically review the valuation results presented;

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Independent auditor's report

TO THE MEMBERS OF LIBERTY GENERAL INSURANCE UGANDA LIMITED

Report on the audit of the financial statements

The key audit matter	How the matter was addressed in our audit
The valuation of insurance contract liabilities depends on accurate data extraction from the information system. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of insurance liabilities may arise. We determined the valuation of insurance contract liabilities to be a key audit matter because of the significant judgements and assumptions used to determination of the liabilities.	— Checking that the reserves comply with the minimum regulatory requirements; and — Evaluating the adequacy of financial statements disclosures, including disclosures of key assumptions, judgements and sensitivities.

Other information

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

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

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

As stated on page 26, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by; the Companies Act of Uganda and the Insurance Act of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of the 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 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 judgement and maintain professional scepticism throughout the audit. We also:

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Independent auditor's report

TO THE MEMBERS OF LIBERTY GENERAL INSURANCE UGANDA LIMITED

Report on the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

As required by the Companies Act of Uganda and the Insurance Act of Uganda, we report to you, based on our audit, that:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were considered necessary for the purposes of our audit;
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- The statements of financial position and comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Stephen Ineget – P0401.

KPMG

KPMG
Certified Public Accountants
3rd Floor, Rwenzori courts
Plot 2 & 4A, Nakasero Road
P O Box 3509
Kampala, Uganda

Date: 14 May 2020

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

	Note	2019	2018
		Shs'000	Shs'000
Gross written premiums		17,462,765	13,673,144
Reinsurance premium ceded		(7,227,650)	(6,485,984)
Net written premiums	7	**10,235,115**	**7,187,160**
Gross movement in unearned premium reserve		513,208	(360,819)
Reinsurer's share of movement in unearned premium reserve		(609,335)	201,018
Net movement in unearned premium reserve	27(a)	(96,127)	(159,801)
Net earned premium		**10,138,988**	**7,027,359**
Investment income	8(a)	1,416,903	1,251,184
Net foreign exchange income	8(b)	(100,397)	96,508
Other income	8(c)	213,893	342,205
Total income		**11,669,387**	**8,717,256**
Gross claims paid		(5,279,779)	(4,458,597)
Reinsurance recoveries		2,854,007	2,643,135
Net claims paid	26	(2,425,772)	(1,815,462)
Net movement in insurance contract liabilities	25	(573,966)	378,522
Net claims incurred		(2,999,738)	(1,436,940)
Income net of claims		**8,669,649**	**7,280,316**
Net commission expense	9	(1,532,197)	(682,829)
Management expenses	11	(8,102,076)	(6,124,280)
Net impairment loss on financial assets	17(d)	(1,265)	2,128
(Loss)/profit before tax		**(965,889)**	**475,335**
Income tax credit/(expense)	10	337,499	(95,926)
(Loss)/profit for the year		**(628,390)**	**379,409**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Fair value gains/(losses) on quoted shares	17(a)	219,219	(100,753)
Deferred tax effect on fair value gains/losses	14	(65,766)	28,044
Other comprehensive income(loss) – net of tax		**153,453**	**(72,709)**
Total comprehensive(loss)/ income for the year		**(474 937)**	**306,700**

The accounting policies and notes set out on pages 34 to 80 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

	Note	2019 Shs'000	2018 Shs'000
Cash and bank	16	247,820	902,981
Equity investments	17(a)	1,022,962	803,744
Right-of-use assets	30	1,052,807	-
Financial assets at amortised costs	17(b)	15,756,027	15,193,171
Statutory deposits	17(c)	905,504	822,160
Premium and other insurance related receivables	18	3,328,675	2,568,141
Other receivables	21	1,004,454	347,098
Related party loans	20	2,661,274	2,703,276
Deferred insurance commission	27(b)	278,320	314,085
Reinsurers' share of insurance contract liabilities	19	11,561,769	7,830,405
Income tax recoverable	13(b)	1,809,057	1,519,964
Property and equipment	15	333,479	168,175
Deferred income tax asset	14	895,771	532,411
Total Assets		**40,857,919**	**33,705,611**
Liabilities			
Unearned premium reserve	27	4,956,050	5,469,258
Other payables	29	1,526,996	1,044,842
Lease liabilities	30	1,116,311	-
Amounts due to related parties	22(b)	3,339,367	2,030,176
Payables arising out of reinsurance arrangements	29(b)	3,119,353	2,745,636
Insurance contract liabilities	25	13,051,466	8,136,800
Total liabilities		**27,109,543**	**19,426,712**
Equity			
Share capital	23(a)	4,000,000	4,000,000
Contingency reserve	24(a)	4,147,228	3,797,974
Capital reserve	24(b)	707,512	707,512
Fair value through other comprehensive income reserve	23(b)	481,736	383,869
Retained earnings	23(c)	4,411,900	5,389,544
Total Equity		**13,748,376**	**14,278,899**
Total Equity and Liabilities		**40,857,919**	**33,705,611**

The financial statements on pages 34 to 80 were approved and authorised for issue by the Board of Directors on ...31 March............... 2020 and were signed on its behalf by;

.... **Director** .... **Director**

The accounting policies and notes set out on pages 34 to 80 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital Shs'000	Contingency reserve Shs'000	Capital reserve Shs'000	Available for sale fair value reserve Shs'000	Retained earnings Shs'000	Total Shs'000
At 1 January 2018	**4,000,000**	**3,524,510**	**688,541**	**456,578**	**5,327,872**	**13,997,501**
Profit for the year					379,409	**379,409**
Transfer to contingency reserve	-	273,464	-	-	(273,464)	-
Transfer to capital reserve	-	-	18,971	-	(18,971)	-
IFRS 9 Transition adjustment	-	-	-	-	(25,302)	(25,302)
	-	273,464	18,971	-	**61,672**	**354,107**
Other comprehensive income						
Disposal of quoted shares						
Other comprehensive income - net of tax	-	-	-	(72,709)	-	**(72,709)**
As at 31 December 2018	**4,000,000**	**3,797,974**	**707,512**	**383,869**	**5,389,544**	**14,278,899**
At 1 January 2019	4,000,000	3,797,974	707,512	383,869	5,389,544	14,278,899
Profit/(loss) for the year	-	-	-	-	(628,390)	**(628,390)**
Transfer to contingency reserve	-	349 254		-	(349,254)	-
Deferred tax adjustment on fair value reserve	-	-	-	(55, 586)	-	**(55,586)**
	4,000,000	**4,147,228**	**707,512**	**328,283**	**4,411,900**	**13,594,923**
Other comprehensive income						
Other comprehensive income - net of tax	-	-	-	153,453	-	**153,453**
As at 31 December 2019	**4,000,000**	**4,147,228**	**707,512**	**481,736**	**4,411,900**	**13,748,376**

The accounting policies and notes set out on pages 34 to 80 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2019 Shs'000	2018 Shs'000
Operating activities			
(Loss)/profit before income tax		(965,889)	475,335
Adjustments for:			
Depreciation		60,703	82,892
Investment income		(1,416,903)	(1,251,184)
Gain on disposal of motor vehicle		(60,000)	(10,000)
Impairment of financial assets		(1,265)	(2,128)
Working capital changes:			
(Decrease)/increase in unearned premium		(513,208)	360,819
Increase in insurance contract liabilities		4,878,900	1,529,622
Increase in reinsurance share of insurance liabilities and reserves		(3,731,364)	(2,109,162)
(Increase) /decrease in premiums receivable		(760,534)	240,901
(Increase)/decrease in other receivables		(946,448)	6,140
Net increase in amounts due to related party		1,309,192	399,918
Net movement in receivables and payables arising from reinsurance arrangements		373,717	(1,405,504)
Decrease in other provisions		-	(102,381)
Increase in other payables		482,154	21,690
		(1,290,945)	**(1,763,042)**
Tax paid		(229,316)	(296,662)
Cash paid for amount included in lease liabilities		(340,724)	-
Net cash used in operating activities		**(1,860,985)**	**(2,059,704)**
Investing activities			
Purchase of property and equipment		(226,007)	(49,288)
Net placements of fixed deposits and other investments		604,198	834,761
Investment income received		767,633	837,272
Proceeds from disposal of motor vehicle		60,000	10,000
Net cash generated from investing activities		**1,205,824**	**1,632,745**
Decrease in cash		(655,161)	(426,959)
Cash at 1 January		902,981	1,329,940
Cash at 31 December		**247,820**	**902,981**
Represented by:			
Cash at bank	16	**247,820**	**902,981**

The accounting policies and notes set out on pages 34 to 80 form an integral part of these financial statements.

NOTES

1. REPORTING ENTITY

Liberty General Insurance Uganda Ltd is incorporated in Uganda under the Companies Act of Uganda, regulated by the Insurance Regulatory Authority of Uganda and is domiciled in Uganda. The immediate holding Company is Liberty Holdings Limited, incorporated in South Africa. At 31 December 2019, the immediate holding Company held 51% (2018: 51%) of the share capital of the Company.
The address of its registered office is:
P. O. Box 22938
99 Buganda Road
Kampala, Uganda

For Ugandan Companies Act 2012 reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

The Company is licensed to underwrite short term (or general) insurance business. General insurance business relates to all other categories of insurance business other than life written by the Company, analysed into several sub-classes of business based on the nature of the assumed risks.

2. BASIS OF PREPARATION

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, as modified by the carrying amount of available-for-sale investments at fair value, impaired assets at their recoverable amounts, and actuarially determined liabilities at their present value. The financial statements are presented in Uganda Shillings (Shs), rounded to the nearest thousand.

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates due to the uncertainty about these assumptions and estimates, and could require a material adjustment to the carrying amount of the asset or liability affected in the future. See details on the significant estimates in note 3(a).

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

(a) New standards, amendments and interpretations effective and adopted during the year ended 31 December 2019

The Company has adopted the following new standards and amendments during the year ended 31 December 2019, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2019. These are highlighted below;

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

i) As a lessee

As a lessee, the Company leases office premises. The Company previously classified these leases as operating leases under IAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for leases of branch and office premises – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for leases of office premises the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

— relied on its assessment of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;

— did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

— did not recognise right-of-use assets and liabilities for leases of low-value assets

— excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and

— used hindsight when determining the lease term.

ii) Impact on financial statements

On transition to IFRS 16, the Company recognized additional right of use assets and additional lease liabilities. The Company did not adjust retained earnings given the fact that the modified retrospective approach was adopted and the initial application date of each contract considered as a lease was therefore 1 January 2019.

The impact on initial application is as shown below;

1 January 2019	**Ushs' 000**
Right of Use asset presented in Equipment	1,262,652
Lease liabilities	1,262,652

For the impact of IFRS 16 on the profit or loss for the period, refer to note 27.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 9%.

1 January 2019	**Ushs' 000**
Operating lease commitments as at 31 December 2018	89,864
Discounted using the incremental borrowing rate of 9% at 1 January 2019	1,262,652
Recognition exemption for leases of low-value assets	-
Recognition exemption for leases with less than 12 months of lease term at transition	-
Lease liabilities at 1 January 2019	**1,262,652**

iii) The Company acting as a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Company acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Policy applicable as at 1 January 2019. On assessment, the company didn't act as a lessor during the period.

Other Standards and amendments that are effective for the first time in 2019 and could be applicable to the Company are:

- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 9 Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- IAS 28 Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRS 2015-2017 Cycle
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- Judgments made;
- Assumptions and other estimates used; and
- The potential impact of uncertainties that are not reflected.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Company.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

Amendments to IAS 28 *Long-term interests in associates and joint ventures*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Company does not have such long-term interests in its associate and joint venture, the amendments have had no impact on its financial statements.

Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)

The IASB's amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.
The amendments clarify that:

- On amendment, curtailment or settlement of a defined benefit plan, it is now mandatory for entities to use the updated actuarial assumptions to determine the current service cost and net interest for the period; and
- The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted.
The company is assessing the potential impact of this interpretation on the financial statements.

(b) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2019

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2019, and have not been applied in preparing these financial statements.

Standard	Interpretation	Date issued by IASB	Effective date periods beginning on or after
Conceptual Framework amendments	Amendments to References to Conceptual Framework in IFRS Standards	March 2018	January 2020
IFRS 3 amendment	Definition of a Business	October 2018	January 2020

Definition of Material	Amendments to IAS 1 and IAS 8	October 2018	January 2020
IFRS 17	Insurance Contracts	May 2015	January 2021
IFRS 10 and IAS 28 amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Deferred indefinitely

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.
Although we expect this to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
The company is assessing the potential impact of this interpretation on the financial statements.

Definition of a Business (Amendments to IFRS 3)

Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3. In October 2018 the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

- Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs.
- Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

  Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.
The company is assessing the potential impact of this interpretation on the financial statements.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The directors are currently assessing the impact this will have on the Company's financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments. "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

The company is assessing the potential impact of this interpretation on the financial statements.

(c) Underwriting results

The underwriting results for non-life business are determined on an annual basis whereby the incurred claims, commission and related expenses are charged against the earned portion of premiums, net of reinsurance, as follows:

i) Premium income

General insurance business which is generally short term in nature relates to all categories of insurance business written by the Company, analysed into several sub classes of business based on the nature of the assumed risk.
For general insurance business, premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium.
Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the financial reporting date, and is computed using the 365ths method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

ii) Claims and policyholders benefits payable

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the balance sheet date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims Incurred but not reported ("IBNR"). Outstanding claims are not discounted.

*iii)*Commissions payable and deferred acquisition costs ("DAC")

A proportion of commission is deferred and amortised over the period in which the related premium is earned. Deferred commission represents a portion of acquisition costs that relate to policies that are in force at the year end. All other costs are recognised as expenses when incurred.

iv) Liability adequacy test

At each reporting date, the Company performs a liability adequacy test on its insurance liabilities to ensure the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant discount rate(s). If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognized as an expense in profit or loss account initially by writing down the deferred policy administration expense and subsequently by recognizing additional unearned premiums and "IBNR" provisions.

(d) Property and Equipment

Equipment is recorded at historical cost less accumulated depreciation and accumulated impairment losses if any.

Depreciation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Depreciation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation is calculated on the straight line basis to write down the cost of assets to their residual values over their estimated useful lives as follows:

Furniture, fixture and fittings	10 years
Motor vehicles	4 years
Office equipment	10 years
Computer	3 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Equipment is reviewed annually for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

(e) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of the future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) Financial instruments

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

(i) *Financial assets*

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes government securities, deposits with financial institutions, statutory deposit, income tax recoverable and other receivables.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
-

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company has no debt instruments at fair value through OCI as at 31 December 2019.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

a) The rights to receive cash flows from the asset have expired

Or

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(ii) *Financial liabilities*

Initial recognition and measurement

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

The Company's holding in financial liabilities represents mainly insurance liabilities, payable under deposit administration contracts, unearned premium and unexpired risks provision, creditors arising from reinsurance arrangements and other liabilities.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. The Company has no held for trading financial liabilities as at end of 31 December 2019.

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

Loan and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR (Effective Interest Rate) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Derecognition

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

(iii) ***Determination of fair value***

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions. In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

(iv) ***Offsetting***

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs.

(g) IFRS 9 Financial Instruments

The Company applied IFRS 9 for the first time from 01 January 2018

Accounting policies applied from 1 January 2018 in respect of financial instruments are as below:

Financial assets

IFRS 9 applies two criteria to determine how financial assets should be classified and measured, namely:

(a) the entity's business model for managing the financial assets; and
(b) the contractual cash flow characteristics of the financial asset.

Under IAS 39 Financial Instruments: Recognition and Measurement, the Company designated the significant majority of financial assets at fair value through profit or loss. The Company has applied IFRS 9's classification and measurement requirements based on the facts and circumstances of the various business models at the date of adoption of IFRS 9 in determining the transition adjustment.

Application of the business model approach for Liberty General Insurance Uganda limited results in changes to classification for certain components of "Prepayments and other receivables" and "Cash and cash equivalents". Under IFRS 9 they are all now classified at amortised cost. Previously certain components were designated at fair value through profit or loss under IAS 39. Due to the short-term nature of these financial instruments, there was no material impact on the change in measurement.

Financial Liabilities
Financial liabilities classification and measurement under IFRS 9 has not changed significantly from IAS 39. Financial liabilities are either held at fair value (either required or designated) or at amortised cost. The classification and measurement of subcomponents of "Other payables and Amounts due to related parties" are classified at amortised cost under IFRS 9. (IAS 39; Amortised cost)

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost under IFRS 9. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

(i) Retirement benefits

i) Retirement benefit obligations

The Company operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Company and employees.

The Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

ii) Voluntary Retirement Benefit Scheme

The Company also contributed to a voluntary staff benefit scheme held with StanLib Pension Umbrella.

(j) Leases

The Company applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1st January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Company has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents right-of-use assets in 'equipment' and lease liabilities in 'other payables and accruals' in the statement of financial position

Short term leases and leases of low value assets

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1st January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

— fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
— the arrangement had conveyed a right to use the asset

As a lessee

The Company did not have any finance leases.
Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounting using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(l) Investment income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex dividend.

(m) Foreign exchange differences

Translations during the period are translated into Uganda shillings at rates ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Uganda shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the income statement in the period in which they arise.

(n) Premium & reinsurance receivables

Outstanding premiums and amounts due from reinsurers are carried at amortised invoice amount less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the net recoverable amount.

(o) Reinsurance

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards reinsurance business being reinsured.

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contract and in accordance with the terms of the reinsurance contract. Reinsurance is recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of reinsurance.

Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The impairment loss is recognised as an expense in the income statement. The asset is impaired if objective evidence is available to suggest that it is probable that the Company will not be able to collect the amounts due from reinsurers.

(p) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

(q) Contingency reserve

The contingency reserve is set up under Section 47(2) (c) of the Insurance Act, 2011. Although this Act was repealed and replaced with the Ugandan Insurance Act 2017, the regulations of the new Act are yet to be finalized by the Regulator, IRA. As such, the existing regulations have been referred to regarding compliance with the Insurance Act except where, the Regulator has given guidance regarding the enactment of the 2017 Act provisions. The reserve is provided for at the greater of 2% of the gross premium income or 15% of net profit each year and is required to accumulate until it reaches the greater of either minimum paid-up capital or fifty percent of the net premium written.

(r) Capital reserve

Capital base reserve is set up as a requirement under the Insurance Act, 2011, by which every insurer should transfer from its profits each year, before any dividend is declared and after tax provision, 5% of profits to the capital base growth fund which subsequently will be transferred to the paid up capital to facilitate capital growth Although the 2011 Act was repealed and replaced with the Ugandan Insurance Act 2017, the regulations of the new Act are yet to be finalized by the Regulator, IRA. As such, the existing regulations have been referred to regarding compliance with the Insurance Act except where, the Regulator has given guidance regarding the enactment of the 2017 Act provisions.

(s) Taxation

(i) Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Uganda Income Tax Act. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses

Trade receivables

The Company reviews its receivables to assess impairment at least on annual basis. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors. Management uses estimates based on historical loss experience for receivables with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The Company further uses days past due to determine the appropriate impairment losses from premium receivables. All receivables that are past due by more than 1 year are deemed fully impaired.

Financial assets at amortised cost

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Valuation of insurance contract liabilities

The Company uses current estimates of future cash flows, taking into account the relevant discount rate(s). If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognized as an expense in profit or loss account initially by writing down the deferred policy administration expense and subsequently by recognizing additional unearned premiums, deferred commissions and "IBNR" provisions.

A contract is classified as insurance where the Company accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or the other beneficiary.

Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly surpass the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly reduces during this period.

(iii) Income taxes

The Company is subject to various government taxes under the Ugandan tax laws. Significant estimates and judgments are required in determining the provision for taxes on certain transactions. For these transactions, the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact profit or loss.

(iv) Fair value measurements

The fair value of the company's held to maturity investment securities and other financial assets and liabilities approximate the respective carrying amounts.

<u>Fair value hierarchy</u>

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy.

- Fair value measurements classified as Level 1 include exchange-traded prices of fixed maturities, equity securities and derivative contracts measured at fair value with reference to publically available quoted prices in active markets. A financial instrument is regarded as being quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing service or regulatory agency and the prices quoted represent actual and regularly occurring market transactions conducted at an arm's length basis.

  The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.Instruments included in level 1 comprise primarily Uganda securities Exchange (USE) equity investments (shares in East African Breweries, BAT, Kenyan Airways and New Vision) classified at fair value through other comprehensive income.

- Investments classified as Level 2 primarily include government and agency securities and certain corporate debt securities, such as private fixed maturities. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined utilizing relevant information generated by market transactions involving comparable securities. They are often based on model pricing techniques that effectively discount prospective cash flows to present value using appropriate sector-adjusted credit spreads commensurate with the security's duration, also taking into consideration issuer-specific credit quality and liquidity.

These valuation methodologies have been studied and evaluated by the Company and the resulting prices determined to be representative of exit values. Observable inputs generally used to measure the fair value of securities classified as Level 3 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data.

Additional observable inputs are used when available, and as may be appropriate, for certain security types, such as pre-payment, default and collateral information for purpose of measuring the fair value of mortgage. The predominance of market inputs is actively quoted and can be validated through external sources or reliably interpolated if less observable. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

- Investments classified as Level 3 primarily include corporate debt securities, such as private fixed maturities. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement.

These investments are measured at fair value based on prices with reference to valuation techniques (models) that use significant inputs that are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. As at 31 December 2019, the Company had investments in Uganda Reinsurance Company (Uganda Re) which have been classified under Level 3 hierarchy.

The shares in Uganda Re have been valued at the fair value. In assessing reasonableness of the price of the shares, we have made reference to the current replacement cost of the same shared and noted that they are fairly stated. Cost per share as at 31 December 2019 was Sh. 2,084,000 (2018: Shs 1,000,000).

(v) Statutory reserves

Unearned premium reserve

As required by the Insurance Act critical estimates are made by the directors in determining the reserves for un-expired risks, amounting to not less than 40% of the total net premiums. See note 21 for further details.

Incurred But Not Reported Reserve (IBNR)

As required by the Insurance Act critical estimates are made by the directors in determining the reserves for outstanding claims with respect to the general insurance business, amounting to not less than 15% of the total outstanding reported claims at the end of the year. See note 25 for further details.

(vi) Equipment

Critical estimates are made by the directors in determining depreciation rates for equipment. The rates used are set out in accounting policy 2(d) above.

5. INSURANCE RISK MANAGEMENT

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Company is exposed.

i. Short-term insurance

The Company writes fire, accident, property, liability, motor and marine risks primarily over a twelve month duration. The most significant risks arise from natural disasters, climate change and other catastrophes (i.e. high severity, low frequency events). A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of short-term insurance by type of contract is summarised below by reference to liabilities.

	2019			2018		
	Gross premiums	Ceded premiums	Net	Gross premiums	Ceded premiums	Net
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Motor	5,855,545	(650,401)	**5,205,144**	3,379,375	(166,791)	**3,212,584**
Fire	5,304,822	(3 712,572)	**1,592,250**	4,672,521	(3,324,195)	**1,348,326**
Accident	5,001,103	(2,577,021)	**2,424,082**	3,786,091	(2,445,957)	**1,340,134**
Marine	551,725	(180,392)	**371,333**	498,946	(139,449)	**359,497**
Others	749,570	(107,264)	**642,306**	1,336,211	(409,592)	**926,619**
	17,462,765	**(7,227,650)**	**10,235,115**	**13,673,144**	**6,485,984**	**7,187,160**

ii. Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of government regulation through legislation and trade union structures leading to awards for the damage suffered within workmen's compensation 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.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

The reinsurance arrangements include excess of loss, surplus treaties and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than predetermined amounts for any one risk in any one year.

6. FINANCIAL RISK MANAGEMENT POLICIES

The Company's activities expose it to a variety of risks, including credit risk and the interest rates. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the management that comprises of Managing Director, Head of Operations, and Head of Finance under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

The Board receives quarterly reports from the Management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Liberty Group's internal auditors also review the risk management policies and processes and report their findings to the Audit and Risk Committee. Internal day-to-day risk management is also monitored by the Company's Risk and Compliance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

i. Market risk

Foreign exchange risk
The Company mainly transacts in Ugandan shillings and only upon the request of specific clients does management transact in US dollars. Total premiums arising from foreign denominated policies constitutes 46% of total premiums. The Company maintains a dollar account to receive dollar premiums and settle dollar payments such as rent, interest charges among others. The Company has not designated any derivative instruments as hedging instruments.

Currency risk sensitivity analysis
The Company operates fully within Uganda and its assets and liabilities are carried in the local currency. The Company's exposure to foreign currency risk is as follows based on amounts in Uganda shillings.

At 31 December 2019	USD Shs '000	Shs Shs '000	2019 Total Shs '000
Assets			
Cash and bank balances	122,131	125,689	**247,820**
Deposits with financial institutions	7,459,592	1,092,676	**8,552,268**
Related party loans	1,831,274	830,000	**2,661,274**
Premium debtors – other clients	901,348	1,746,985	**2,648,333**
Premium due from related parties	274,775	631,758	**906,533**
Total assets	**10,589,120**	**4,427,108**	**15,016,228**
Liabilities			
Creditors arising out of reinsurance	1,473,389	1,645,964	**3,119,353**
Amounts due to related parties	-	3,339,368	**3,339,368**
Total liabilities	**1,473,389**	**4,985,332**	**6,458,721**

At 31 December 2018	USD	Shs	2018 Total
	Shs '000	Shs '000	Shs '000
Assets			
Cash and bank balances	380,612	522,369	**902,981**
Deposits with financial institutions	7,588,339	1,059,534	**8,647,873**
Related party loans	1,864,591	838,685	**2,703,276**
Premium debtors – other clients	781,155	365,493	**1,146,648**
Premium due from related parties	366,606	1,680,996	**2,047,602**
Total assets	**10,981,303**	**4,467,077**	**15,448,380**
Liabilities			
Creditors arising out of reinsurance	1,129,230	1,616,406	**2,745,636**
Amounts due to related parties	33,820	1,996,356	**2,030,176**
Total liabilities	**1,163,050**	**3,612,762**	**4,775,812**

The finance department on daily basis monitors the spot rates. The spot rate used at 31 December 2019 was: USD; 3,665.21 (2018: 3,713.71).
The average rate used for the year ending 31st December 2019 was USD 3,714 (2018: 3,708)

Sensitivity analysis

Strengthening or weakening of the Uganda shilling by 500 basis points against the United States Dollar as at 31 December 2019 would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Change in dollar rate	500 basis point increase	500 basis point decrease
	Shs '000	Shs '000
Effect on before tax profit or loss (2019)	455,787	(455,787)
Effect on before tax profit (2018)	490,913	(490,913)

Price risk

The Company is exposed to equity securities price risk through its investments in quoted shares classified as subsequently measured at fair with the gains/ (losses) are credited/ (debited) to fair value reserves in the shareholders' equity. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity and debt securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Company.

All shares held by the Company are either quoted or traded on the Uganda and Nairobi Securities Exchanges (USE and NSE respectively) or unquoted.

At 31 December 2019, the USE and NSE Indices reduced the previously recorded market value of the shares leading to a fair value gain of Shs 2.4 million (2018: Shs 101 million loss).

ii. Credit risk

Credit risk arises from cash and cash equivalents, financial instruments, premium debtors and other receivables. The Company assesses the credit quality of each customer, taking into account financial position, past experience and other factors. Since most of the business comes through brokers, the Company ensures that it deals with reputable brokers.

Insurance Receivables and Payables

Receivables and payables related on insurance contracts are subsequently measured in terms of IFRS 4. Outstanding premiums receivable on insurance contracts i.e. premiums still due from the broker on an insurance contract, and where the policy is no longer in the insurance coverage period, those premiums receivable will be derecognised as an insurance debtor under IFRS 4 and will be recognised as a financial instrument under IFRS 9 as a repayment/financing arrangement has been entered into.

The carrying amounts shown in the statement of financial position are a reasonable representation of the Company's maximum exposure to credit risk. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms negotiated. Trade receivables have been analysed according to the number of days past the invoiced date. All receivables are considered collectable and are carried at their estimated recoverable value.

Trade receivables including related party insurance receivables and receivables arising out of reinsurance arrangements have been analysed according to the number of days past the invoiced date as shown below:

Past due but not impaired:	**2019**	**2018**
	Shs'000	**Shs'000**
- by upto 30 days	625,490	221,032
- by 31 to 90 days	919,492	468,147
- Impaired past due by > 91 days	1,783,693	1,878,962
Total receivables	**3,328,675**	**2,568,141**

Credit exposure on insurance receivables

The table below represents a worst case scenario of credit risk exposure to the Company at 31 December 2019 and 2018, without taking account of any collateral held or other credit enhancements attached. The exposure set out above are based on net carrying amounts as reported in the statement of financial position.

Maximum exposure:	**2019**	**2018**
	Shs.000	**Shs. 000**
Direct and related party premium receivables	2,867,029	2,554,254
Receivables arising out of reinsurance arrangements	461,646	13,887
	3,328,675	**2,568,141**

Credit exposure on other financial Instruments

An internal assessment is performed on each of the financial instruments to determine whether an increase in credit risk since initial recognition using a credit rating framework. Credit quality of a financial instrument is assessed based on an extensive credit rating scorecard and individual ratings are defined in accordance with this assessment. An impairment analysis is performed at each reporting date using a credit rating framework and the expected credit losses (ECLs) determined for each of the financial asset.

Credit risk from balances with banks, financial institutions and related party loans is managed by the Company's finance department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Investment Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Maximum exposure:	2019	2018
	Shs. 000	Shs. 000
Related party loans	2,662,605	2,704,620
Term deposits with financial institutions	8,552,268	8,647,873
Treasury bills and statutory deposit	7,203,134	6,630,316
Corporate bond	355,000	355,000
Accrued interest on financial assets at amortised cost	582,342	412,986
Other receivables and income tax recoverable	2,815,371	1,867,062
Cash and Bank balances	249,103	903,907
At 31 December	**22,419,823**	**21,521,764**
Allowance for expected credit losses	(35,688)	(34,018)
At 31 December	**22,384,135**	**21,487,746**

iii. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities. On a weekly basis, management monitors the liquidity levels through cash flow statements. On a monthly basis, two (2) months projected cash flows, and current investment positions are circulated to the Finance and Investment Committee. Management monitors rolling forecasts of the Company liquidity reserve on the basis of expected cash flow.

As an insurance Company, Liberty General Insurance Uganda Limited is registered as a financial institution and is required to maintain minimum capital levels to reduce policy holders' exposure to the entity's liquidity risk. The Insurance Regulatory Authority as the regulatory authority regularly reviews compliance with these minimum requirements.

The table below analyses the Company's financial assets and liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total gross value	Carrying amount
2019	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Cash and Bank	247,820	-	-	-	-	247,820	247,820
Held to maturity investments	5,642,163	233,012	9,880,852	-	-	15,756,027	15,756,027
Equity Investments					1,022,962	1,022,962	1,022,962
Statutory deposits	-	-	905,504	-	-	905,504	905,504
Premium receivables	835,171	1,015,391	1,478,113	-	-	3,328,675	3,328,675
Related party loans	-	-	2,661,274	-	-	2,661,274	2,661,274
Total Assets	**6,725,154**	**1,248,403**	**14,925,743**	**-**	**1,022,962-**	**23,922,262**	**23,922,262**
Liabilities							
Other payables	-	-	1,526,996	-	-	1,526,996	1,526,996
Lease liability	27,811	55,622	250,299	1,296,483	-	1,630,215	1,116,311
Amounts due to related parties	-	-	3,339,368	-	-	3,339,368	3,339,368
Payables arising out of reinsurance arrangements	-	-	3,119,353	-	-	3,119,353	3,119,353
Net Insurance Contract liabilities	-	-	1,103,830	-	-	1,103,830	1,103,830
Total liabilities	**27,811**	**55,622**	**9,339,846**	**1,296,483-**	**-**	**10,719,762**	**10,205,858**
Net liquidity gap	**6,697,343**	**1,192,781**	**5,585,897**	**(1,296,483)**	**1,022,962-**	**13,202,500**	**13,716,404**

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total gross value	Carrying amount
31 December 2018	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Total Assets	6,272,051	1,416,925	15,161,419	-	-	22,850,395	22,189,729
Total liabilities	-	-	8,343,080	-	-	8,343,080	8,343,080
Net liquidity gap	**6,272,051**	**1,416,925**	**6,818,339**	**-**	**-**	**14,507,315**	**13,846,649**

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates and exchange rates.

iv. Fair value of financial assets and liabilities

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

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market date obtained from independent sources; unobservable inputs reflect the Company market assumptions. Those two types of inputs have created the following fair value hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities level includes listed equity securities and debt instruments on exchanges and exchange traded derivatives like futures.

Level 2 - inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (that is as prices) or indirectly (that is, derived from sources of input parameters like LIBOR yield curve or counterparty credit risk raters like Bloomberg and Reuters.

Level 3 - inputs for the asset or liability that are not based on observable market date (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

31-Dec-19	**Level 1**	**Level 2**	**Level 3**	**Total**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
East African Breweries (36,000 ordinary shares)	256,223	-	-	256,223
British American Tobacco (10,000 ordinary shares)	300,000	-	-	300,000
Kenya Airways (58,479 ordinary shares)	4,530	-	-	4,530
New Vision (142,100 ordinary shares)	45,409	-	-	45,409
Uganda Reinsurance Company(200 ordinary shares)	-	416,800	-	416,800
Total	**606,162**	**416,800**	-	**1,022,962**

31-Dec-18				
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
East African Breweries(36,000 ordinary shares)	236,390	-	-	**236,390**
British American Tobacco(10,000 ordinary shares)	300,000	-	-	**300,000**
Kenya Airways(58,479 ordinary shares)	19,200	-	-	**19,200**
New Vision (142,100 ordinary shares)	48,154	-	-	**48,154**
Uganda Reinsurance Company(200 ordinary shares)	-	-	200,000	**200,000**
Total	**603,744**	-	**200,000**	**803,744**

During the reporting period ending 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 instruments.

Financial instruments by category

The Company's financial assets are summarised by measurement category in the table below:

As at 31 December 2019	Financial Assets at Amortised cost	Equity Instruments	Total
	Shs '000	Shs '000	Shs '000
Cash at bank	247,820	-	247,820
Deposits with financial institutions	8,537,371	-	8,537,371
Short term loans	2,661,274	-	2,661,274
Investment in quoted equity	-	606,162	606,162
Treasury bills and bonds	6,279,771	-	6,279,771
Unquoted equity	-	416,800	416,800
Corporate bond	355,000	-	355,000
Accrued interest on held to maturity investments	582,342	-	582,342
Total	**18,663,578**	**1,022,962**	**19,686,540**

As at 31 December 2018	Financial Assets at Amortised cost	Equity Instruments	Total
	Shs '000	Shs '000	Shs '000
Cash at bank	902,981	-	902,981
Deposits with financial institutions	8,631,913	-	8,631,913
Short term loans	2,686,282	-	2,686,282
Investment in quoted equity	-	603,744	603,744
Treasury bills and bonds	5,793,272	-	5,793,272
Unquoted equity	-	200,000	200,000
Corporate bond	355,000	-	355,000
Accrued interest on held to maturity investments	412,986	-	412,986
Total	**18,782,434**	**803,744**	**19,586,178**

v. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern and comply with the regulators' capital requirements while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of issued capital, reserves and an accumulated surplus. Reinsurance is also used as part of capital management.

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders. The Company's paid up share capital is Shs 4 billion as required by Section 6(2) of The Insurance Act, 2011.

The Company has a number of sources of capital available to it and seeks to optimise its investment securities structure in order to ensure that it can consistently maximise returns to shareholders. The Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Company manages as capital all items that are eligible to be treated as such for regulatory purposes.
The Company is regulated by the Insurance Regulatory Authority, and is subject to insurance solvency regulations which specify the minimum amount and type of capital that in accordance with these rules, has embedded in its risk management framework the necessary tests to ensure continuous and full compliance with such regulations. The Company has complied with the solvency requirements throughout the year.

The Insurance Regulatory Authority requires that each insurance Company's total admitted assets should exceed the total admitted liabilities by an amount of at least 15% of premium income net of reinsurance cessions.

For purposes of computation of market value in accordance with the Ugandan Insurance Act; computer equipment not more than two years, and 100% of all premiums outstanding for not more than 90 days, have been considered.

	Statement of financial position		Amount admissible		Percentage admissible	
	2019	2018	2019	2018	2019	2018
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	%	%
Assets						
Cash and bank	247,820	902,981	247,820	902,981	100%	100%
Equity investments	1,022,962	803,744	1,022,962	803,744	100%	100%
Right-of-use assets	1,052,807	-	-	-	0%	0%
Financial assets at amortised costs	15,756,027	15,193,171	15,756,027	15,193,171	100%	100%
Statutory deposits	905,504	822,160	905,504	822,160	100%	0%
Premium and other insurance related receivables	3,328,675	2,568,141	1,544,982	887,948	46%	35%
Other receivables	1,004,454	347,098	940,221	822,907	94%	237%
Related party loans	2,661,274	2,703,276	-	-	0%	22%
Deferred insurance commission	278,320	314,085	-	-	0%	0%
Reinsurers' share of insurance contract liabilities	11,561,769	7,830,405	-	-	0%	0%
Income tax recoverable	1,809,057	1,519,964	1,809,057	1,519,964	100%	100%
Property and equipment	333,479	168,175	129,218	45,458	39%	27%
Deferred income tax asset	895,771	532,411	-	-	0%	0%
Total assets	**40,857,919**	**33,705,611**	**22,355,791**	**20,998,333**		
Equity						
Share capital	4,000,000	4,000,000	-	-	0%	0%
Contingency reserve	4,147,228	3,797,974	4,147,228	3,797,974	100%	100%
Capital reserve	707,512	707,512	-		0%	0%
Fair value through other comprehensive income reserve	481,736	383,869	-	-	0%	0%
Retained earnings	4,411,900	5,389,544	-	-	0%	0%
Total equity	**13,748,374**	**14,278,899**	**4,147,228**	**3,797,974**		

Liabilities						
Unearned premium reserve	4,956,050	5,469,258	2,970,991	2,874,864	60%	53%
Other payables	1,526,996	1,044,842	1,526,996	1,044,842	100%	100%
Lease liabilities	1,116,311	-	63,504	-	6%	0%
Amounts due to related parties	3,339,367	2,030,176	3,339,367	2,030,176	100%	100%
Payables arising out of reinsurance arrangements	3,119,353	2,745,636	3,119,353	2,745,636	100%	100%
Insurance contract liabilities	13,051,466	8,136,800	3,474,756	2,900,789	27%	36%
Total liabilities	**27,109,543**	**19,426,712**	**14,494,967**	**11,596,307**		
Total equity and liabilities	**40,857,919**	**33,705,611**	**18,642,195**	**15,394,281**		
Excess of admitted liabilities over admitted assets			**3,713,596**	**5,604,052**		
15% of the net written premium			**1,535,267**	**1,078,074**		

The above computation indicates that the Company complies with the solvency requirements of the Insurance Act of Uganda, as the total net assets exceed the capital resources by more than 15% of the net written premium as required by the Statute.

7. NET WRITTEN PREMIUM

	2019		
	Gross premiums	**Ceded premiums**	**Net**
	Shs '000	**Shs'000**	**Shs'000**
Motor	4,813,969	(236,753)	**4,577,216**
Fire	5,424,045	(3,447,870)	**1,976,175**
Accident	3,459,701	(1,486,799)	**1,972,902**
Marine	558,045	(175,736)	**382,309**
Others	3,207,005	(1,880,492)	**1,326,513**
	17,462,765	**(7,227,650)**	**10,235,115**

	2018		
	Gross premiums	**Ceded premiums**	**Net**
	Shs '000	**Shs'000**	**Shs'000**
Motor	3,379,375	(166,791)	**3,212,584**
Fire	4,672,521	(3,324,195)	**1,348,326**
Accident	3,786,091	(2,445,957)	**1,340,134**
Marine	498,946	(139,449)	**359,497**
Others	1,336,211	(409,592)	**926,619**
	13,673,144	**(6,485,984)**	**7,187,160**

8. INCOME

(a) Investment income

	2019	**2018**
	Shs '000	**Shs '000**
Profit from sale of quoted shares	-	-
Dividend income	12,440	2,460
Interest income on fixed deposits	398,473	397,788
Interest income on government securities	736,628	591,176
Other interest income	269,362	259,760
	1,416,903	**1,251,184**

(b) Net foreign exchange income

	2019	**2018**
	Shs '000	**Shs '000**
Realised exchange /gain/(Loss)	25,026	(150,947)
Unrealised exchange (Loss)/Gain	(125,423)	247,455
	(100,397)	**96,508**

(c) Other income

	2019	**2018**
	Shs '000	**Shs '000**
Profit on sale of fixed asset	60,000	10,000
Miscellaneous income	153,893	332,205
	213,893	**342,205**

9. NET COMMISSION EXPENSE

	2019	2018
Total commission income	1,789,467	1,633,024
Total commission expense	(3,321,664)	(2,315,853)
	(1,532,197)	**(682,829)**

10. PROFIT BEFORE INCOME TAX

The profit before income tax was arrived at after charging.

	2019 Shs '000	2018 Shs '000
Employee benefits expense*(Note 10)*	2,214,994	1,641,027
Audit fees*(Note 9)*	98,445	90,000
Director's remuneration	268,928	259,591
Depreciation*(Note 12 and note 27)*	360,109	82,892

11. MANAGEMENT EXPENSES

	2019 Shs '000	2018 Shs '000
Employee benefits expense*(Note 10)*	2,214,994	1,641,027
Administrative and other related fees	3,401,925	4,085,386
Audit fees	98,445	90,000
Un-claimable VAT	223,926	82,586
Director's remuneration	268,928	259,591
Depreciation*(Note 12 and Note 27)*	360,109	82,892
Bad debts (write back) / expense *(Note 15)*	47,842	(636,428)
Tax assessment provisions	693,952	-
Other management expenses	791,955	519,226
	8,102,076	**6,124,280**

12. EMPLOYEE BENEFITS EXPENSE

	2019 Shs'000	2018 Shs'000
Salaries and benefits	1,777,277	1,338,957
NSSF contributions	173,556	137,038
Contribution to retirement benefits scheme	38,722	18,040
Other employee benefits	225,439	146,992
	2,214,994	**1,641,027**

13. INCOME TAX

(a) (Credit)/charge for the year

	2019 Shs '000	2018 Shs '000
Current tax charge	147,211	118,235
Deferred income tax credit	(484,710)	(22,309)
	(337,499)	**95,926**

The tax on the company's profit before income tax differs from the theoretical amount using the basic tax rate as below:

	Rate	2019 Shs '000	Rate	2018 Shs '000
Profit before income tax		(965,889)		475,335
Tax at applicable rate	30%	(289,767)	30%	142,601
Tax effects of;				
Expenses not deductible for tax	(20%)	(194,700)	2.2%	10,530
Income subject to final tax	25%	147,211		-
Income taxed at a different rate		-	(12.5%)	(59,387)
Prior period under provision for deferred tax	(0.03%)	(243)	(1.8%)	(8,662)
Effect of IFRS 9 transition adjustment		-	2.3%	10,844
Current tax charge/(credit)	**35%**	**(337,499)**	**20%**	**95,926**

(b) Income tax recoverable

	2019 Shs '000	2018 Shs '000
At 1 January	(1,519,964)	(1,342,334)
Advance tax paid	(177,340)	(75,000)
Additional WHT on investments	(112,304)	(103,427)
ECL impairment provision	551	797
At 31 December	**(1,809,057)**	**(1,519,964)**

14. DEFERRED INCOME TAX ASSET

Deferred taxation is provided for on all temporary differences under the liability method using the applicable rate of 30%. The deferred income tax (asset)/ liability comprises.

	At 1 January	Prior period over/under provision	Charge to Profit and loss	Charge to other comprehensive income	At 31 December
2019 Deferred tax	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Temporary differences arising from PPE	26,515	-	6,434	-	32,949
Bad debts provision	(639,996)	-	(47,842)	-	(687,837)
IFRS 9 impairment movement	(34,018)	(405)	(1,265)	-	(35,688)
Unrealised forex gains	247,455	-	(372,878)	-	(125,423)
Fair value gains/(losses)	363,097	185,288	-	219,219	767,604
Provision for Insurance contract liabilities	(378,364)	-	(410,402)	-	(788,766)
Gratuity provision	(690,394)	-	77,018	-	(613,376)
Accumulated tax losses	(669,000)	(407)	(865,955)	-	(1,535,362)
Net deductible temporary differences	**(1,774,705)**	**184,476**	**(1,614,890)**	**219,219**	**(2,985,899)**
Deferred tax asset at 30%	**(532,411)**	**55,342**	**(484,468)**	**65,766**	**(895,771)**

Analysis of the effect of deferred tax on retained earnings and other comprehensive income.

		30% deferred tax effect of gross amounts		
	Gross amounts Shs '000	**Fair Value adjustment Shs '000**	**Other comprehensive income Shs '000**	**Retained earnings Shs '000**
Prior fair value gains adjustment	185,288	55,586	-	-
Timing differences	(1,615,701)	-	-	(484710)
Current year fair value gains	219,219	-	65,766	-
Total		**55,586**	**65,766**	**(484,710)**

2018 Deferred tax	**At 1 January** Shs '000	**Prior period over/under provision** Shs '000	**Charge to Profit and loss** Shs '000	**Charge to other comprehensive income** Shs '000	**At 31 December** Shs '000
Temporary differences arising from PPE	34,448	-	(7,933)	-	26,515
Bad debts provision	(1,338,931)	-	698,935	-	(639,996)
IFRS 9 impairment movement	-	(36,146)	2,128	-	(34,018)
Unrealised forex gains	191,321	-	56,134	-	247,455
Fair value gains/(losses)	456,578	7,272	-	(100,753)	363,097
Provision for Insurance contract liabilities	(427,736)	-	49,372	-	(378,364)
Gratuity provision	(486,394)	-	(204,000)	-	(690,394)
Accumulated tax losses	-	-	(669,000)	-	(669,000)
Net deductible temporary differences	**(1,570,714)**	**(28,874)**	**(74,364)**	**(100,753)**	**(1,774,705)**
Deferred tax asset at 30%	**(471,214)**	**(8,662)**	**(22,309)**	**(30,226)**	**(532,411)**

15. PROPERTY AND EQUIPMENT

	Computer equipment	Furniture fixtures and fittings	Motor vehicles	Office equipment	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Cost					
At 1 January 2018	105,747	121,511	431,711	57,550	**716,519**
Additions	43,662	4,000	-	1,626	**49,288**
Disposals		-	(60,107)	-	**(60,107)**
As at 31 December 2018	**149,409**	**125,511**	**371,604**	**59,176**	**705,700**
At 1 January 2019	149,409	125,511	371,604	59,176	**705 700**
Additions	64,856	34,472	85,730	40,949	**226,007**
Disposals	-	-	(121,215)	-	**(121,215)**
At 31 December 2019	**214,265**	**159,983**	**336,119**	**100,125**	**810,492**
Depreciation					
At 1 January 2018	77,719	35,454	389,153	12,414	**514,740**
Charge for the year	21,436	11,173	42,556	7,727	**82,892**
Depreciation eliminated on disposal	-	-	(60,107)	-	**(60,107)**
At 31 December 2018	**99,155**	**46,627**	**371,602**	**20,141**	**537,525**
At 1 January 2019	99,155	46,627	371,602	20,141	537,525
Charge for the year	36,868	16,604	-	7,231	**60,703**
Depreciation eliminated on disposal	-	-	(121,215)	-	**(121,216)**
At 31 December 2019	**136,023**	**63,231**	**250,387**	**27,372**	**477,013**
Net book value					
At 31 December 2019	**78,242**	**96,752**	**85,732**	**72,753**	**333,479**
At 31 December 2018	**50,254**	**78,884**	**2**	**39,035**	**168,175**

16. CASH AND BANK

	2019	2018
	Shs '000	Shs '000
Cash at hand	1,953	550
Cash at bank	247,150	903,357
Expected credit losses	(1,283)	(926)
	247,820	**902,981**

17. FINANCIAL INSTRUMENTS AND INVESTMENTS

(a) Equity Investments

	2019	2018
	Shs '000	Shs '000
At 1 January	803,744	904,497
Fair value (loss) / gain	219,218	(100,753)
At 31 December	**1,022,962**	**803,744**

Split as follows;	2019	2018
	Shs '000	Shs '000
Quoted shares (at fair value)		
East Africa Breweries Limited	256,223	236,390
BAT Uganda Limited	300,000	300,000
Kenya Airways Limited	4,530	19,200
New Vision Printing & Publishing Company Limited	45,409	48,154
	606,162	**603,744**

Share price at 31 Decemebr	2019	2018
East Africa Breweries Limited	6,566	6,566
BAT Uganda Limited	30,000	30,000
Kenya Airways Limited	328	328
New Vision Printing & Publishing Company Limited	338	339

(b) Financial assets at amortised cost

	2019	2018
	Shs '000	Shs '000
Treasury bills with a tenor of not more than one year	6,296,088	5,806,281
Fixed deposits with a tenor of not more than one year	8,552,268	8,647,873
Corporate bond	355,000	355,000
Accrued interest	582,342	412,986
ECL impairment provision	(29,671)	(28,969)
	15,756,027	**15,193,171**

Further information on the held to maturity investments is as follows:

Investment	Currency	Tenor	Interest rate - fixed or floating?	Weighted average interest rate
Treasury bills	Shs	364 days	Fixed	11.80%
Fixed deposits	Shs	364 days	Fixed	9.96%
Fixed deposits	USD	364 days	Fixed	3.14%
Corporate bond	Shs	6 years	Fixed	14.7%

(c) Statutory deposit

	2019	2018
	Shs '000	Shs '000
Treasury bill	907,046	824,034
ECL impairment provision	(1,542)	(1,874)
	905,504	822,160

The Company maintained a statutory deposit in line with the requirement of Section 7(1) of the Insurance Act, 2011 which states that every insurer must maintain a security deposit of at least 10% of the prescribed paid up capital of the Company. The deposit made is considered part of the assets in respect of the capital of the insurer and is invested in short term investments and securities. Interest and all income accruing from this deposit is payable to the insurer. The deposit can be made available if the insurer suffers a substantial loss arising from liability to claimants and the loss is such that it cannot be met from its available resources or in the event of closure or winding up of the insurance business.

(d) Movement in the expected credit loss

	2019	2018
	Shs '000	Shs '000
As at 1 January	34,018	36,146
Provisions raised during the year	1,265	(2,128)
As at 31 December	35,283	34,018

18. PREMIUM RECEIVABLES

	2019	2018
	Shs '000	Shs '000
Related party premium receivable	906,533	2,047,602
Premium receivable	2,648,333	1,146,648
Receivables arising out of reinsurance arrangements	461,646	13,887
Provisions for doubtful debts	(687,837)	(639,996)
	3,328,675	2,568,141

Balances due from related parties relate to normal insurance receivables for policies written during the normal course of business. These balances have been disclosed under premium receivables for the purpose of applicability to IFRS 4 rather than IFRS 9.

Analysis of movement in provisions for doubtful debts is as shown below:

	2019	2018
	Shs '000	Shs '000
At 1 January	639,996	1,338,931
(Reduction) / Charge for the year	47,842	(636,428)
Write-off of bad debts	-	(62,507)
At 31 December	**687,838**	**639,996**

19. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

	2019	2018
	Shs '000	Shs '000
Reinsurers' share of:		
- unearned premium	1,985,059	2,594,394
- notified claims outstanding	8,344,167	4,553,053
- claims incurred but not reported	1,232,543	682,958
	11,561,769	**7,830,405**

20. RELATED PARTY LOANS

	2019	2018
	Shs '000	Shs '000
At 1 January	2,703,276	2,681,837
Interest earned in the period	269,362	259,760
Payments received during the year	(282,513)	(242,765)
Foreign exchange movement	(27,520)	5,788
ECL impairment provision	(1,331)	(1,344)
At 31 December	**2,661,274**	**2,703,276**

The short term loans relate to amounts advanced to Kakira Sugar Limited which comprise one loan for Shs 830 million, one of US$ 150,000 and another of US$ 350,000 which bear interest at 14.5%, 4.5% and 5.5% per annum respectively. The loans are secured by a mortgage over Kakira Sugar Limited's assets.The carrying amounts of the loans approximate their fair values.

21. OTHER RECEIVABLES

	2019	2018
	Shs '000	Shs '000
Deposits	179,571	156,523
Prepayments	64,233	56,602
Other advances	761,960	134,080
ECL impairment provision	(1,310)	(107)
	1,004,454	**347,098**

The carrying amounts of the other receivables approximate their fair values.

22. RELATED PARTY BALANCES AND TRANSACTIONS

The Company is controlled by Liberty Holdings Limited incorporated in South Africa. The immediate and ultimate parent controlling party of the Company is Liberty Holdings Ltd, incorporated in South Africa. There are other companies that are related to the Company through common shareholdings or common directorships.

	2019	2018
	Shs '000	Shs '000
(a) Amounts due from related parties		
Premier Services E.A Ltd	265	-
E.A Packaging Solutions Ltd	-	36,152
Madhvani Group Limited	256,326	-
Jinja Sailing Club	1,482	1,530
Kakira Sugar Works Int A/C	18,975	-
Kakira Sugar Marine Deposit	188,690	191,266
Liberty Life Assurance (U) Ltd	-	512,634

Liberty Health	-	146,323
Stanbic bank Uganda Limited	-	964,963
Madhvani Group - Tea Division	40,307	69,273
Madhvani Group - Steel Division	-	59,420
Makepasi Match Co. Ltd	21,125	53,261
Mweya Safari Lodge	70	70
T.P.S.C Uganda Ltd	15,682	-
Paraa Safari Lodge Ltd	1,029	4,044
Roni Madhvani	-	8,401
Chobe Safari Lodge Limited	2,785	-
East African Distributors	1,671	-
Kakira Sugar Limited	354,227	-
Kakira Sugar Ltd - Aviation	3,899	265
	906,533	**2,047,602**

Balances due from related parties relate to normal insurance receivables for policies written during the normal course of business. These balances have been disclosed under premium receivables for the purpose of applicability to IFRS 4 rather than IFRS 9 under note 18

(b) **Amounts due to related parties**	**2019 Shs '000**	**2018 Shs '000**
Advance one limited	178	178
Industrial Security Services	1,965	1 965
Kakira sugar works	453,234	514,314
Kakira - Oil And Soap Division	342	342
Kakira Sugar Ltd - Aviation	-	33,128
Liberty Holdings Limited	1,033,976	244,410
Madhvani Group Limited	1,235,075	539,148
Steel Corporation of E.Africa	683	692
Software Applications (U) Ltd.	538	538
Chobe Safari lodge	-	5,067
Retirement benefit obligation	613,376	690,394
	3,339,367	**2,030,176**

The rest of the balances for related parties relate to insurance related transactions and have been disclosed under premium receivables.

(c) Related party transactions

	2019 Shs'000	**2018 Shs'000**
Administrative and related charges	3,232,438	3,252,992
Rent (Madhvani Group Limited)	304,316	305,706
Sale of policies and commission paid	8,031,151	8,658,542
Claims paid	5,695,702	2,648,057
Gross Premium	906,553	2,047,602
Compensation of key management personnel		
Directors' fees	243,000	259,591

23. SHARE CAPITAL AND RESERVES

(a) Share capital

	2019 Shs'000	2018 Shs'000
Authorised:		
400,000 ordinary shares of Shs 10,000 each	**4,000,000**	4,000,000
Issued and fully paid:		
400,000 ordinary shares of Shs 10,000 each	**4,000,000**	4,000,000

The Company's authorised share capital comprises 400,000 ordinary shares each at a par value of 10,000. The paid up share capital at 31 December 2019 amounted to Shs 4 billion (2018; 4 billion). Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

(b) Fair value through other comprehensive income reserve

	2019 Shs'000	2018 Shs'000
At 1 January	383,869	456,578
Fair value gain/(Losses)	97,867	(72,709)
At 31 December	**481,736**	**383,869**

(c) Retained earnings

These comprise prior year retained profits, less any dividends paid, if any, plus current year profit

	2019 Shs'000	2018 Shs'000
At 1 January	5,389,544	5,327,872
IFRS 9 day one adjustment (net of tax)	-	(25,302)
Loss/(Profit) for the year	(628,390)	379,409
Transfer to statutory capital reserve	-	(18,971)
Transfer to contingency reserve	(349,254)	(273,464)
At 31 December	**4,411,900**	**5,389,544**

24. STATUTORY RESERVES

(a) Contingency reserve

	2019 Shs'000	2018 Shs'000
At 1 January	3,797,974	3,524,510
Additions	349,254	273,464
At 31 December	**4,147,228**	**3,797,974**

The statutory reserve is required by Ugandan Insurance Act, 2011. The reserve is provided for at the greater of 2% of the gross premium income or 15% of net profit each year and is required to accumulate until it reaches the greater of either minimum paid-up capital or fifty percent of the net premium written.

(b) Capital reserve

	2019 Shs'000	2018 Shs'000
At 1 January	707,512	688,541
Additions	-	18,971
At 31 December	**707,512**	**707,512**

This is set up as a requirement under the Insurance Act, 2011, by which every insurer should transfer from its profits each year, before any dividend is declared and after tax provision, 5% of profits to the capital base growth fund which subsequently will be transferred to the paid up capital to facilitate capital growth.

25. INSURANCE CONTRACT LIABILITIES

	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
Year ended 31 December 2019			
Outstanding notified claims	11,030,157	(8,344,167)	2,685,990
Incurred but not reported	2,021,309	(1,232,543)	788,766
	13,051,466	**(9,576,710)**	**3,474,756**

	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
Year ended 31 December 2018			
Outstanding notified claims	7,075,478	(4,553,053)	2,522,425
Incurred but not reported	1,061,322	(682,958)	378,364
	8,136,800	**(5,236,011)**	**2,900,789**

Net movement in insurance contract liabilities

	2019 Shs'000	2018 Shs'000
1 January	2,900,789	3,279,311
Movement during the year	573,966	(378,522)
At 31 December	**3,474,756**	**2,900,789**

26. NET CLAIMS PAID

	2019 Shs'000	2018 Shs'000
Accident	152,093	192,169
Fire	464,063	342,343
Marine	58,338	18,479
Motor	1,301,219	920,780
Others	450,059	341,691
	2,425,772	**1,815,462**

CLAIMS/LOSS DEVELOPMENT TABLES FOR SHORT TERM NON-LIFE INSURANCE

CONTRACTS

The loss development tables presented below show the cumulative provisions for insurance claims, whether reported or not, and related loss adjustment expenses arising for each accident year accumulated from 2013 onwards. The historical net insurance claims provision for all outstanding claims arising for accident years prior to 2013 are shown cumulatively as one figure in the left hand column.

The top most table shows the estimated ultimate insurance claims losses after related loss adjustment expenses for each accident year presented as at the end of each reporting year. Movements in provisions arise as additional information becomes available upon which more accurate estimates of the ultimate insurance claims losses can be made. The lower half of each table shows the cumulative amounts paid against those claims provisions at the end of each reporting year.

The company's technical reserves were reviewed by the Liberty Africa Insurance Actuarial team as per the report dated 26 March 2020.

This review was done based on the claims data covering a seven-year period from 1 January 2013 to 31 December 2019 and the 2019 premium data. The following reserves are included in the scope of the review:

- The Outstanding Claims Reserve;
- The Incurred But Not Reported (IBNR) Claims Reserve;
- Unearned Premium Reserve (UPR); and
- Additional unexpired risk reserve (AURR).

Short-term insurance liabilities – gross claims paid in respect of reporting year

	Total	2019	2018	2017	2016	2015	2014 and prior
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2019	**5,517,716**	1,079,847	3,926,379	186,085	300,699	1,938	22,768
2018	**3,585,095**	-	1,424,610	1,995,949	67,584	15,167	81,785
2017	**2,074,032**	-	-	1,099,543	661,025	128,796	184,668
2016	**2,585,461**	-	-	-	1,231,068	698,047	656,346
2015	**2,168,059**	-	-	-	-	918,152	1,249,907
2014 and prior	-	-	-	-	-	-	-
Cumulative payments to date	**15,930,363**	**1,079,847**	**5,350,989**	**3,281,577**	**2,260,376**	**1,762,100**	**2,195,474**

Short-term insurance liabilities – net claims paid in respect of reporting year

	Total	2019	2018	2017	2016	2015	2014 and prior
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2019	**2,454,496**	479,799	1,617,519	74,757	268,416	969	13,037
2018	**1,837,614**	-	685,925	1,063,980	36,027	8,085	43,597
2017	**1,554,106**	-	-	823,906	495,317	96,509	138,374
2016	**1,381,184**	-	-	-	657,651	372,905	350,628
2015	**1,576,884**	-	-	-	-	667,795	909,089
2014 and prior	-	-	-	-	-	-	-
Cumulative payments to date	**8,804,284**	**479,799**	**2,303,444**	**1,962,643**	**1,457,411**	**1,146,263**	**1,454,725**

27. PREMIUM AND COMMISSION RESERVES

(a) Movement in unearned premium reserves

	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
Year ended 31 December 2019			
At 1 January	5,469,258	(2,594,394)	2,874,864
Increase in the year	(513,208)	609,335	96,127
	4,956,050	**(1,985,059)**	**2,970,991**

	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
Year ended 31 December 2018			
At 1 January	5,108,439	(2,393,376)	2,715,063
Increase in the year	360,819	(201,018)	159,801
	5,469,258	**(2,594,394)**	**2,874,864**

(b) Movement in Deferred Insurance commission

	2019 Shs'000	2018 Shs'000
1 January	314,085	211,704
Movement during the year	(35,765)	102,381
At 31 December	**278,320**	**314,085**

28. OTHER PAYABLES

	2019 Shs'000	2018 Shs'000
Stamp duty & stickers	30,738	3,465
Sundry creditors	161,677	12,819
Tax provisions from assessments	693,952	-
Internal & external audit fees	101,636	-
Premium received in advance	-	590,551
Other accrued expenses	538,993	438,007
	1,526,996	**1,044,842**

The carrying amounts of other payables approximate their fair values

29. BALANCES ARISING OUT OF REINSURANCE ARRANGEMENTS

(a) Receivables arising out of reinsurance arrangements

	2019	2018
	Shs'000	Shs'000
CIC General Insurance (U) Ltd	4,555	-
East African Reinsurance Corp	7,532	7,635
Britam Insurance Co. (U) Ltd	-	220
UAP Insurance	86,956	-
Liberty Health	85,546	-
ICEA General Insurance	43,436	-
Sanlam General Insurance	38,297	-
Uganda Reinsurance Company	32,998	-
OracleMed Health (PTY) Ltd	8,266	-
Nova Insurance Company Ltd	5,546	1,549
Phoenix of Uganda Limited	125,113	4,483
First Insurance Company Ltd	23,401	-
	461,646	**13,887**

These balances have been disclosed under premium receivables for the purpose of applicability to IFRS 4 rather than IFRS 9 under Note 18.

(b) Payables arising out of reinsurance arrangements

	2019	2018
	Shs'000	Shs'000
AON Re Africa (pty) Ltd	1,136,748	499,035
J.B Boda & Co. Pvt Ltd	297,167	547,111
Dennis Jankelow & Associates	40,681	128,599
Jubilee Insurance Company	209,280	322,714
UAP Insurance	-	246,645
African Corporation	202,419	174,744
PTA Reinsurance Corporation	687,909	417,644
Lion Assurance Company Ltd	1,349	1,349
Uganda Re	-	96,149
Alliance Africa General Insurance	68,560	122,043
Others	475,240	189,603
	3,119,353	**2,745,636**

30. LEASES

The balance sheet shows the following amounts relating to leases:

	2019 Shs'000	2018 Shs'000
(a) Right-of-use assets		
Buildings – Plot 99 Buganda Road	1,262,652	-
Buildings – Africourt	89,561	-
Accumulated dep - plot 99 Buganda Road	(265,821)	-
Accumulated dep - Africourt	(33,585)	-
	1,052,807	

	2019 Shs'000	2018 Shs'000
(b) Lease Liabilities		
Current liabilities	350,483	-
Non-current liabilities	765,828	-
	1,116,311	

	2019 Shs'000	2018 Shs'000
(c) Amounts recognized in the statement of profit or loss		
Depreciation charge of right-of-use assets		
Buildings - Plot 99 Buganda Road	(265,821)	-
Buildings - Africourt	(33,585)	-
	(299,406)	**-**
Financing costs	(101,432)	-

The total cash outflow for leases in 2019 was Shs' 338 million.

(d) The Company's leasing activities and how these are accounted for

The Company's leases three offices. Rental contracts are typically made for fixed periods of 12 months to 5 years, but may have extension options as described below.

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

(d) The Company's leasing activities and how these are accounted for

The Company's leases three offices. Rental contracts are typically made for fixed periods of 12 months to 5 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of office space for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component with exception of the rend deposits.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as operating leases and included within the Company's management expenses. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise lease of Mbarara Agency office. Company has no other leases on any equipment or office assets.

None of the Company's leases has any variable payment terms embedded in the contracts.

Extension and termination options

Extension and termination options are included in the property leases for the Company. These are used to maximise operational flexibility in terms of managing the properties used in the Company's operations for both Plot 99 Buganda Road and Africourt space.

Critical judgements in determining the lease term

In determining the lease term, management of Liberty General Insurance Uganda Limited considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of the properties, the following factors have been considered the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

All extension options in the two property leases have not been included in the lease liability, because the Company could decide to acquire new leases without significant cost or business disruption. As at 31 December 2019, no cash outflows (undiscounted) have been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

31. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2019 (2018: nil).

32. POST BALANCE SHEET EVENTS

In March 2020, the novel Coronavirus (COVID-19) outbreak was declared by the World Health Organisation to be a pandemic in recognition of its rapid spread across the globe, Uganda inclusive. The pandemic is having negative economic impact through disruption of business operations and significant increase in economic uncertainty among others. With the rapidly evolving situation, developments are being closely monitored so that the company can take appropriate action.

The potential impact of this cannot be reliably estimated and as such financial statements are not adjusted to reflect this impact.

LIBERTY

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