Liberty General Insurance Uganda Limited

Annual report and financial statements

For the Year ended 31 December 2023

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Corporate information

DIRECTORS

Mr. Peter Kabatsi*	-	Chairman
Liberty Holdings Limited***	-	Member
Mr. Kamlesh M Madhvani*	-	Member
Mr. Gustav Jenkins***	-	Member
Mr. Andrew Mashanda****	-	Member
Marasa Holdings Limited*	-	Member
Independent Sugar Estates Limited*	-	Member
Ms Esther Joan Nabasirye Kasirye*	-	Member

**Ugandan ***South African ****Zimbabwean*

COMPANY SECRETARY
Madhvani Group Limited
P O Box 54, Jinja
REGISTERED OFFICE
3rd Floor, 99 Buganda Road
P O Box 22938
Kampala

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

NCBA Bank
Twed Towers, Plot 10
Kafu Road, Nakasero
P O Box 74827
Kampala, Uganda

Equity Bank Uganda Limited
Plot 390, Muteesa 1
Road, Katwe
P O 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

Director's report

The directors submit their report together with the audited financial statements for the year ended 31 December 2023, 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 profit for the year of Shs 1.8 billion has been added to retained earnings and other reserves (2022: net profit: 187million). The Company recorded net other comprehensive gain of Shs 14 million (2022: loss of Shs 60 million) in relation to fair value movements on equity investments held.

Business review

The Insurance income during the year increased from Shs 28.8 billion in 2022 to Shs 36.5 billion in 2023 representing 27% increase year on year. This was mainly driven by growth from our brokerage channel.

Investment income

Total investment income for the year was Shs 2.6 billion (2022: Shs 1.7 billion).

Foreign exchange earnings

There was a net exchange gain of Shs 575 million (2022: gain of Shs 431 million) during the year due to a marginal depreciation of the Uganda shilling against the US dollar in the year 2023 compared to the rates in 2022.

Material events after the balance sheet date

There was no material post balance sheet event.

Foreign operations

The Company operates solely in Uganda.

Financial review

Capital and funds

During the year ended 31 December 2022, the directors of the Company issued 300,000 shares with a par value of Shs 10,000 to the existing shareholders, increasing the issued share capital from Shs 6 billion to Shs 9 billion. The total share capital as at 31 December 2023 was Shs 9 billion (2022: Shs 9 billion). A total of Shs 818 million (2022: Shs 700 million) has been transferred to the contingency and capital reserves 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.

	2023	**2022 Restated**
	Shs'000	**Shs'000**
Share capital	9,000,000	9,000,000
Contingency reserves	6,376,854	5,647,448
Capital reserve	855,325	766,737
Fair value reserve	429,423	414,539
Retained earnings	1,218,947	280,059
Total	**17,880,549**	**16,108,783**

Director's report (continued)

Cash flow activities

Below is a summarized statement of cash flows:

Particulars	2023 Shs'000	2022 Restated Shs'000
Net cash generated from operating activities	1,496,245	2,325,450
Net cash used in from investing activities	(2,402,865)	(5,176,634)
Net cash (used in)/ generated from financing activities	(331,431)	2,612,053
Decrease in cash and cash equivalents	**(1,238,051)**	**(239,131)**

There is a proper system of budgetary control in place. The Finance and 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

The Company is a defendant in some legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

Subsidiary companies

The Company does not have any subsidiaries.

Board of directors

The current members of the board are as shown on page 1. 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 the insurance regulations, a company carrying on non-life insurance business is required to have a paid-up capital of at least Shs 6 billion. The Company has met this requirement.

Currently, Liberty General Insurance has issued share capital of Shs 9,000 million divided into 900,000 ordinary shares of Shs 10,000 each. (2022: 9,000 million)

Statutory deposits

Under Section 7(1) of the Insurance Act of Uganda, the Company is required to maintain a statutory deposit of at least 10% of the prescribed paid-up capital. The Company has a statutory deposit amounting to Shs 1,215 million (2022: Shs 1,107 million) and it has therefore fulfilled this requirement.

Director's report (continued)

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 2023, the total amount fixed with commercial banks was Shs 8.1 billion (2022: Shs 8 billion)

Employees

The number of persons employed by the Company at the end of the year was 31 (2022:29). Out of the 31 members of staff employed by Liberty General Insurance Uganda Limited as at 31 December 2023, 19 are male and 12 are female.

Auditor

The Company's auditor, PricewaterhouseCoopers Certified Public Accountants, continues in office in accordance with the provisions of Section 167(2) of the Ugandan Companies Act and Section 108 of the Ugandan Insurance Act.

Approval of the Financial Statements:

The Financial Statements were approved at the meeting of the directors held on 30 April 2024.

Director

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 2023 was constituted of two non-executive director, five executive directors representing both shareholders. The Board and its committee hold meetings three times on a quarterly basis.

In the year 2023, the Board of directors held meetings as follows:

Board Member	02.03.2023	09.08.2023	19.10.2023
Mr. Peter Kabatsi	P	P	P
Liberty Holdings Limited	P	P	A
Mr. Kamlesh M Madhvani	P	P	P
Ms. Esther Kasirye	P	P	P
Mr. Andrew Mashanda	P	A	P
Marasa Holdings Limited	P	P	P
Independent Sugar Estates Limited	P	P	P
Mr. Gustav Jenkins	p	P	P

P – Present

Secretary to the Board during the year ended 31 December 2023 was K.P Eswar.

Corporate governance report (continued)

The board is constituted of 4 subcommittees, i.e. Audit, Risk, Investment and Remuneration committees and are comprised of non- executive directors.

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 Auditor. In this regard, the ARC provides oversight and assurance for financial reporting.

In the year 2023, the Audit and Risk Committee held meetings as follows:

	Audit			Risk	
Director	02.03.2023	09.08.2023	19.10.2023	09.08.2023	19.10.2023
Esther Kasirye*	P	P	P	P	P
K. N. Nair	P	P	P	P	P
Gustav Jenkins **	P	P	P	P	P
Pammi Sarma	P	P	P	P	P

* Chair Audit Committee, ** Chair Risk Committee:
P – Present

Secretary to the ARC during the year ended 31 December 2023 was Jolly Nalunkuuma.

Investment and Remuneration Committee

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.

In the year 2023, the Investment and Remunerations Committee held meetings as follows:

	Investment			Remuneration	
Director	1.03.2023	07.08.2023	17.10.2023	07.08.2023	17.10.2023
K. N. Nair*	P	P	P	P	P
Mike du Toit**	P	P	A	P	A
Jenkins Gustav	P	P	P	P	P
Pammi Sarma	P	P	P	P	P

* Chair Investment Committee; ** Chair Remuneration Committee:
P – Present; A - Absent

Secretary during the year ended 31 December 2023 was Mr. Balasundar K

Statement of directors' responsibilities

The Company's directors are responsible for the preparation and fair presentation of the financial statements of comprising the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include material accounting policy information and other explanatory notes, in accordance with IFRS Accounting Standards and the requirements of the Ugandan Companies Act and the Ugandan Insurance Act.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with IFRS Accounting Standards and in the manner required by the Ugandan Companies Act and the Ugandan Insurance Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit in accordance with IFRS Accounting Standards and have been prepared in the manner required by the Ugandan Companies Act and the Ugandan Insurance Act. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors have assessed 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.

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 30 April 2024.

………………………………	………………………………
Peter Kabatsi	**Director**
Chairman	

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LIBERTY GENERAL INSURANCE UGANDA LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of Liberty General Insurance Uganda Limited ("the Company") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and have been prepared in the manner required by the Ugandan Companies Act and the Ugandan Insurance act.

What we have audited

The financial statements of Liberty General Insurance Uganda Limited comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements section* of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("the IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Uganda, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

Key audit matter

A key audit matter is one that, in our professional judgment was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on it.

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LIBERTY GENERAL INSURANCE UGANDA LIMITED (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities Insurance contract liabilities comprise the liability for remaining coverage and the liability for incurred claims. As at 31 December 2023, the Company had total insurance contract liabilities of Shs 39 billion. For more details on insurance contract liabilities, refer to Note 20 of the financial statements. We considered valuation of insurance contract liabilities as a key audit matter because: • The determination of the liability for incurred claims involves significant judgement given the inherent uncertainty in estimating expected future outflows in relation to claims incurred. In addition, the liabilities are adjusted for the time value of money based on historical settlement patterns. Judgement is applied in estimating these future settlement patterns and the related discount rate. • Determination of the liability for incurred claims requires calculation of a risk adjustment for non-financial risk which represents the compensation for bearing the uncertainty about the timing and amount of the risk insured. This calculation involves significant judgement in determining the confidence level and assumption that future development of claims will follow past patterns. • For onerous contracts, calculation of the loss component involves judgment in estimating fulfilment cashflows relating to the remaining coverage period of these insurance contracts.	*Our audit procedures are summarised as follows:* • We tested a sample of claim payments to confirm whether the amounts recorded in respect of the claims agree to the source data. We also reconciled the claims data used by management to calculate the insurance contract liabilities to the underlying financial information. • We tested the reasonableness of the methodology and assumptions used by management's actuary in estimation of the insurance contract liabilities as at 31 December 2023. • We tested management's calculation of the discount rate used to compute the present value of the liability for incurred claims. • We assessed the reasonableness of methodology and assumptions used by management in estimating the risk adjustment for non-financial risk. • We recalculated the loss component and the additional liability for onerous contracts.

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LIBERTY GENERAL INSURANCE UGANDA LIMITED (continued)

Report on the audit of the financial statements (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and supplemental information but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company's complete annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards, and in the manner required by the Ugandan Companies Act and the Ugandan Insurance act, as amended and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LIBERTY GENERAL INSURANCE UGANDA LIMITED(continued)

Report on the audit of the financial statements (continued)

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

We communicate with 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LIBERTY GENERAL INSURANCE UGANDA LIMITED (continued)

Report on other legal and regulatory requirements

The Ugandan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) the Company's statement of financial position and statement of 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 Clive Mayombwe – P0349.

Certified Public Accountants
Kampala
3 May 2024

CPA Clive Mayombwe

Statement of comprehensive income

	Notes	2023 Shs'000	2022 Restated Shs'000
Insurance service revenue	7	36,470,284	28,820,265
Insurance service expense	8	(30,814,516)	(44,522,295)
Net (expense)/ income from reinsurance contracts held	9	(5,680,675)	14,750,583
Insurance service results		**(24,907)**	**(951,447)**
Interest income	10(i)	2,654,023	1,696,563
Other income	10(ii)	575,096	430,803
Other expenses		(28,972)	-
Net investment income		**3,200,147**	**2,127,366**
Finance expense from insurance contracts issued	20	(1,274,846)	(549,034)
Finance income from reinsurance contracts held	15	1,161,613	412,144
Net insurance finance expense		**(113,233)**	**(136,890)**
Net insurance and investment result		**3,062,007**	**1,039,029**
Other operating expenses (non-attributable)	11	(822,602)	(813,833)
Profit before income tax		**2,239,405**	**225,196**
Income tax (expense)/ credit	12(a)	(482,523)	20,888
Profit for the year		**1,756,882**	**246,084**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/ (loss) on quoted equities	18(a)	20,968	(85,364)
Deferred income tax		(6,084)	26,374
Other comprehensive income/ (loss) net of tax		**14,884**	**(58,990)**
Total comprehensive income for the year		**1,771,766**	**187,094**

Statement of financial position

	Notes	2023 Shs'000	2022 Restated Shs'000	2021 Restated Shs'000
ASSETS				
Cash and bank balances	19	701,816	1,939,867	2,178,998
Equity investments	18(a)	1,296,382	1,266,003	1,117,989
Financial assets at amortised cost	18(b)	24,171,558	22,047,441	16,980,628
Statutory deposits	18(c)	1,214,832	1,106,790	1,271,549
Reinsurance contract assets	15	18,749,923	34,085,389	11,502,407
Other receivables	17	8,755,395	4,383,079	5,638,008
Income tax recoverable	12(b)	1,393,303	1,313,340	1,913,114
Property and equipment	14(a)	192,857	199,378	250,442
Intangible assets	14(b)	269,243	217,314	242,892
Deferred income tax asset	13	1,348,822	1,475,389	1,203,600
Right-of-use assets	22(a)	1,765,274	130,913	444,331
Total assets		**59,859,405**	**68,164,903**	**42,743,958**
EQUITY				
Share capital	23	9,000,000	9,000,000	6,000,000
Contingency reserve	23(a)	6,376,854	5,647,448	5,006,966
Capital reserve	23(b)	855,325	766,737	707,512
Fair value reserve	24	429,423	414,539	473,529
Retained earnings	25	1,218,947	280,059	733,682
Total equity		**17,880,549**	**16,108,783**	**12,921,689**
LIABILITIES				
Lease liabilities	22(b)	1,757,265	185,474	538,851
Other payables	21	2,976,634	2,315,900	2,527,459
Amounts due to related parties	16(b)	1,048,231	1,193,588	3,260,080
Insurance contract liabilities	20	36,196,726	48,361,158	23,495,879
Total liabilities		**41,978,856**	**52,056,120**	**29,822,269**
Total liabilities and equity		**59,859,405**	**68,164,903**	**42,743,958**

The financial statements were approved by the board of directors on 30 April 2024 and were signed on its behalf by:

Director

Director

Statement of changes in equity

	Notes	Share capital Shs'000	Contingency reserve Shs'000	Capital reserve Shs'000	Fair value reserve Shs'000	Retained earnings Shs'000	Total Shs'000
As at 31 December 2021		6,000,000	5,006,966	707,512	473,529	1,208,707	13,396,714
Initial application of IFRS17	2(a)	-	-	-	-	(475,025)	(475,025)
1 January 2022 - restated		**6,000,000**	**5,006,966**	**707,512**	**473,529**	**733,682**	**12,921,689**
Issue of new shares	23	3,000,000	-	-	-		3,000,000
Profit for the year as previously reported		-	-	-	-	1,243,488	1,243,488
Impact of IFRS17 Adoption	2(a)					(997,404)	(997,404)
Transfer to contingency and capital reserves	23(a) & (b)	-	640,482	59,225	-	(699,707)	-
Other comprehensive income							
Other comprehensive income - net of tax	18(a)	-	-	-	(58,990)	-	(58,990)
31 December 2022 - restated		**9,000,000**	**5,647,448**	**766,737**	**414,539**	**280,059**	**16,108,783**
Profit for the year		-	-	-	-	1,756,882	1,756,882
Transfer to contingency and capital reserves	23(a) & (b)	-	729,406	88,588	-	(817,994)	-
Other comprehensive income							
Other comprehensive income - net of tax	24	-	-	-	14,884	-	14,884
Balance at 31 December 2023		**9,000,000**	**6,376,854**	**855,325**	**429,423**	**1,218,947**	**17,880,549**

Statement of cash flows

	Notes	2023 Shs'000	2022 Restated Shs'000
Operating activities			
Profit before income tax		2,239,405	225,196
Adjustments for:			
Depreciation and amortization		414,211	431,262
Interest on lease liabilities	22	64,534	34,570
Foreign exchange loss on lease liabilities	22	16,589	-
Movements in right-of-use assets and lease liabilities		(110,586)	-
Working capital changes:			
Insurance contract liabilities		(12,164,432)	24,865,279
Reinsurance contract assets		15,335,466	(22,582,982)
Other receivables		(4,372,316)	1,254,929
Amounts due to related parties		(145,357)	(2,066,493)
Other payables		660,734	388,216
		1,938,248	**2,549,977**
Tax paid	12(b)	(442,003)	(224,527)
Net cash generated from operating activities		**1,496,245**	**2,325,450**
Cash flow from investing activities			
Purchase of Intangible assets	14(b)	(77,505)	-
Purchase of property and equipment	14(a)	(83,790)	(41,202)
Net reinvestments of fixed deposits and other investments		(2,241,570)	(5,135,432)
Net cash (used in)/ generated from Investing activities		**(2,402,865)**	**(5,176,634)**
Cash flow from financing activities			
Payment of lease liabilities	22	(331,431)	(387,947)
Increase in share capital	23	-	3,000,000
Net cash (used in)/ generated from financing activities		**(331,431)**	**2,612,053**
Decrease in cash and cash equivalents		(1,238,051)	(239,131)
At start of year		1,939,867	2,178,998
At end of year	19	**701,816**	**1,939,867**

Notes

1 Reporting entity

Liberty General Insurance Uganda Limited is incorporated in Uganda under the Ugandan Companies Act, 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 2023, the immediate holding Company held 51% (2022: 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 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 Material accounting policy information

(a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with IFRS Accounting Standards. They are presented in Uganda Shillings (Shs), which is also the functional currency, rounded to the nearest thousand. The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of estimates and assumptions. It also requires the Directors to exercise its judgement in the process of applying the accounting policies adopted by the Company. Although such estimates and assumptions are based on the Directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 3.

(i) Changes in accounting policy and disclosures

New and amended standards adopted by the Company

In these financials the Company has applied IFRS17 for the first time. The Company has not adopted any other standard, interpretation or amendment that has been issued but not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. The Company has restated comparative financial information for 2022 applying the transitional provisions. IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Notes

2 Material accounting policy information (continued)

(a) Basis of preparation (continued)

(i) Changes in accounting policy and disclosures (continued)

New and amended standards adopted by the Company (continued)

IFRS 17 Insurance Contracts (continued)

The Company has determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within three years prior to the transition.

Accordingly, the Company has recognised and measured each group of insurance contracts in this category as if IFRS 17 had always applied; derecognised any existing balances that would not exist had IFRS 17 always applied; and recognised any resulting net difference in equity.

Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets;
- Portfolios of insurance and reinsurance contracts issued that are liabilities;
- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line-item descriptions in the statement of comprehensive income have been changed significantly compared with last year. Previously the Company reported the following line items:

- Gross written premiums
- Reinsurance premiums ceded
- Net written premiums
- Claims and policy holder benefits
- Insurance claims recovered from reinsurers
- Change in policyholder liabilities (net of reinsurance)
- Commission expense
- Commission income

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

Notes

2 Material accounting policy information (continued)

(a) Basis of preparation (continued)

(i) Changes in accounting policy and disclosures (continued)

New and amended standards adopted by the Company (continued)

The Company provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses.

Impact of adoption of IFRS 17

On transition date, 1 January 2022, the Company:

- Has identified, recognised, and measured each group of insurance contracts as if IFRS 17 had always applied.
- Has identified, recognised, and measured assets for insurance acquisition cash flows as if IFRS 17 had always applied.
- Derecognised any existing balances that would not exist had IFRS 17 always applied.
- Recognised any resulting net difference in equity.

The Company has restated the 2021 comparative amounts and presented a restated statement of comprehensive income as well as statement of financial position as at 31 December 2021 and 2022.

IFRS 17 represents a significant change from the previous measurement requirements contained in IFRS 4. The measurement adjustments are (for insurance and reinsurance contracts principally):

- discount rates, which include allowance for expected and unexpected credit default risks instead of the prudent allowance for credit default risk in IFRS 4
- risk adjustment for non-financial risk, a new concept required by IFRS 17, compared to the prudent margins required by IFRS 4;
- Recognition of losses on onerous contracts upfront rather than later and
- contractual service margin, which is a significant conceptual change from IFRS 4, whereby profits are recognised over the term of insurance and reinsurance contracts rather than at point of sale.

The statement of financial position reported at 31 December 2021 (the transitional balance sheet presented on 1 January 2022 for the cumulative impacts of the adoption of IFRS 17) and 31 December 2022 (the comparative balance sheets) have been restated as follows:

Notes

Restatement of transitional statement of financial position at 1 January 2022

The following table shows the Company's statement of financial position as at 1January 2022 restated under the IFRS 17 basis and the summarized effects of the adoption of the new standard.

	31 December 2021 As previously reported Shs'000	Adoption of IFRS 17 Shs'000	1 January 2022 Restated Shs'000
Assets			
Cash and bank balances	2,178,998	-	2,178,998
Equity investments	967,360	150,629	1,117,989
Financial assets at amortised cost	16,980,628	-	16,980,628
Statutory deposits	1,271,549	-	1,271,549
Premium receivables	6,360,783	(6,360,783)	-
Other receivables	257,729	5,380,279	5,638,008
Deferred insurance commission	216,716	(216,716)	-
Reinsurers' share of insurance contract liabilities	17,494,653	(17,494,653)	-
Reinsurance contracts assets	-	11,502,407	11,502,407
Income tax recoverable	1,913,114	-	1,913,114
Property and equipment	250,442	-	250,442
Right-of-use assets	444,331	-	444,331
Intangible assets	242,892	-	242,892
Deferred income tax asset	1,203,600	-	1,203,600
Total assets	**49,782,795**	**(7,038,837)**	**42,743,958**
Equity and liabilities			
Lease liabilities	538,851	-	538,851
Unearned premium reserve	8,957,553	(8,957,553)	-
Other payables	2,734,508	(207,049)	2,527,459
Amounts due to related parties	3,260,080	-	3,260,080
Payables arising out of reinsurance arrangements	4,073,022	(4,073,022)	-
Insurance contract liabilities	16,822,067	6,673,812	23,495,879
Total liabilities	**36,386,081**	**(6,563,812)**	**29,822,269**
Equity			
Share capital	6,000,000	-	6,000,000
Contingency reserve	5,006,966	-	5,006,966
Capital reserve	707,512	-	707,512
Fair value reserve	473,529	-	473,529
Retained earnings	1,208,707	(475,025)	733,682
Total equity	**13,396,714**	**(475,025)**	**12,921,689**
Total liabilities and equity	**49,782,795**	**(7,038,837)**	**42,743,958**

Notes

Restatement of statement of comprehensive income for year ended 31 December 2022

	31 December 2022 As previously reported Shs'000	Adoption of IFRS 17 Shs '000	31 December 2022 Restated Shs '000
Insurance premiums	32,024,085	(32,024,085)	-
Reinsurance premiums	(20,657,056)	20,657,056	-
Net insurance premiums	**11,367,029**	**(11,367,029)**	**-**
Insurance revenue	-	28,820,265	28,820,265
Insurance service expense	-	(44,522,295)	(44,522,295)
Net income from reinsurance contracts held	-	14,750,583	14,750,583
Claims and policyholder benefits under insurance contracts	(13,053,737)	13,053,737	-
Net commission expense	(646,444)	646,444	-
Insurance claims recovered from re-insurers	8,587,568	(8,587,568)	-
Insurance service result	**(5,112,613)**	**4,161,166**	**(951,447)**
Interest income	1,696,563	-	1,696,563
Other income	430,803	-	430,803
Net investment income	**2,127,366**	**-**	**2,127,366**
Finance expense from insurance contracts issued	-	(549,034)	(549,034)
Finance income from reinsurance contracts held	-	412,144	412,144
Net insurance finance income/ (expenses)	**-**	**(136,890)**	**(136,890)**
Net insurance and investment result	**8,381,782**	**(7,342,753)**	**1,039,029**
Other operating expenses	(7,159,182)	6,345,349	(813,833)
Profit before tax	**1,222,600**	**(997,404)**	**225,196**
Income tax (charge)/ credit	20,888	-	20,888
Profit for the year	**1,243,488**	**(997,404)**	**246,084**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gains/(losses) on quoted shares	(85,364)	-	(85,364)
Deferred tax effect on fair value gains/losses	26,374	-	26,374
Other comprehensive (loss)/income (net of tax)	**(58,990)**	**-**	**(58,990)**
Total comprehensive income for the year	**1,184,498**	**(997,404)**	**187,094**

Notes

Restatement of transitional statement of financial position at 31 December 2022

The following table shows the Company's statement of financial position as at 31 December 2022 restated under the IFRS 17 basis and the summarized effects of the adoption of the new standard.

	31 December 2022 As previously reported Shs'000	Adoption of IFRS 17 Shs'000	31 December 2022 Restated Shs'000
Assets			
Cash and bank balances	1,939,867	-	1,939,867
Equity investments	1,266,003	-	1,266,003
Financial assets at amortised cost	22,047,249	192	22,047,441
Statutory deposits	1,106,790	-	1,106,790
Premium receivables	4,115,403	(4,115,403)	-
Other receivables	338,503	4,044,576	4,383,079
Deferred insurance commission	84,256	(84,256)	-
Reinsurers' share of insurance contract liabilities	45,734,582	(45,734,582)	-
Reinsurance contracts assets	-	34,085,389	34,085,389
Income tax recoverable	1,313,340	-	1,313,340
Property and equipment	199,378	-	199,378
Right-of-use assets	130,913	-	130,913
Intangible assets	217,314	-	217,314
Deferred income tax asset	1,475,389	-	1,475,389
Total assets	**79,968,987**	**(11,804,084)**	**68,164,903**
Equity and liabilities			
Lease liabilities	185,474	-	185,474
Unearned premium reserve	12,164,953	(12,164,953)	-
Other payables	2,663,522	(347,622)	2,315,900
Amounts due to related parties	1,193,588	-	1,193,588
Payables arising out of reinsurance arrangements	3,337,010	(3,337,010)	-
Insurance contract liabilities	42,843,228	5,517,930	48,361,158
Total liabilities	**62,387,775**	**(10,331,655)**	**52,056,120**
Equity			
Share capital	9,000,000	-	9,000,000
Contingency reserve	5,647,448	-	5,647,448
Capital reserve	766,737	-	766,737
Fair value reserve	414,539	-	414,539
Retained earnings	1,752,488	(1,472,429)	280,059
Total equity	**17,581,212**	**(1,472,429)**	**16,108,783**
Total liabilities and equity	**79,968,987**	**(11,804,084)**	**68,164,903**

Notes

2 Material accounting policy information (continued)

(a) Basis of preparation (continued)

(i) Changes in accounting policy and disclosures (continued)

New and amended standards adopted by the Company (continued)

Title	Key requirements	Effective date
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The adoption of the standard did not result to material impact to the Company.	Annual periods beginning on or after 1 January 2023. (Published May 2021)
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. The adoption of the standard did not result to material impact to the Company.	Annual periods beginning on or after 1 January 2023. (Published February 2021)
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. The adoption of the standard did not result to material impact to the Company.	periods beginning on or after 1 January 2023.

IFRSs and amendments not yet effective nor early adopted. These standards are not expected to have a material impact on he Company's financial statements.

Title	Key requirements	Effective date
Amendments to IAS 1 - Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	Annual periods beginning on or after 1 January 2024
Amendments to IAS 21	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after 1 January 2025

Notes

2 Material accounting policy information (continued)

(b) Insurance contracts

Measurement approaches

The Company uses the Premium Allocation Approach (PAA) measurement approach to measure insurance contracts issued and reinsurance contracts held with coverage of one year or less and those that pass the other eligibility criteria prescribed by IFRS 17. The company does not have any insurance contracts issued or reinsurance contracts held that do not meet the PAA eligibility criteria or with direct participating features.

Definition and classification

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

If a contract has a legal form of insurance but does not transfer significant insurance risk and expose the Company to financial risk, it is classified as investment contract and accounted for under IFRS 9. No such contracts have been issued by the Company.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired and reinsurance contracts held, unless otherwise stated.

Unit of account

The Company manages insurance contracts issued by classes prescribed by the Insurance Regulatory Authority, where each product line includes contracts that are subject to similar risks. All insurance contracts within a class represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

Notes

2 Material accounting policy information (continued)

(b) Insurance contracts (continued)

Unit of account (continued)

The Company assesses the profitability of the contracts issued based on the facts and circumstances to determine if they are onerous at initial recognition. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. This assessment is done at the portfolio level.

Since all the Company's insurance contracts are measured using the PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Portfolios of reinsurance contracts held are assessed for further aggregation separately from portfolios of the insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Before the Company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that must be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated.
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

The Company applies IFRS 17 to all remaining components of the contract. The Company does not have contracts with any of the three components that require further separation or combination

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous.

Insurance contracts acquired in a business combination within the scope of IFRS 3 or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Notes

2 Material accounting policy information (continued)

(b) Insurance contracts (continued)

Recognition and derecognition (continued)

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:

  i. the beginning of the coverage period of the group; and
  ii. the initial recognition of any underlying insurance contract.

- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held unless the Company entered the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Accounting for contract modification and derecognition

An insurance contract is derecognised when it is:
- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified, and additional criteria discussed below are met.

When an insurance contract is modified by the Company because of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as changes in estimates of the Fulfilment Cashflows (FCF), unless the conditions for the derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

a. if the modified terms had been included at contract inception and the Company would have concluded that the modified contract is not within the scope of IFRS 17, results in different separable components, results in a different contract boundary or belongs to a different group of contracts.
b. the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
c. the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When a new contract is required to be recognised because of modification and it is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, including the PAA eligibility, component separation requirements, and contract aggregation requirements. When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

Notes

2 Material accounting policy information (continued)

(b) Insurance contracts (continued)

Accounting for contract modification and derecognition (continued)

a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment.
b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

Measurement

Fulfilment cash flows (FCF)

Fulfilment cash flows within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out from claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:
a) are based on a probability-weighted mean of the full range of possible outcomes.
b) are determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables; and
c) reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Notes

2 Material accounting policy information (continued)

(b) Insurance contracts (continued)

Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

a) the Company has the practical ability to reprice the risks of the policyholder or change the level of benefits so that the price fully reflects those risks; or

b) both the following criteria are satisfied:

i. the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and

ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

Insurance acquisition costs

The Company includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

a) costs directly attributable to individual contracts and groups of contracts; and

b) costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

Notes

2 Material accounting policy information (continued)

(b) Insurance contracts (continued)

Insurance acquisition costs (continued)

Before a group of insurance contracts is recognised, the Company could pay directly attributable acquisition costs to originate them. When such prepaid costs are refundable in case of insurance contracts termination, they are recorded as a prepaid insurance acquisition cash flows asset within other assets and allocated to the carrying amount of a group of insurance contracts when the insurance contracts are subsequently recognised.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Initial and subsequent measurement – Groups of contracts not measured under the PAA.

The Company has not issued insurance contracts and does not hold reinsurance contracts which are not measured under the PAA.

Initial and subsequent measurement – groups of contracts measured under the PAA

The Company uses the PAA for measuring contracts with a coverage period of one year or less. This approach is used for all insurance classes other than engineering and miscellaneous as each of the contracts in all classes other than engineering and miscellaneous have a coverage period of one year or less.

The Company carried out both quantitative and qualitative analysis of the PAA eligibility criteria for engineering and miscellaneous classes which have coverage periods of more than one year and concluded that there is no significant difference between the carrying amount of insurance contract liability determined under the general measurement method and PAA method. As a result, the classes qualify to be measured under the PAA.

For insurance contracts issued, intermediary commissions paid are deferred and recognised over the coverage period of the contracts in a group, while all other insurance acquisition cash flows are recognised as they are incurred. For reinsurance contracts held, commission income and broker fees are recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Company measures the Liability for Remaining Coverage (LRC) at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of the prepaid acquisition cash flow asset.

Notes

2 Material accounting policy information (continued)

b) Insurance contracts (continued)

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant prepaid acquisition cashflow asset.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

a) the LRC; and
b) the Liability for Incurred Claims (LIC), comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

a) the remaining coverage; and
b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

a) increased for premiums received in the period;
b) decreased for insurance acquisition cash flows paid in the period;
c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

a) increased for ceding premiums paid in the period;
b) increased for broker fees paid in the period; and
c) decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money for insurance contracts that typically have a settlement period of over one year

Notes

2 Material accounting policy information (continued)

(b) Insurance contracts (continued)

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are disaggregated between insurance service expenses and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein. Because of the short-term nature of the general insurance contracts, the FCF determined under GMM are not adjusted for time value of money.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Where applicable, changes in the loss-recovery component are disaggregated between net income from reinsurance contracts held and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein in proportion to the disaggregation applied to the changes in the underlying loss component.

Amounts recognised in statement of comprehensive income

Insurance service revenue

As the Company provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period based on the passage of time.

Notes

2 Material accounting policy information (continued)

(b) Insurance contracts (continued)

Amounts recognised in statement of comprehensive income (continued)

Insurance service expense

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred and comprise;

a) incurred claims and benefits, excluding investment components;
b) other incurred directly attributable expenses;
c) insurance acquisition cash flows amortisation;
d) changes that relate to past service – changes in the FCF relating to the LIC; and
e) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.
Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

Net income (expenses) from reinsurance contracts held

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income(expenses) from reinsurance contracts held, comprising the following amounts:

a) reinsurance expenses;
b) incurred claims recovery;
c) other incurred directly attributable insurance service expenses;
d) effect of changes in risk of reinsurer non-performance; and
e) changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services.

For groups of reinsurance contracts held measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

Notes

2 Material accounting policy information (continued)

(b) Insurance contracts (continued)

Amounts recognised in statement of comprehensive income (continued)

Insurance finance income or expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, and the effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

a) interest accreted on the LIC; and
b) the effect of changes in interest rates and other financial assumptions.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses. All changes in risk adjustment for non-financial risk are presented under insurance service result.

The Company includes all insurance finance income or expenses for the period in profit or loss (that is, the profit or loss option (the PL option) is applied.

The Company has no significant insurance contracts that generate cash flows in foreign currency, and therefore it has chosen not to separate the foreign exchange differences from the other FCFs.

Methods used in determining the IFRS 17 transition amounts

Full retrospective approach

The Company has determined that reasonable and supportable information was available for all contracts in force at the transition date. Full retrospective application was possible because of the short-term nature of the insurance contracts. The measurement method used also relies significantly on current and prospective information which was readily available in the Company's financial information systems.

Accordingly, the Company has recognised and measured each group of insurance contracts as if IFRS 17 had always applied; derecognised any existing balances that would not exist had IFRS 17 always applied; and recognised any resulting net difference in equity.

The judgements and estimates related to modified retrospective and fair value approaches do not apply to the Company.

Estimates and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

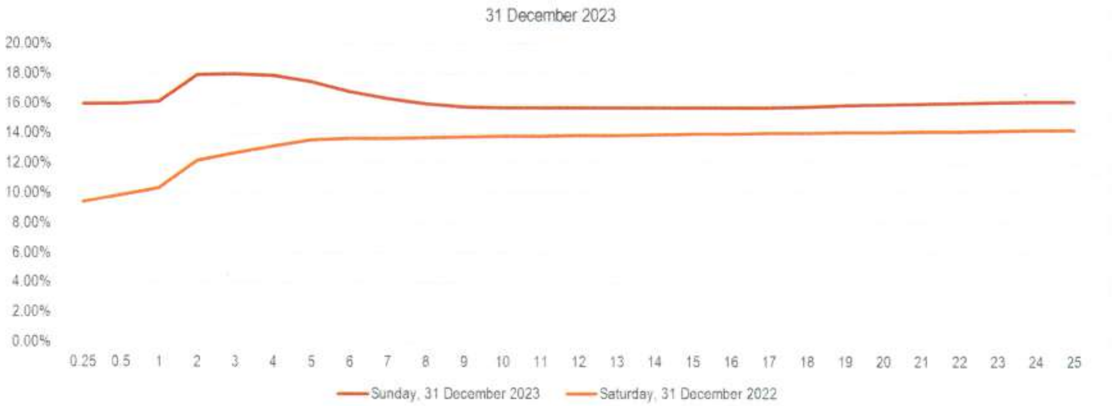
Notes

2 Material accounting policy information (continued)

(b) Insurance contracts (continued)

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates. Management uses judgement to assess the liquidity characteristics of the liability cash flows and determine the illiquidity premium.



Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions, and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing, and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method and other methods. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups or gross written premiums.

Acquisition costs that are not directly attributable to individual contracts are allocated to groups of contracts based on the gross written premiums or number of acquired policies. The Company does not allocate acquisition cash flows to future contracts expected to be issued because of the recurrent nature of most of the expenses and uncertainty of the renewals.

Notes

2 Material accounting policy information (continued)

(b) Insurance contracts (continued)

Estimates of future cash flows to fulfil insurance contracts (continued)

Claims settlement-related expenses (like claims processing staff costs) are allocated based on the number of claims handled in that period for a given group of contracts.

For the Company, uncertainty in the estimation of future claims and benefit payments arises primarily from the severity, timing and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims handling expenses growth.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

Significant methods and assumptions used are discussed below.

Expenses

The Company projects estimates of future expenses relating to fulfilment of contracts within the scope of IFRS 17 using current expense ratios. Expenses comprise expenses directly attributable to the groups of contracts, including an allocation of fixed and variable overheads.

The Company has not changed its methods or assumptions used to project expenses in 2023. Possible increases in expenses assumptions increase the liability for incurred claims and loss component on onerous contracts.

Claims

The Company estimates insurance liabilities in relation to claims incurred for all products. Estimates are performed on an accident year basis.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. In certain instances, different techniques or a combination of techniques have been selected for individual accident years or groups of accident years within the same type of contract.

The most common methods used to estimate general insurance claims incurred are the chain-ladder and the Bornhuetter-Ferguson methods, which are the industry standards for this type of business.

The chain-ladder technique involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed, to produce an estimated ultimate claims cost for each accident year. The chain-ladder technique is the most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. The chain-ladder technique is less suitable in cases in which the Company does not have a developed claims history for a particular type of claim.

Notes

2 Material accounting policy information (continued)

(b) Insurance contracts (continued)

Claims (continued)

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure, such as gross or reinsurance premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined, using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (that is, in relation to recent accident years or new products).

The Company has not changed the methods used to estimated incurred claims in 2023. In its claims incurred assessments, the Company uses internal and external data. Internal data is mainly obtained from the Company's management reports. Market data consists of inflation projections, large claims threshold,
large claims quantity, market claims ratios and other.

Where the contracts measured under PAA become onerous and GMM must be applied to estimate the loss component, the Company estimates the future expected claims. This is done using the average loss ratio of the recent five complete fiscal years, obtained from the management accounts.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a 75% confidence level (probability of sufficiency) for short-boundary contracts issued. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Notes

2 Material accounting policy information (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

(d) Property and equipment

Recognition and measurement

All categories of property and equipment are initially recorded at cost, and subsequently measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized 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 statement of profit or loss account during the financial period in which they are incurred.

Depreciation

Depreciation on property and equipment is calculated using the straight-line method to write down their cost to their residual values over their estimated useful lives (for the current and comparative periods) and is generally recognized in the statement of profit or loss.

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The current rates are as below;

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

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are included in the statement of profit or loss.

Notes

2 Material accounting policy information (continued)

(e) Intangible assets

Initial recognition

Software acquired by the company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal.

Amortisation of intangible assets

Amortisation of intangible assets is charged to profit or loss. The expected useful lives are as follows:

Item	Useful life
Computer software	10 years

(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

Notes

2 Material accounting policy information (continued)

Financial instruments (continued)

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

Notes

2 Material accounting policy information (continued)

Financial instruments (continued)

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 had no debt instruments at fair value through OCI at year-end.

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.

Notes

2 Material accounting policy information (continued)

Financial instruments (continued)

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.

The Company had no financial assets at fair value through profit or loss at year-end

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:

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

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its 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.

Notes

2 Material accounting policy information (continued)

Financial instruments (Continued)

(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 had no held-for-trading financial liabilities at end year-end.

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.

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.

Notes

2 Material accounting policy information (continued)

Financial instruments (continued)

(a) 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.

(b) 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) 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.

(h) 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 ICEA Asset Management Uganda Limited.

Notes

2 Material accounting policy information (continued)

(i) Leases

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.

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 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.

Notes

2 Material accounting policy information (continued)

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

Notes

2 Material accounting policy information (continued)

(o) 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.

(p) 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.

Notes

4. Critical accounting estimates and judgements

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Valuation of insurance contract liabilities

The uncertainty inherent in the financial statements of the Company arises mainly in respect of insurance liabilities, which include outstanding claims provision (including IBNR). In addition to the inherent uncertainty when estimating liabilities, there is also uncertainty as regards the eventual outcome of claims. As a result, the Company applies estimation techniques to determine the appropriate provisions.

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, risk adjustment, delays in settlement and changes in foreign currency rates. The carrying amounts of the insurance contract liabilities and detailed analysis of these assumptions and judgement have been presented in Note 2.

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios, and the relevant inputs used. Further disclosures relating to impairment of financial assets are also provided in Note 4.

The Company adopts multiple techniques to estimate the required level of provisions, thereby setting a range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and risks involved

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.

Notes

4 Critical accounting estimates and judgements (continued)

Income taxes (continued)

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

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.

Fair value Hierarchy

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 publicly 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.

Notes

4 Critical accounting estimates and judgements (continued)

Fair value measurements (continued)

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 2023, the Company had investments in Uganda Reinsurance Company (Uganda Re) and the Oil and Gas Consortium 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 shares and noted that they are fairly stated. Cost per share as at 31 December 2023 was Shs 3,137,000 (2022: Shs 3,040,000). The investment in the Oil and Gas Consortium was made during the year and the cost of acquisition approximates the fair value.

5. Insurance risk management

Introduction

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 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 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.

Notes

5. Insurance risk management (continued)

Insurance risk

Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The main risk that the Company faces under its insurance contracts is that actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This may occur if the frequency or severity of claims and benefits are greater than estimated.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy so as to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, accumulation of risk and type of industry covered.

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.

Notes

5. Insurance risk management (continued)

Sensitivity analysis to underwriting risk variables

The following table presents information on how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables impact on insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held:

	31-Dec-23	Impact on profit before income tax	Impact on equity	31-Dec-22	Impact on profit before income tax	Impact on equity
Insurance contract liabilities	36,196,726			48,361,158		
Reinsurance contract assets	(18,749,923)			(34,085,389)		
Net insurance contract liabilities	**17,446,803**			**14,275,769**		
Expected claims – 5% increase						
Insurance contract liabilities		(998,799)	(699,159)		(1,734,342)	(1,214,039)
Reinsurance contract assets		714,148	499,903		1,424,322	997,025
Net insurance contract liabilities		**(284,651)**	**(199,256)**		**(310,020)**	**(217,014)**
Expected expenses – 5% increase						
Insurance contract liabilities		(666,681)	(466,676)		(537,118)	(375,982)
Reinsurance contract assets		884,989	619,492		684,140	478,898
Net insurance contract liabilities		**218,308**	**152,816**		**147,022**	**102,916**
Unpaid claims – 5% increase						
Insurance contract liabilities		1,809,836	1,266,885		2,418,058	1,692,641
Reinsurance contract assets		(937,496)	(656,247)		(1,704,269)	(1,192,988)
Net insurance contract liabilities		**872,340**	**610,638**		**713,789**	**499,653**

Notes

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

Currency risk

Foreign exchange currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's financial assets are primarily denominated in the same currencies as its insurance contract liabilities, which mitigate the foreign currency exchange rate risk. The currency risk is also effectively managed by ensuring that the transactions between the company and other parties are designated in the functional currencies of the individual companies.

The Company mainly transacts in Ugandan shillings and only upon the request of specific clients does management transact in US dollars. Premiums arising from foreign denominated policies constitute 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.

Notes

6. Financial risk management policies (continued)

Currency risk sensitivity analysis

The following sensitivity analysis illustrates the Company's exposure to changes in foreign currency. Strengthening or weakening of the Uganda shilling by 500 basis points against the United States Dollar as at 31 December 2023 would have increased / (decreased) profit or loss and equity 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 profit after tax and equity (2023)	83,276	(83,276)
Effect on Profit after tax and equity (2022)	282,284	(282,284)

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 2023, the USE and NSE Indices increased the previously recorded market value of the shares leading to a fair value gain of Shs 20 million (2022: loss of Shs 85 million).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

In the normal course of its business, the Company incurs credit risk from financial institutions and accounts receivable. The credit risk exposure is, however, limited due to management's constant monitoring of the status of financial institutions where deposits are maintained, and by the terms of the transaction agreement with the customers.

The Company manages the levels of credit risk it accepts by placing limits on its exposures to a single counterparty, or groups of counterparties and to geographical and industry segments. Such risks are subject to regular review.

The exposure to individual counterparties is also managed through other mechanisms such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Directors includes details of provisions for impairment on receivables and subsequent write-offs. Exposures to individual policyholders and Company of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous Company of policyholders, a financial analysis is carried out by management.

With regard to credit exposure arising out of deposits with financial institutions, the Company has policies in place to ensure that it only deals with financial institutions which have a strong credit rating. There are no significant concentrations of credit risk within the Company.

Notes (continued)

6. Financial risk management policies (continued)

Credit risk (continued)

The following table summarises the Company's maximum exposure to credit risk before collateral held:

	2023 Shs'000	2022 Shs'000
Deposits with financial institutions	9,961,428	9,237,627
Government securities at amortised cost	15,521,840	14,004,734
Receivable from intermediaries	8,380,052	4,043,607
Cash and bank balances	698,540	1,937,406
	34,561,860	**29,223,374**

Reconciliation of expected credit losses for financial assets measured at amortised cost for the year

As at 31 December 2023

	At start of year Shs'000	Charge/(credit) through P&L Shs'000	At end of year Shs'000
Financial assets			
Deposits with financial institutions	34,780	2,742	37,522
Government securities at amortised cost	53,542	5,814	59,356
Receivable from intermediaries	556,326	(185,162)	371,164
Cash and bank balances	250	28	278
	644,898	**(176,578)**	**468,320**

As at 31 December 2022			
Financial assets			
Deposits with financial institutions	37,942	(3,162)	34,780
Government securities at amortised cost	34,630	18,912	53,542
Receivable from intermediaries	859,574	(303,248)	556,326
Cash and bank balances	3,475	(3,225)	250
	935,621	**(290,723)**	**644,898**

Notes (continued)

6. Financial risk management policies (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries.

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.

Notes (continued)

6. Financial risk management policies (continued)

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
Contractual maturities of non-derivative financial assets	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Cash and bank balances	701,816	-	-	-	-	701,816
Financial assets at amortised cost	4,331,046	2,897,230	16,943,282	-	-	24,171,558
Equity investments	-	-	-	-	1,296,381	1,296,381
Statutory deposits	-	-	1,214,832	-	-	1,214,832
Receivable from intermediaries	-	3,343,996	5,036,056	-	-	8,380,052
	5,032,862	**6,241,226**	**23,194,170**	**-**	**1,296,381**	**35,764,639**
Contractual maturities of financial liabilities						
Other payables	-	-	2,976,633	-	-	2,976,633
Lease liabilities	-	113,900	341,701	1,671,847	-	2,127,448
Amounts due to related parties	-	-	1,048,231	-	-	1,048,231
	-	**113,900**	**4,366,565**	**1,671,847**	**-**	**6,152,312**
Net liquidity gap	**5,032,862**	**6,127,326**	**18,827,605**	**(1,671,847)**	**1,296,381**	**29,612,327**

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2022	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Total assets	8,024,608	11,252,165	9,932,536	-	1,266,002	30,475,311
Total liabilities	-	185,474	1,193,588	-	-	1,379,062
Net liquidity gap	**8,024,608**	**11,066,691**	**8,738,948**	**-**	**1,266,002**	**29,096,249**

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.

Notes (continued)

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 of Shs 9 billion is above the minimum amount of Shs 6 billion required by the regulations.

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.

Capital adequacy requirements

Under Ugandan Insurance Act, the Insurance Regulatory Authority of Uganda ("IRA") is mandated to use Risk Based Supervision (RBS) as a supervisory approach of regulating licensees on a risk sensitive basis. IRA introduced a framework for RBS to be implemented by insurance companies.

RBS in essence is divided into three pillars as shown below:

- Pillar 1 – RBS sets out minimum capital requirements that insurance companies and HMOs are required to meet and specifies valuation of assets and liabilities.
- Pillar 2 – Includes the supervisory review process, systems of governance and risk management.
- Pillar 3 – Disclosure and supervisory reporting regime, under which defined reports to the regulator and public are required to be made.

Capital adequacy under the RBS framework is measured based on requirements which are enshrined in the Insurance (Capital Adequacy and Prudential Requirements) Regulations, 2020. Capital required includes amount for: credit risk; market risk; operational risk, concentration risk, liquidity risk and insurance risk which are determined based on specifications set out in the regulations.

Notes (continued)

Capital risk management (continued)

As at 31 December 2023, application of the RBS framework to the Company gave rise to a capital requirement as shown below:

	2023 Shs'000	2022 Shs'000
Capital available	**14,508,240**	13,977,004
Capital required	**6,282,943**	6,000,000
Capital Adequacy Ratio	**231%**	233%
Prescribed Capital Adequacy Ratio	**200%**	200%

The Company's Capital Adequacy Ratio of 231% was above the required amount of 200%, which represents compliance with the Insurance (Capital Adequacy and Prudential Requirements) Regulations, 2020 ("the Regulations").

7. Insurance service revenue

	2023 Shs'000	2022 Shs'000
Revenue from insurance contracts measured under PAA	**36,470,284**	**28,820,265**

8. Insurance service expense

	2023	2022
Incurred claims	17,426,283	33,588,779
Other directly attributable expenses	7,221,163	6,345,347
Changes that relate to past service – adjustment to LIC	54,619	191,159
Losses on onerous contracts	609,524	87,463
Amortisation of insurance acquisition cash flows	5,502,927	4,309,547
Net claims and benefits	**30,814,516**	**44,522,295**

9. Net (expense)/ income from reinsurance contracts held

	2023	2022
Contracts measured under the PAA	(18,032,346)	(13,734,993)
Claims recovered	11,959,724	27,662,144
Changes that relate to past service – adjustment to incurred claims	59,377	771,240
Changes of loss recovery on subsequent measurement	332,570	52,192
Net (expense)/income from reinsurance contracts held	**(5,680,675)**	**14,750,583**

10. Net investment income

(i) Interest income

	2023	2022
Interest income on fixed deposits	722,101	570,454
Interest income on government securities	1,810,196	1,122,635
Other interest income	121,726	3,474
Total interest income	**2,654,023**	**1,696,563**

(ii) Other (expense)/ income

	2023	2022
Foreign exchange gains	**575,096**	**430,803**

Notes (continued)

11. Operating and other expenses

	2023 Shs '000	2022 Shs '000
Employee benefits expense *(i)*	3,202,952	2,651,347
Auditors' remuneration	122,362	114,343
Consulting fees and other outsourced arrangements	815,888	1095,256
Depreciation of property and equipment (Note 14)	90,311	92,266
Depreciation of right-of-use asset (Note 22)	298,324	313,418
General marketing and administration costs	3,513,928	2,892,550
	8,043,765	**7,159,180**
Attributable expenses	7,221,163	6,345,347
Non-attributable expenses	822,602	813,833
	8,043,765	**7,159,180**

(i) Employee benefit expense

Salaries and benefits	2,476,323	2,064,911
NSSF contributions	207,777	192,796
Contribution to retirement benefits scheme	187,456	132,576
Other employee benefits	331,396	261,064
	3,202,952	**2,651,347**

12. Income tax

a) Income tax expense

The tax charge for the year comprises the following:

Current income tax charge	362,040	224,527
Deferred income tax charge/ (credit)	120,483	(245,415)
Income tax expense/ (credit)	**482,523**	**(20,888)**

b) Income tax recoverable

The movement in income tax recoverable is as follows:

At start of year	1,313,340	1,913,114
Tax charge	(362,040)	(224,527)
Tax paid	442,003	224,527
Other movements – reclassification to payables	-	(599,774)
At end of year	**1,393,303**	**1,313,340**

Notes (continued)

12. Income tax (continued)

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

	2023 Shs'000	2022 Shs'000
Profit before income tax	2,239,405	225,196
Income tax calculated at 30% (2022: 30%)	671,822	67,559
Tax effect of:		
Expenses not deductible for tax purposes	62,447	64,459
Income taxed at 20% (2022:20%)	(181,020)	(112,264)
Unrecognised deferred income tax asset	-	68,003
Prior period over provision for deferred income tax	(70,726)	(108,645)
Income tax expense	**482,523**	**(20,888)**

13. Deferred income tax

Deferred tax is calculated, in full, on all temporary differences using a principal tax rate of 30% (2022: 30%). The movement in the deferred tax account is as follows:

	2023 Shs'000	2022 Shs'000
At start of year	1,475,389	1,203,600
(Charge)/ credit to profit and loss	(120,483)	245,415
(Charge)/ credit to other comprehensive income	(6,084)	26,374
At end of year	**1,348,822**	**1,475,389**

Deferred tax assets and liabilities and deferred tax charge/ (credit) recognized in profit or loss is attributable to the following items:

	At start of year Shs'000	Charged/ (credited) to P/L Shs'000	Charged/ (credited) to OCI Shs'000	At end of year Shs'000
Year ended 31 December 2023				
Deferred income tax liabilities				
Fair value gains on equity investments	166,356	-	6,084	172,440
Unrealised exchange gains	-	59,780	-	59,780
Accelerated tax depreciation	43,678	16,103	-	59,781
	210,034	75,883	6,084	292,001
Deferred income tax assets				
Bad debt provisions	(193,760)	52,898	-	(140,862)
Tax losses	(850,567)	549,590	-	(300,977)
Other deductible temporary differences	(641,096)	(557,888)	-	(1,198,984)
	(1,685,423)	44,600	-	(1,640,823)
Net deferred income tax asset	**(1,475,389)**	**120,483**	**6,084**	**(1,348,822)**

Notes (continued)

13. Deferred income tax (continued)

Year ended 31 December 2022	**At start of year Shs'000**	**Charged/ (credited) to P/L Shs'000**	**Charged/ (credited) to OCI Shs'000**	**At end of year Shs'000**
Deferred income tax liabilities				
Fair value gains on equity investments	192,730	-	(26,374)	166,356
Accelerated tax depreciation	32,541	11,137	-	43,678
	225,271	11,137	(26,374)	210,034
Deferred income tax assets				
Unrealised exchange losses	(109,278)	109,278	-	-
Bad debt provisions	(280,765)	87,005	-	(193,760)
Tax losses	(739,545)	(111,022)	-	(850,567)
Other deductible temporary differences	(299,283)	(341,813)	-	(641,096)
	(1,428,871)	(256,552)	-	(1,685,423)
Net deferred income tax asset	**(1,203,600)**	**(245,415)**	**(26,374)**	**(1,475,389)**

14. a) Property and equipment

	Computer equipment Shs 000	**Furniture fixtures and fittings Shs 000**	**Motor vehicles Shs '000**	**Office equipment Shs '000**	**Total Shs '000**
Cost					
1 January 2022	294,224	181,353	336,119	111,585	923,281
Additions	31,963	4,432	-	4,807	41,202
31 December 2022	326,187	185,785	336,119	116,392	964,483
1 January 2023	326,187	185,785	336,119	116,392	964,483
Additions	61,930	13,725	-	8,135	83,790
31 December 2023	388,117	199,510	336,119	124,527	1,048,273
Depreciation					
1 January 2022	231,799	97,446	293,253	50,341	672,839
Charge for the year	42,863	18,086	21,433	9,884	92,266
31 December 2022	274,662	115,532	314,686	60,225	765,105
1 January 2023	274,662	115,532	314,686	60,225	765,105
Charge for the year	40,164	19,180	19,646	11,321	90,311
31 December 2023	314,826	134,712	334,332	71,546	855,416
Net book value					
31 December 2023	**73,291**	**64,798**	**1,787**	**52,981**	**192,857**
31 December 2022	**51,525**	**70,253**	**21,433**	**56,167**	**199,378**

Notes (continued)

14. (b) Intangible assets

	2023 Shs'000	2022 Shs'000
Cost		
At start of year	285,680	285,680
Work in progress	77,505	-
At end of year	363,185	285,680
Amortisation		
At start of year	(68,366)	(42,788)
Charge for the year	(25,576)	(25,578)
At end of year	(93,942)	(68,366)
Net book value	**269,243**	**217,314**

15. Reinsurance contracts assets

The table below sets out the carrying amounts reinsurance contract assets and liabilities at the end of reporting date:

	2023 Shs'000	2022 Shs'000
Reinsurance contract assets	23,822,428	37,422,399
Reinsurance contract liabilities	(5,072,505)	(3,337,010)
	18,749,923	**34,085,389**

Notes (continued)

15. (b) Reinsurance contracts assets (continued)

2023	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Analysis by remaining coverage and incurred claims					
Opening reinsurance contract assets	6,184,214	52,192	31,003,071	182,922	37,422,399
Opening reinsurance contract liabilities	(3,337,010)	-	-	-	(3,337,010)
Net balance as at 1 January	**2,847,204**	**52,192**	**31,003,071**	**182,922**	**34,085,389**
Net income (expenses) from reinsurance contracts held					
Reinsurance expenses	(18,032,346)	-	-	-	(18,032,346)
Claims recovered	-	-	11,995,205	(35,481)	11,959,724
Changes that relate to past service - adjustments to incurred claims	-	-	59,377	-	59,377
Recoveries and reversals of recoveries of losses on onerous contracts	-	332,570	-	-	332,570
Net (expense)/ income from reinsurance contracts held	**(18,032,346)**	**332,570**	**12,054,582**	**(35,481)**	**(5,680,675)**
Finance income from reinsurance contracts held	-	-	1,030,790	130,823	1,161,613
Total amounts recognised in comprehensive income	**(18,032,346)**	**332,570**	**13,085,372**	**95,342**	**(4,519,062)**
Cash flows					
Premiums paid	16,649,755	-	-	-	16,649,755
Recoveries from reinsurance	-	-	(27,466,159)	-	(27,466,159)
Total cash flows	16,649,755	-	(27,466,159)	-	(10,816,404)
Net closing balance	**1,464,613**	**384,762**	**16,622,284**	**278,264**	**18,749,923**
Closing reinsurance contract liabilities	(5,072,505)	-	-	-	(5,072,505)
Closing reinsurance contract assets	6,537,118	384,762	16,622,284	278,264	23,822,428
Net closing balance	**1,464,613**	**384,762**	**16,622,284**	**278,264**	**18,749,923**

Notes (continued)

Reinsurance contracts assets (continued)

2022	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Analysis by remaining coverage and incurred claims					
Opening reinsurance contract assets	4,647,395	-	10,773,554	154,479	15,575,428
Opening reinsurance contract liabilities	(4,073,021)	-	-	-	(4,073,021)
Net balance as at 1 January	**574,374**	**-**	**10,773,554**	**154,479**	**11,502,407**
Net income (expenses) from reinsurance contracts held					
Reinsurance expenses	(13,734,993)	-	-	-	(13,734,993)
Claims recovered			27,680,118	(17,974)	27,662,144
Changes that relate to past service – adjustments to incurred claims		-	771,240	-	771,240
Recoveries and reversals of recoveries of losses on onerous contracts		52,192			52,192
Net income (expenses)/ income from reinsurance contracts held	**(13,734,993)**	**52,192**	**28,451,358**	**(17,974)**	**14,750,583**
Finance income from reinsurance contracts held	-	-	365,727	46,417	412,144
Total amounts recognised in comprehensive income	**(13,734,993)**	**52,192**	**28,817,085**	**28,443**	**15,162,727**
Cash flows					
Premiums paid	16,007,823	-	-	-	16,007,823
Recoveries from reinsurance	-	-	(8,587,568)	-	(8,587,568)
Total cash flows	16,007,823	-	(8,587,568)	-	7,420,255
Net closing balance	**2,847,204**	**52,192**	**31,003,071**	**182,922**	**34,085,389**
Closing reinsurance contract liabilities	(3,337,010)	-	-	-	(3,337,010)
Closing reinsurance contract assets	6,184,214	52,192	31,003,071	182,922	37,422,399
Net closing balance	**2,847,204**	**52,192**	**31,003,071**	**182,922**	**34,085,389**

Notes (continued)

16. Related party transactions

The Company is controlled by Liberty Holdings Limited incorporated in South Africa. The Company's ultimate parent is Standard Bank Group Limited, incorporated in South Africa. There are other companies that are related to the Company through common shareholdings or common directorships.

The Company provides/ incurs some transactions with Stanbic Bank Uganda Limited (SBUL), a subsidiary of Standard Bank Group Limited and these are:

- provision of insurance services, payment of commissions to Stanbic Bank Uganda Limited and payment of claims.
- joint venture profit commission sharing agreement where the Company and SBUL share in the profits earned on the insurance business underwritten by Liberty General Insurance Uganda Limited through the bancassurance arm department of SBUL; and
- use of banking facilities provided by SBUL.

a) Related party transactions	2023 Shs'000	2022 Shs'000
Administrative and related charges	1,591,394	1,867,738
Rent-Madhvani Group Limited	272,947	358,007
Sale of policies and commission paid	17,502,678	11,347,981
Claims paid	26,722,435	6,671,066
Directors 'fees	246,000	246,000
	46,335,454	**20,490,792**

b) Amounts due from related parties		
Madhvani Group Limited	2,830	73,273
Jinja Sailing Club	1,821	1,806
Stanbic Bank Uganda Limited	1,243,953	769,381
Madhvani Group – Tea Division	2,937	69,424
Madhvani Group – Steel Division	79,352	68,015
Madhvani Group Limited	205,470	
Makepasi Match Co. Ltd	16,309	16,308
Mweya Safari Lodge	3,679	3,678
T.P.S.C Uganda Ltd	30,061	30,061
Paraa Safari Lodge Ltd	-	750
Chobe Safari Lodge Limited	-	4,361
Kakira Sugar Limited	38,618	20,474
	1,625,030	**1,057,531**

c) Amounts due to related parties		
Liberty Holdings Limited	443,564	852,236
Madhvani Group Limited	470,454	274,214
Stanbic Holding Uganda Ltd	134,213	67,138
	1,048,231	**1,193,588**

Notes (continued)

17 Other receivables

	2023 Shs'000	2022 Shs'000
Deposits	47,306	38,158
Prepayments	71,485	125,360
Other advances	256,552	175,954
Amounts due from related parties (Note 16 (b)	1,625,030	1,057,531
Receivables from intermediaries	6,755,022	2,986,076
	8,755,395	**4,383,079**

18. Financial instruments and investments

a) Equity investments

The movement of equity investments during the year is as follows:

At start of year	1,266,003	967,361
Fair value gain/ (loss)	20,968	(85,364)
Additions	9,411	384,006
At end of year	**1,296,382**	**1,266,003**
Quoted shares (at fair value)		
BAT Uganda Limited	150,000	150,000
Kenya Airways Limited	5,665	7,016
New Vision Printing & Publishing Company Limited	37,657	37,941
Total equity securities	**193,322**	**194,957**
Unquoted shares		
Uganda Reinsurance Company Limited	740,332	708,320
Uganda Oil & Gas Consortium	362,728	362,726
	1,103,060	**1,071,046**
	1,296,382	**1,266,003**

b) Government securities, fixed deposits and bonds

Treasury bills with a tenor of not more than one year	14,839,082	13,385,386
Fixed deposits with a tenor of not more than one year	8,160,725	7,583,709
Corporate bond	-	106,500
Accrued interest	1,263,750	1,055,531
ECL impairment provision	(91,999)	(83,685)
	24,171,558	**22,047,441**

The carrying values of the government securities approximate their fair values. The government securities are all determined in the lead functional currency of the Company.

Notes (continued)

18. Financial instruments and investments (Continued)

c) Statutory deposits

	2023 Shs'000	2022 Shs'000
Treasury bills	1,219,711	1,111,235
ECL impairment provision	(4,879)	(4,445)
	1,214,832	**1,106,790**

The deposits with financial institutions are all fixed at interest rate financial instruments. The Company, in line with section 38 (1) of the Insurance Act of Uganda, 2017, made a statutory deposit of Shs 1.2 billion

d) Movement in expected credit losses

	2023 Shs'000	2022 Shs'000
At start of year	89,539	83,876
Movement in the period	8,835	5,663
At end of year	**98,374**	**89,539**

19. Cash and cash equivalents

For purposes of the cashflow statement, cash and cash equivalents comprise the following:

	2023 Shs'000	2022 Shs'000
Cash at hand	3,554	2,711
Cash at bank	698,540	1,937,406
Expected credit loss	(278)	(250)
	701,816	**1,939,867**

20. Insurance contract liabilities

The table below sets out the carrying amounts insurance contract assets and liabilities at the end of reporting date:

	2023 Shs'000	2022 Shs'000
Insurance contract liabilities	36,381,375	48,432,954
Insurance contract assets	(184,649)	(71,796)
	36,196,726	**48,361,158**

Notes (continued)

Reconciliation of the Liability of Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC)

	Liabilities for remaining coverage		Liabilities for incurred claims		
2023	**Excluding loss component**	**Loss component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening insurance contract liabilities	10,329,079	239,425	37,542,064	322,386	48,432,954
Opening insurance contract assets	(71,796)	-	-	-	(71,796)
Net balance as at 1 January	10,257,283	239,425	37,542,064	322,386	48,361,158
Insurance revenue	**(36,470,284)**	-	-	-	**(36,470,284)**
Insurance service expenses					
Incurred claims	-	-	17,376,218	50,065	17,426,283
Other directly attributable expenses	4,667,171	-	2,553,992	-	7,221,163
Changes that relate to past service - adjustment to the LIC	-	-	54,619	-	54,619
Losses and reversals of losses on onerous contracts	-	609,524	-	-	609,524
Amortisation of insurance acquisition cash flows	5,502,927		-	-	5,502,927
Insurance service expenses	**10,170,098**	**609,524**	**19,984,829**	**50,065**	**30,814,516**
Finance expense from insurance contracts issued	-	-	1,131,270	143,576	1,274,846
Amounts recognised in comprehensive income	**(26,300,186)**	**609,524**	**21,116,099**	**193,641**	**(4,380,922)**
Cash flows					
Premiums received	37,179,807	-	-	-	37,179,807
Incurred claims and	-	-	(32,123,644)	-	(32,123,644)
Insurance acquisition cash flows	(10,001,206)	-	-	-	(10,001,206)
Other directly attributable expenses	(339,094)	-	(2,499,373)	-	(2,838,467)
Total cash flows	**26,839,507**	**-**	**(34,623,017)**	**-**	**(7,783,510)**
Net closing balance	**10,796,604**	**848,949**	**24,035,146**	**516,027**	**36,196,726**
Closing insurance contract liabilities	10,981,254	848,949	24,035,146	516,027	36,381,376
Closing insurance contract assets	(184,650)				(184,650)
Net closing balance	**10,796,604**	**848,949**	**24,035,146**	**516,027**	**36,196,726**

Notes (continued)

Reconciliation of the Liability of Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC) (continued)

	Liabilities for remaining coverage		Liabilities for incurred claims		
2022	**Excluding loss component**	**Loss component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening insurance contract liabilities	8,048,885	151,962	15,858,500	242,463	24,301,810
Opening insurance contract assets	(805,931)	-	-	-	(805,931)
Net balance as at 1 January	**7,242,954**	**151,962**	**15,858,500**	**242,463**	**23,495,879**
Insurance revenue	**(28,820,265)**	-	-	-	**(28,820,265)**
Insurance service expenses					
Incurred claims	-	-	33,570,690	18,089	33,588,779
Other directly attributable expenses	3,605,777	-	2,739,570	-	6,345,347
Changes that relate to past service	-	-	191,159	-	191,159
Losses and reversals of losses on onerous contracts	-	87,463	-	-	87,463
Amortisation of insurance acquisition cash flows	4,309,547	--	-	-	4,309,547
Insurance service expenses	**7,915,324**	**87,463**	**36,501,419**	**18,089**	**44,522,295**
Finance expense from insurance contracts issued	-	-	487,200	61,834	549,034
Total amounts recognised in comprehensive income	**(20,904,941)**	**87,463**	**36,988,619**	**79,923**	**16,251,064**
Cash flows					
Premiums received	32,752,694	-	-	-	32,752,694
Incurred claims	-	-	(12,756,644)	-	(12,756,644)
Insurance acquisition cash flows	(8,471,948)	-	-	-	(8,471,948)
Other directly attributable expenses	(361,476)	-	(2,548,411)	-	(2,909,887)
Total cash flows	**23,919,270**	-	**(15,305,055)**	-	**8,614,215**
Net closing balance	10,257,283	239,425	37,542,064	322,386	48,361,158
Closing insurance contract liabilities	10,329,079	239,425	37,542,064	322,386	48,432,954
Closing insurance contract assets	(71,796)	-	-	-	(71,796)
Net closing balance	**10,257,283**	**239,425**	**37,542,064**	**322,386**	**48,361,158**

Notes (continued)

21. Other payables

	2023 Shs'000	2022 Shs'000
Stamp duty and stickers	26,166	5,913
Sundry creditors	2,007,644	1,390,738
Internal and external audit fees	111,740	78,007
Other accrued expenses	831,084	841,242
	2,976,634	**2,315,900**

The carrying amounts of other payables approximate their fair values

22 Leases

The movement in the right-of-use assets is as below:

(a) Right-of-use assets

	2023 Shs'000	2022 Shs'000
At start of year	130,913	444,331
Additions	1,932,685	-
Depreciation charge	(298,324)	(313,418)
At end of year	**1,765,274**	**130,913**

(b) Lease liabilities

	2023 Shs'000	2022 Shs'000
At start of year	185,474	538,851
Interest expense	64,534	34,570
Additions	1,822,099	-
Foreign exchange loss	16,589	-
Lease payments	(331,431)	(387,947)
At end of year	**1,757,265**	**185,474**

(c) Amounts recognised in the statement of profit or loss

	2023 Shs'000	2022 Shs'000
Depreciation charge	298,324	313,418
Interest expense	64,534	34,570

23. Share capital

The total authorized number of ordinary shares is 900,000 with a par value of Shs 10,000 per share. At 31 December 2023, 900,000 ordinary shares were in issue (2022: 900,000 ordinary shares). All issued shares are fully paid.

	2023 Shs '000	2022 Shs '000
Authorised:		
900,000 ordinary shares of Shs 10,000 each	**9,000,000**	**9,000,000**
Issued and fully paid:		
900,000 ordinary shares of Shs 10,000 each	**9,000,000**	**9,000,000**

Notes (continued)

23. Share capital (continued)

(a) Contingency reserve

	2023 Shs'000	2022 Shs'000
At start of year	5,647,448	5,006,966
Additions	729,406	640,482
At end of year	**6,376,854**	**5,647,448**

(b) Capital reserve

	2023 Shs'000	2022 Shs'000
At start of year	766,737	707,512
Additions	88,588	59,225
At end of year	**855,325**	**766,737**

24. Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity securities designated at fair value through other comprehensive income. The movement for the period is as follows.

	2023 Shs'000	2022 Shs'000
At start of year	414,539	473,529
Fair value gain/ (loss)	20,968	(85,364)
Deferred income tax	(6,084)	26,374
At end of year	**429,423**	**414,539**

25. Retained earnings

The retained earnings relate to all other net gains and losses and transactions with owners (not recognised elsewhere. The movement in retained earnings for the year is as presented in the statement of changes in equity.

	2023 Shs'000	2022 Shs'000
At start of year	280,059	733,684
Profit for the year	1,756,882	1,243,488
IFRS17 transition impact	-	(997,406)
Transfer to contingency reserve	(817,994)	(699,707)
At end of year	**1,218,947**	**280,059**

26. Contingent liabilities

The Company, like other insurers, is subject to litigation in the normal course of its business. The Company does not believe that such litigation will have a material impact on its profit or loss and financial position. Management has carried out an assessment of all the cases outstanding as at 31 December 2023 and did not find any that warranted a provision.

Notes (continued)

27. Claims development

a) Gross claims development

Actual claim payments are compared with previous estimates of the undiscounted amounts of the claims in the table below on gross of reinsurance basis as at 31 December 2023.

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

	Total	2023	2022	2021	2020	2019	2018	2017	2016 and prior
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2023	32,067,806	3,983,832	24,402,917	988,204	318,888	2,310,173	13,342	14,759	35,691
2022	12,565,485		4,381,919	2,769,011	1,871,211	3,483,311	31,780	3,308	24,945
2021	5,346,236			3,095,393	1,236,616	963,956	31,704	18,567	-
2020	3,881,561			-	618,951	2,886,575	136,805	221,066	18,164
2019	5,279,778			-	-	2,098,027	2,939,439	99,531	142,781
2018	3,585,094			-	-	-	1,900,629	1,142,623	541,842
2017	2,074,032			-	-	-	-	987,551	1,086,481
2016	2,585,461			-	-	-	-	-	2,585,461
Cumulative payments to date	**67,385,453**	**3,983,832**	**28,784,836**	**6,852,608**	**4,045,666**	**11,742,042**	**5,053,699**	**2,487,405**	**4,435,365**

Notes (continued)

27. Claims development (continued)

b) Net claims development

Actual claim payments are compared with previous estimates of the undiscounted amounts of the claims in the table below on a net-of-reinsurance basis as at 31 December 2023.

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

	Total	2023	2022	2021	2020	2019	2018	2017	2016 and prior
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2023	**5,376,367**	2,681,528	1,757,189	657,486	172,676	43,696	13,342	14,759	35,691
2022	**3,977,917**		2,203,779	1,385,650	239,383	125,255	16,256	618	6,976
2021	**2,329,320**			1,706,401	559,583	29,786	20,576	12,974	-
2020	**1,833,540**			-	306,186	1,013,893	333,233	171,290	8,938
2019	**2,425,772**			-	-	905,466	1,404,524	47,558	68,224
2018	**1,837,614**			-	-	-	974,207	585,675	277,732
2017	**1,554,106**			-	-	-	-	739,988	814,118
2016	**1,381,184**			-	-	-	-	-	1,381,184
Cumulative payments to date	**20,715,820**	**2,681,528**	**3,960,968**	**3,749,537**	**1,277,828**	**2,118,096**	**2,762,138**	**1,572,862**	**2,592,863**