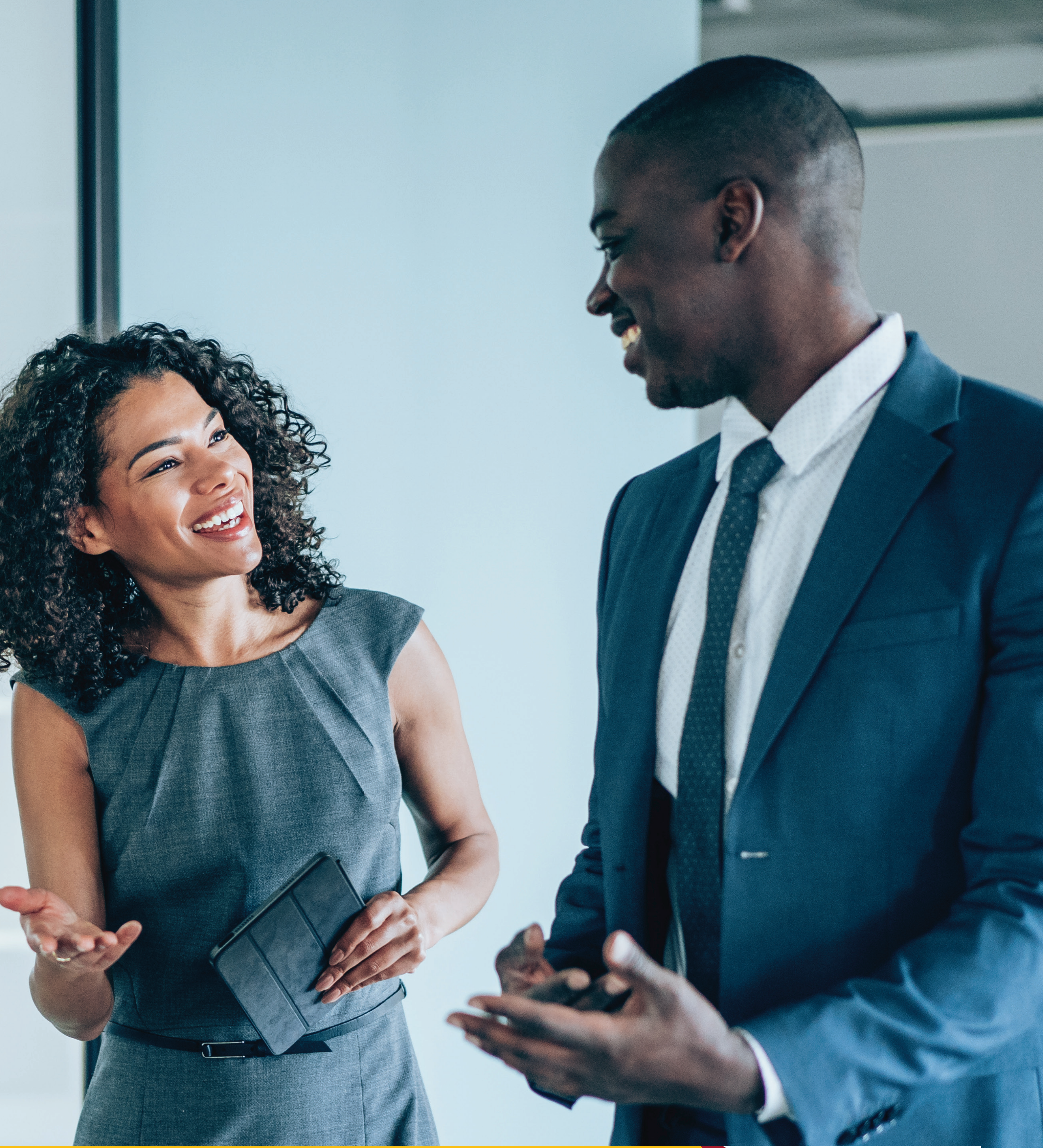

CIC AFRICA (UGANDA) LIMITED
FINANCIAL REPORT 2021

CIC INSURANCE

OUR PHILOSOPHIES

WHO WE ARE
CIC Insurance Group is a leading Cooperative Insurer in Africa, providing insurance and related financial services in Kenya, Uganda, South Sudan and Malawi. The Group offers a wide range of products.

Our Mission Statement

"To enable people achieve ffnancial security."
We are first and foremost a co-operative. This is our identity and heritage which we are unashamedly proud of. Consequently, we shall consider ourselves successful only when all our stakeholders achieve financial security on account of association with us.

OUR VISION

To be a world class provider of insurance and other financial services
Today's consumer has unlimited choices. Advances in technology have made it possible for consumers to enjoy products/services from all over the world. CIC acknowledges that to remain relevant our services must meet global standards

OUR VALUES

Integrity
- Be fair and transparent

Dynamism
- Be passionate and innovative

Performance
- Be efficient and results driven

Cooperation
- Live the cooperative spirit

CIC Africa (Uganda) Limited

Annual report and financial statements

For the year ended 31 December 2021

CONTENTS

Corporate information

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

AHA Building
Lourdel Road, Kampala
P O Box 34975
Kampala, Uganda

COMPANY SECRETARY AND LEGAL ADVISORS

Sebalu & Lule Advocates
P O Box 2255
Kampala, Uganda

PRINCIPAL BANKERS

Equity Bank
Oasis Mall
P O Box 10184
Kampala
Uganda

Stanbic Bank
17 Hannington Road
Kampala, Uganda

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
10th Floor, Communications House
1 Colville Street
P O Box 882
Kampala, Uganda

Directors' report

The Directors present their annual report and financial statements for the year ended 31 December 2021, which disclose the state of affairs of CIC Africa (Uganda) Limited ("the Company") and its subsidiaries CIC General Insurance (Uganda) Limited and CIC Africa Life Assurance Limited (together "the Group").

Principal activities

The principal activity of the Group is the transaction of general and life insurance business as defined by the Ugandan Insurance Act and the Insurance Regulatory Authority of Uganda.

Results

The Group's and Company's results of the year ended 31 December 2021 are shown in the statements of comprehensive income on page 7 and 8 respectively.

Dividends

The Directors do not recommend the payment of dividends for the year ended 31 December 2021 (2020: nil).

Directors

The Directors who held office during the period and to the date of this report were:

Ivan Asiimwe*
Japheth Omare** resigned 2 March 2021
Patrick Nyaga** appointed 23 July 2021
Nelson Kuria**
James Njue**
Robert Bariyo*
Sebastian Okot Ondogoa*
Francis Ogwang*
Derick Nkajja*

** Kenyan
*Ugandan

Auditor

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

By Order of the Board

S&L ADVOCATES
P.O. BOX 2 KAMPALA

Company Secretary

25 February 2022

Statement of Directors' responsibilities

The Ugandan Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the Group's profit or loss. It also requires the Directors to ensure that the Group and Company keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and of the Company. They are also responsible for safeguarding the assets of the Group and of the Company.

The Directors accept responsibility for the annual report and financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the affairs of the Group and of the Company and of the Group's loss in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies 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.

In preparing the financial statements, the Directors have assessed the Group's and Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of the going concern basis of preparation of the financial statements. Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least the next twelve months from the date of this statement.

The financial statements were approved by the Board of Directors on 25 February 2022 and signed on its behalf by:

....	....
Director	**Director**
IVAN ASIIMWE	DERICK NKAJJA.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CIC AFRICA (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 affairs of CIC Africa (Uganda) Limited ("the Company") and its subsidiaries (together "the Group") as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act.

What we have audited

The financial statements of CIC Africa (Uganda) Limited comprise:

- the consolidated and Company statements of financial position as at 31 December 2021;
- the consolidated and Company statement of comprehensive income for the year then ended;
- the consolidated and Company statements of changes in equity for the year then ended;
- the consolidated and Company statements of cash flows for the year then ended; and
- notes to the financial statements, which include significant accounting policies 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 Group and 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.

Other information

The Directors are responsible for the other information. The other information comprises the annual report 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.

PricewaterhouseCoopers Certified Public Accountants, Communications House, 1 Colville Street, P. O. Box 882, Kampala Uganda. Registration Number 113042
T: +256 (414) 236018, +256 (312) 354400, F: +256 (414) 230153, E: ug_general@pwc.com, www.pwc.com/ug

Partners: C Mpobusingye D Kalemba F Kamulegeya P Natamba U Mayanja

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CIC AFRICA (UGANDA) LIMITED (continued)

Report on the audit of the financial statements (continued)

Other information (continued)

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act, 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 Group's and 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 Group and Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CIC AFRICA (UGANDA) LIMITED (continued)

Report on the audit of the financial statements (continued)

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

- 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 Group's and 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 Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

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 Group and Company, so far as appears from our examination of those books; and

iii) the Group's and Company's statements of financial position and statements of comprehensive income are in agreement with the books of account.

The engagement leader on the audit resulting in this independent auditor's report is CPA Clive Mayombwe – P0349.

PricewaterhouseCoopers
Certified Public Accountants
Kampala
30 March 2022

CPA Clive Mayombwe

Consolidated statement of comprehensive income

	Notes	2021 Ushs'000	2020 Ushs'000
Gross premium written	4(a)	**36,439,624**	27,026,595
Gross change in unearned premiums	4(a)	**802,637**	593,252
Gross premium earned		**37,242,261**	27,619,847
Gross earned premiums	4(a)	**37,242,261**	27,619,847
Less: reinsurance premiums ceded	4(b)	**(19,647,766)**	(12,116,748)
Net earned premiums		**17,594,495**	15,503,099
Investment income	5	**2,787,449**	2,444,051
Other income	6	**898,833**	443,106
Commission income	8	**3,387,938**	2,947,067
		7,074,220	5,834,224
Total revenue		**24,668,715**	21,337,323
Claims and policyholder benefits	7	**(10,716,362)**	(6,951,813)
Commission expense	8	**(6,473,069)**	(5,291,566)
Increase in expected credit losses		**297,268**	(162,824)
Operating and other expenses	9(a)	**(6,823,602)**	(5,942,861)
Finance costs	24(c)	**(1,588,578)**	(985,362)
Total benefits, claims and other expenses		**(25,304,343)**	(19,334,426)
(Loss)/ profit before tax		**(635,628)**	2,002,897
Income tax expense	10(a)	**(576,050)**	(1,216,273)
(Loss)/ profit for the year		**(1,211,678)**	786,624
Other comprehensive income, net of tax		**-**	-
Total comprehensive (loss)/ income for the year, net of tax		**(1,211,678)**	786,624

Company statement of comprehensive income

	Notes	2021 Ushs'000	2020 Ushs'000
Revenue		**-**	-
Other income	6	**989,233**	312,614
Operating and other expenses	9(a)	**(1,265)**	(4,941)
Finance expenses	24(c)	**(1,588,578)**	(985,362)
Total expenses		**(1,589,843)**	(990,303)
Loss before tax		**(600,610)**	(677,689)
Income tax expense	10(a)	**-**	-
Loss for the year		**(600,610)**	(677,689)
Other comprehensive income, net of tax		**-**	-
Total comprehensive loss for the year, net of tax		**(600,610)**	(677,689)

Consolidated statement of financial position

	Notes	2021 Ushs'000	2020 Ushs'000
Assets			
Property and equipment	11	**316,668**	348,889
Intangible assets	12	**-**	80,444
Right-of-use assets	13	**459,479**	733,274
Other receivables	17	**195,587**	155,039
Deferred acquisition costs	15(a)	**849,529**	983,332
Debt instruments at amortised cost:			
Government securities	16(a)	**11,449,753**	9,506,169
Deposits with financial institutions	16(b)	**12,773,340**	14,921,864
Receivables arising out of direct insurance arrangements	16(c)	**2,019,221**	4,477,713
Receivables arising out of reinsurance arrangements	16(d)	**12,719,941**	20,974,175
Other debt instruments.	16(e)	**28,965**	46,605
Amounts due from related parties	24(a)	**489,461**	500,000
Cash at bank and in hand	18	**391,575**	416,091
Total assets		**41,693,519**	53,143,595
Equity and liabilities			
Equity			
Share capital	19	**10,213,060**	10,213,060
Reserves	20	**2,617,308**	2,009,958
Accumulated losses		**(18,493,785)**	(16,674,757)
Total equity		**(5,663,417)**	(4,451,739)
Liabilities			
Insurance contract liabilities	21	**15,538,977**	11,582,324
Unearned premium revenue	22	**2,845,171**	3,647,808
Deferred acquisition revenue	15(b)	**890,724**	943,063
Lease liabilities	13	**436,660**	703,929
Current income tax payable		**-**	431,180
Other payables	23	**1,374,709**	1,760,615
Borrowings	24(c)	**17,129,375**	16,345,350
Amounts due to related parties	24(b)	**2,905,479**	2,772,134
Payables arising from reinsurance arrangements	23	**6,235,841**	19,408,931
		47,356,936	57,595,334
Total equity and liabilities		**41,693,519**	53,143,595

The financial statements on pages 7 to 70 were approved for issue by the Board of Directors on 25 February 2022 and signed on its behalf by:

Director
IVAN ASIIMWE

Director
DERICK NKAJJA.

Company statement of financial position

	Notes	2021 Ushs'000	2020 Ushs'000
Assets			
Investments in subsidiaries	14	**23,845,900**	22,936,900
Other receivables	17	**4,887**	4,887
Amounts due from related parties	24(a)	**568,830**	773,635
Cash at bank and in hand	18	**87,746**	12,868
Total assets		**24,507,363**	23,728,290
Equity and liabilities			
Equity			
Share capital	19	**10,213,060**	10,213,060
Accumulated losses		**(8,083,350)**	(7,482,740)
		2,129,710	2,730,320
Liabilities			
Borrowings	24(c)	**17,129,375**	16,345,350
Amounts due to related parties	24(b)	**5,248,278**	4,652,620
		22,377,653	20,997,970
Total equity and liabilities		**24,507,363**	23,728,290

The financial statements on pages 7 to 70 were approved for issue by the Board of Directors on 25 February 2022 and signed on its behalf by:

Director
IVAN ASIIMWE

Director
DERICK NKAJJA.

Consolidated statement of changes in equity

	Share capital Ushs'000	Reserves Ushs'000	Accumulated losses Ushs'000	Total Ushs'000
Year ended 31 December 2020				
At start of year	10,003,060	1,473,969	(16,925,392)	(5,448,363)
Comprehensive income:				
Total comprehensive income for the year	-	-	786,624	786,624
Transfer to contingency reserve (note 20)	-	454,919	(454,919)	-
Transfer to capital reserve (note 20)	-	81,070	(81,070)	-
Transactions with owners:				
Issue of shares (note 19)	210,000	-	-	210,000
At end of year	10,213,060	2,009,958	(16,674,757)	(4,451,739)
Year ended 31 December 2021				
At start of year	10,213,060	2,009,958	(16,674,757)	(4,451,739)
Comprehensive income:				
Total comprehensive loss for the year	-	-	(1,211,678)	(1,211,678)
Transfer to contingency reserve (note 20)	-	607,350	(607,350)	-
Transfer to capital reserve (note 20)	-	-	-	-
Transactions with owners:				
Issue of shares (note 19)	-	-	-	-
At end of year	**10,213,060**	**2,617,308**	**(18,493,785)**	**(5,663,417)**

Company statement of changes in equity

	Share capital Ushs'000	Accumulated losses Ushs'000	Total Ushs'000
Year ended 31 December 2020			
At start of year	10,003,060	(6,805,051)	3,198,009
Comprehensive income:			
Total comprehensive loss for the year		(677,689)	(677,689)
Transactions with owners:			
Issue of shares (note 19)	210,000	-	210,000
At end of year	10,213,060	(7,482,740)	2,730,320
Year ended 31 December 2021			
At start of year	10,213,060	(7,482,740)	2,730,320
Comprehensive income:			
Total comprehensive loss for the year	-	(600,610)	(600,610)
Transactions with owners:			
Issue of shares (note 19)	-	-	-
At end of year	**10,213,060**	**(8,083,350)**	**2,129,710**

Consolidated statement of cash flows

	Notes	2021 Ushs'000	2020 Ushs'000
OPERATING ACTIVITIES			
(Loss)/ profit before tax		**(635,628)**	2,002,897
Adjustments for:			
Depreciation and amortisation	9	**219,989**	232,764
Depreciation on right-of-use assets	13	**273,975**	271,716
Interest expense on lease liabilities	13	**39,368**	18,665
Interest expense on borrowings	24(c)	**1,588,578**	985,362
Foreign exchange gains on borrowings	24(c)	**(804,553)**	(303,801)
Loss on disposal of property and equipment		**14,390**	4,712
Accrued interest income		**(257,288)**	(110,626)
		438,831	3,101,689
Changes in working capital:			
Deferred acquisition costs		**133,803**	69,131
Other debt instruments		**17,640**	47,120
Other receivables		**(40,548)**	(43,044)
Receivables arising out of direct insurance		**2,458,492**	(1,851,833)
Receivables arising out of reinsurance arrangements		**8,254,234**	(10,555,574)
Insurance contract liabilities		**3,154,016**	3,538,565)
Other payables		**(385,906)**	(2,349,281)
Creditors arising out of reinsurance arrangements		**(13,173,090)**	10,870,877
Amounts due to related parties		**133,345**	594933
Amounts due from related parties		**10,539**	(6,931)
Deferred acquisition revenue		**(52,339)**	(312,849)
Movement in right of use assets and lease liabilities		**(180)**	(164,008)
Cash flows generated from operations		**948,837**	2,938,795
Income tax paid	10	**(1,007,230)**	(454,196)
Net cash flows (used in)/ generated from operating activities		**(58,393)**	2,484,599
INVESTING ACTIVITIES			
Purchase of property and equipment	11	**(121,714)**	(41,310)
Purchase of government securities and fixed deposits	16	**(23,204,606)**	(23,689,371)
Maturities of government securities and fixed deposits	16	**23,666,834**	20,334,755
Net cash flows generated from/ (used) in investing activities		**340,514**	(3,395,926)
FINANCING ACTIVITIES			
Proceeds from issue of share capital	19	**-**	210,000
Lease repayments	13	**(306,637)**	(313,622)
Net cash flows generated from/(used in) financing activities		**(306,637)**	(103,622)
Net decrease in cash and cash equivalents		**(24,516)**	(1,014,949)
Cash at bank and in had at start of year		**416,091**	1,431,040
Cash at bank and in hand at end of year	18	**391,575**	416,091

Company statement of cash flows

	Notes	2021 Ushs'000	2020 Ushs'000
OPERATING ACTIVITIES			
Loss before tax		**(600,610)**	(677,689)
Adjustments for:			
Interest expense on borrowings	24(c)	**1,588,578**	985,362
Foreign exchange gains on borrowings	24(c)	**(804,553)**	(303,801)
		183,415	3,872
Changes in working capital:			
Amounts due from related parties		**204,805**	768,873
Amounts due to related parties		**595,658**	169,668
Net cash flows generated from operating activities		**983,878**	942,413
INVESTING ACTIVITIES			
Investment in subsidiaries	14	**(909,000)**	(1,230,660)
Net cash flows used in investing activities		**(909,000)**	(1,230,660)
FINANCING ACTIVITIES			
Proceeds from issue of share capital	19	**-**	210,000
Net cash flows generated from financing activities		**-**	210,000
Net increase/ (decrease) in cash at bank and in hand		**74,878**	(78,247)
Cash at bank and in hand at start of year		**12,868**	91,115
Cash at bank and in hand at end of year	18	**87,746**	12,868

Notes

1 General information

CIC Africa (Uganda) Limited is incorporated in Uganda under the Companies Act as a limited liability company and is domiciled in Uganda. The address of its registered office is:

AHA Building
Lourdel Road Kampala
P.O. Box 34975
Kampala, Uganda

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

The Company has the following subsidiaries.

Subsidiary	Date of incorporation	Percentage shareholding (%)
CIC General Insurance (Uganda) Limited	23 September 2014	99%
CIC Africa Life Assurance Limited	23 September 2014	99%

2 Summary of significant accounting policies

2.1 Statement of compliance with International Financial Reporting Standards (IFRS)

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Ugandan Companies Act.

(a) Basis of preparation

The consolidated and company financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Ugandan Companies Act. The measurement basis used is the historical cost basis. The consolidated and company financial statements are presented in Uganda Shillings, rounded to the nearest thousand (Ushs’000), which is also the functional currency.

The consolidated and company financial statements comprise the group and company statement of profit or loss and other comprehensive income, group and company statement of financial position, group and company statement of changes in equity, group and company statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the profit or loss as required or permitted by IFRS. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity. The Group and Company present their statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Group and 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 period 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).

(b) Basis of consolidation

i) Subsidiaries

Subsidiaries are all the entities over which the Company has control when it is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees.

The Company is considered to have control if and only all the following criteria are met:

(a) power over the investee;
(b) exposure, or rights, to variable returns from its involvement with the investee; and
(c) the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date control ceases.

All inter-company balances, transactions, income and expenses and profits and losses resulting from inter-company transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if this results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Recognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures

i) New and amended standards adopted by the Group and Company

The following standards and amendments have been applied by the Group and Company for the first time for the financial year beginning 1 January 2021, with no material impact.

- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2).
- IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment.

ii) New standards and interpretations not yet adopted

IFRS 17 Insurance Contracts (effective 1 January 2023)

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

IFRS 17 will have a material impact on the Group's financial statements. Management is still assessing the impact of the new standard on the Group's financial statements, reporting systems and operations.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

i) New and amended standards adopted by the Group and Company (continued)

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022 and have not been applied in preparing these financial statements. These standards, which are not expected to have a significant effect on the financial statements of the Company and Group, are set out below:

- Amendment to IFRS 3, 'Business combinations' - asset or liability in a business combination clarity - effective on or after 1 January 2022.
- Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use – effective on or after 1 January 2022.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract – effective on or after 1 January 2022.
- Annual improvements cycle 2018 -2020 - these amendments include minor changes to: IFRS 1, 'First time adoption of IFRS', IFRS 9, 'Financial Instruments', IFRS 16, 'Leases' and IAS 41, 'Agriculture', effective on or after 1 January 2022.
- Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current – effective 1 January 2022.

2.3 Financial Instruments

IFRS 9 Financial Instruments brings together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Financial assets

Initial recognition and measurement

Financial assets are 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 Group and Company's business model for managing them.

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

The Group and Company's business model for managing financial assets refers to how it manages its financial assets 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 marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group and Company commit to purchase or sell the asset.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial Instruments (continued)

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 Group and 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 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 Group's and Company's financial assets at amortised cost includes: Treasury bills, deposits with financial institutions, receivables arising out of direct insurance arrangements, receivables arising out of re-insurance arrangements, cash and cash equivalents, amounts due from related parties and other debt instruments.

De-recognition other than for substantial modification

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

- The rights to receive cash flows from the asset have expired; The Group and Company retain the right to receive cash flows from the assets but have assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

- The Group and Company have transferred its rights to receive cash flows from the asset and either (a) have transferred substantially all the risks and the rewards of the assets, or (b)have neither transferred or retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial Instruments (continued)

Financial assets (continued)

Financial assets at amortised cost (debt instruments) (continued)

De-recognition other than for substantial modification

Where the Group and Company have transferred its rights to receive cash flows from an asset and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group and Company's continuing involvement in the asset.

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

Where continuing involvement takes the form of a written and/ or purchased option (including cash settled option or similar provision) on the transferred asset, the extent of the Group and Company's continued involvement is the amount of the transferred asset that the Group and Company may re-purchase, except in the case of a put option (including a cash settled option or a similar provision) on an asset measured at fair value, the extent of the Group and Company's continued involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition due to substantial modification of terms and conditions

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

Derecognition due to substantial modification of terms and conditions (continued)

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

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

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

Notes (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial Instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group and Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group and Company's debt instruments comprise mainly of Treasury bills, amounts due to related parties and deposits with financial institutions. It is the Group and Company's policy to measure ECLs on such instruments on a monthly basis. Where the credit risk of any debt instrument deteriorates, the Group and Company will recognize an allowance for expected credit losses (ECLs). We have not recognised ECLs on treasury bills as these are considered risk free since they are backed by the Uganda Government. There was also no ECL on the other debt instruments as they relate to staff loans and advances which are significantly in the control of the entity.

The Group and Company have established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The calculation of ECLs

The Group and Company calculate ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate EIR. A cash shortfall is the difference between the cash flows that are due to the Group and Company in accordance with the contract and the cash flows that the entity expects to receive.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial Instruments (continued)

Financial assets (continued)

The calculation of ECLs (continued)

When estimating the ECLs the Group and Company considers four scenarios (a base case, an upside, a mild downside and a more extreme downside). When relevant, the assessment of multiple scenarios also incorporates the probability that the defaulted financial assets will cure.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD — The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- EAD — The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- LGD — The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group and Company would expect to receive. It is usually expressed as a percentage of the EAD.

The Company allocates its assets subject to ELC calculations into one of these categories, determined as follows:

- 12mECL — The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group and Company calculate the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR. This calculation is made for each of the four scenarios, as explained above.
- LTECL — When an instrument has shown a significant increase in credit risk since origination, the Group and Company record an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.
- Impairment — For debt instruments considered credit-impaired, the Group and Company recognise the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial Instruments (continued)

Financial assets (continued)

Write-offs

Financial assets are written off either partially or in their entirety only when the Group and Company have stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

Impairment of non-financial assets

The Group and Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group and Company estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and Company make an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss to the amount of an impairment already taken to profit or loss while the remainder will be a revaluation amount through other comprehensive income.

Fair value measurement

The Group and Company measures the fair value of its financial instruments at each reporting date.

As at year-end, the Group and Company had no investments in any securities whether quoted or unquoted. The entity's financial assets and liabilities consist of treasury bills, cash and short-term deposits, receivables, amounts due to related parties, other payables and insurance contract liabilities. The carrying amounts of its existing financial assets and liabilities reasonably approximate their fair value as at the reporting date.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial Instruments (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Subsequent measurement

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

De-recognising financial liabilities

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.4 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group and Company's cash management.

2.5 Share capital and premium

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.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.6 Insurance contracts

Short term insurance contracts

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. The insurance contract liabilities include (where applicable) the claims incurred but not yet reported provision, the unearned premium provision, and reported outstanding claims.

The Company undertakes only short-term insurance business and thus all insurance contracts are classified as short-term insurance contracts.

Short-term insurance is the providing of benefits under short-term policies which includes engineering, liability, miscellaneous, motor, accident, marine, property and aviation, transportation or a contract comprising a combination of any of those policies. Motor, property and personal insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Premiums written relate to risks assumed during the period and include estimates of premiums due but not yet received.

Recognition and measurement

Insurance premium revenue

Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. All premiums are shown before deduction of commission payable to intermediaries. The unearned premium represents the portion of the current period's premiums that relate to risk periods extending into the following period. Unearned premium is calculated using the 1/365th method.

Insurance claims and loss adjustment expenses

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

Related anticipated reinsurance recoveries are disclosed separately as assets. These estimated reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.6 Insurance contracts (continued)

Short term insurance contracts (continued)

Recognition and measurement

Claims incurred but not reported

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the Company at that date. Provision is made at 15% of net reported outstanding claims. This amount is compared to the actuarial provision derived based on the actual claims experience over the past periods. If the actuarial provision is higher, then an additional provision is made.

Deferred policy acquisition costs

Commissions and other acquisition costs that relate to securing new contracts and renewing existing contracts are capitalised and shown as part of prepayments. All other costs are recognised as expenses when incurred. The Deferred Acquisition Costs (DAC) are subsequently amortised over the terms of the policies as premium is earned. DAC are tested yearly for impairment using the liability adequacy test as per IFRS 4.

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written-off as a result of this test cannot be subsequently reinstated.

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Company assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the Statement of Comprehensive Income.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.6 Insurance contracts (continued)

Short term insurance contracts (continued)

Recognition and measurement (continued)

Reinsurance contracts held (continued)

The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used as per IFRS 9.

The deferred reinsurance premium expense represents the portion of the current period's premiums that relate to risk periods extending into the following period. Deferred reinsurance premium is calculated on a daily pro rata basis.

Fee income from reinsurance contracts ceded varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts. It is deferred over the period of the related reinsurance contract.

Receivables and payables related to insurance contracts

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the Statement of Comprehensive Income. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets measured at amortised cost. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in Note 2.3.

Salvage

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

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

Contingency reserve

A contingency reserve is maintained in accordance with the Ugandan Insurance Act, at 2% of the gross premiums. Transfers to and from this reserve are reflected in the statement of changes in equity and are indicated as part of "other reserves" under 'equity'.

Capital reserve

A capital reserve is maintained in accordance with the Ugandan Insurance Act, at 5% of the profit after tax. Transfers to and from these reserves are reflected in the statement of changes in equity and are indicated as part of "Reserves" under 'equity'.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.6 Insurance contracts (continued)

Long term insurance contracts

Contracts under which the Company accepts significant insurance risk from another party ("the policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. The insurance contract liabilities include (where applicable) the claims incurred but not yet reported provision, the unearned premium provision, and the premiums deficiency provision.

The Company's policies under the Life insurance business include; Member Employee Participation Insurance Plan (MEPIP) and Ordinary Life Insurance policies which include Investa-plan, Smart saver & Academia insurance products. Premiums written relate to risks assumed during the year.

Recognition and measurement

Insurance premium revenue

Gross written premiums on life insurance are recognised as revenue when paid by the Policyholder. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Insurance receivables

Receivables are recognised when due and these include amounts due from insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the Statement of Comprehensive Income. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets at amortised cost.

Reinsurance

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

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

Gross benefits and claims

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims. Group life policies' claims are occasioned by death or permanent disability of the policyholder and these are recorded on the basis of the notifications received. The Ordinary life claims are recorded when due upon maturity of the insurance contract term as agreed upon by the company and the insurance policyholder.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.6 Insurance contracts (continued)

Long term insurance contracts (continued)

Recognition and measurement (continued)

Reinsurance claims (continued)

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

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income (for non-market linked insurance contracts this item is excluded) from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company. Adjustments to the liabilities at each reporting date are recorded in the profit or loss. The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. It is assumed that premiums are earned uniformly over the contract period.

Profits originated from margins of adverse deviations on run-off contracts are recognised in the profit or loss over the life of the contract, whereas losses are fully recognised in the profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate. The insurance contract liabilities for the period comprise of Unearned Premiums Reserve (UPR), Premium Deficiency Reserve (PDR), claims incurred but nor reported (IBNR), and outstanding claims. The liability on these life insurance contracts is determined through actuarial valuation which is carried out annually.

Contingency reserve

A contingency reserve is maintained in accordance with the Ugandan Insurance Act, at 1% of the gross premiums. Transfers to and from this reserve are reflected in the statement of changes in equity and are indicated as part of “other reserves” under ‘equity’.

Capital reserve

The Company is required to maintain a statutory capital reserve as required by Section 6 of the Ugandan Insurance Act, which stipulates that the Company transfers from its net profits of each period, before dividends and after tax, a sum of 5% of the profits, to be paid-up capital of the insurer to facilitate capital base growth. However, transfer to the statutory capital reserve has not been made because the Company is loss making.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.7 Tax

The income tax expense for the period comprises current and deferred income tax. Income tax expense is recognised in the statement of comprehensive income., except to the extent that it relates to items recognised in other comprehensive income, in which case the income tax expense is also recognised in other comprehensive income.

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Income Tax Act. Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the period. Current income tax assets or liabilities are based on the amount of tax expected to be paid or recovered in respect of the taxation authorities in the future. Tax is recognised in the statement of profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is provided on the basis of the results for the period, as shown in the Group and Company's financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

The net amount of current income tax recoverable from, or payable to, the taxation authority is included on a separate line in the statement of financial position of these financial statements.

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, if the deferred income tax 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 neither the accounting nor the taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax relating to items recorded in profit or loss is recognised in profit or loss, while deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income or equity.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

2.7 Tax (continued)

Sales taxes and premium taxes

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

- when the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; or

- Receivables and payables that are measured with the amount of sales or premium tax included.

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.8 Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Group operates), which is Uganda Shillings. Transactions in foreign currencies during the period are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the end of each reporting period and on date of settlement 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 profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

2.9 Property and equipment

Property and equipment are stated 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income. during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method so as to write-off their cost to their estimated residual values over their estimated useful lives, as follows;

• Motor vehicles	25.0%
• Furniture and fittings	12.5%
• Computer equipment	25.0%

Notes (continued)

2. Summary of significant accounting policies (continued)

2.9 Property and equipment (continued)

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

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The residual value of an asset is the estimated amount that would currently be obtained from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in condition expected at the end of its useful life. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These gains and losses are included in the Statement of Comprehensive Income.

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

2.10 Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Group are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software over its estimated useful life (four years). Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle.

Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Software under implementation are recognised as work in progress at historical costs less any accumulated impairment loss. The cost of such software includes professional fees and costs directly attributable to the software. The software is not amortised until they are ready for the intended use.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.11 Employee benefits

The Group and all its employees contribute to the National Social Security Fund, which is a defined contribution scheme. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate Company. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the National Social Security Fund are charged to the statement of comprehensive income in the period in which they fall due.

2.12 Provisions

Provisions are recognised when the Group and Company have a present obligation (legal or constructive) as a result of a past event, 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.

When the Group and Company expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Comprehensive Income. net of any reimbursement.

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

2.13 Investment income

Interest income

Interest income for all interest-bearing financial instruments measured at amortized cost, is recognized within 'investment income' in the Statement of Comprehensive Income using the effective interest rate method.

2.14 Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are declared and approved. Dividend distributions to the shareholders are recognized as a liability in the financial statements in the year in which the dividends are declared and approved by the shareholders.

2.15 Events after the reporting date

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.16 Expenses

Expenses are recognised in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants.

This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

i) When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the statement of comprehensive income on the basis of systematic and rational allocation procedures. This is often necessary in recognising the expenses associated with the using up of assets such as property and equipment in such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

ii) An expense is recognised immediately in the statement of comprehensive income when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

2.17 Leases

The Group leases offices and other property. Rental contracts are typically made for fixed periods of 1 year to 3 years but may have extension options.

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

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- amounts expected to be payable by the Group under residual value guarantees.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

2.17 Leases (continued)

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

i) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and

ii) makes adjustments specific to the lease, e.g. term, country, currency and security.

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

Extension and termination options are included in property leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group and Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes (continued)

3 Critical accounting estimates and judgements in applying the Group and Company's accounting policies

Preparing financial statements in accordance with IFRS requires that management make use of estimates, assumptions and judgements that affect the application of the accounting principles and reported amounts of assets, liabilities and contingent liabilities at the statement of financial position date as well as the reported income and expenses for the period. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although the estimates are based on management's best knowledge, experience, insight and judgement of current facts at the statement of financial position date, the actual outcome may deviate from these estimates, possibly significantly.

3.1 Insurance contract liabilities

Life business

Critical assumptions are made by the actuary in determining the present value of actuarial liabilities. The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on standard industry and Uganda's mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to lifestyle, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for The Company's own risk exposure.

Insurance liabilities sensitivity analysis

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

It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees.

When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

Notes (continued)

3 Critical accounting estimates and judgements in applying the Group and Company's accounting policies (continued)

3.1 Insurance contract liabilities (continued)

Life business (continued)

Insurance liabilities sensitivity analysis

	Net Basis 31-Dec-21 Ushs '000	% change	Net Basis 31-Dec-20 Ushs '000	% change
Main basis	1,451,629		4,968,562	
Expenses plus 7.5%	1,512,013	4.16%	5,041,129	1.46%
Mortality and other claims				
Mortality plus 10%	1,456,400	0.33%	4,969,603	0.02%
Interest rate less 7%	1,552,237	6.93%	5,228,669	5.24%
Expense inflation plus 1%			4,969,998	
Withdrawals plus 25%	1,459,865	0.57%	4,973,441	0.10%

General business

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, outstanding claims form the majority of the liability in the statement of financial position. Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Insurance liabilities include the provisions for unearned premiums, outstanding claims and incurred but not reported (IBNR) claims. Unearned premiums represent the amount of income received or receivable that relates to risks not yet expired at the reporting date. A separate provision is made, based on information available at the statement of financial position date, for any estimated future underwriting losses relating to the unexpired risks.

Outstanding claims represent the Company's estimate of the cost of settlement of claims that have occurred by the statement of financial position date, but that have not yet been finally settled. In addition to the inherent uncertainty of having to provide for future events there is also considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported to the insurer by the statement of financial position date.

Insurance risks are unpredictable, and the Company recognises that it is not always possible to forecast with absolute precision, future claims payable under existing insurance contracts. Overtime, the Company has developed a methodology that is aimed at establishing insurance provisions that have an above-average likelihood of being adequate to settle its insurance obligations.

Notes (continued)

3 Critical accounting estimates and judgements in applying the Group and Company's accounting policies (continued)

3.1 Insurance contract liabilities (continued)

General Business (continued)

3.1.1 Outstanding claims

Claims provisions are determined based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions.

The Company employs staff experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment. The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the period in which the loss claim occurred and under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

3.1.2 Claims incurred but not reported (IBNR)

The majority of the IBNR provision is calculated as a percentage of the premiums earned. This percentage is the best estimate, which represents the expected value of the unreported claims liabilities. Different percentages are applicable for different classes of business and their appropriateness is assessed against the Company's past claims experience and industry norms.

The assumption which has the greatest effect on the measurement of insurance contract provisions is the percentage applied to earned premium to determine the IBNR provision. The larger the IBNR percentages applied the longer the expected period between the date of loss and the claims reporting date and/or the estimated claims. The IBNR provision relates to these events. In the absence of a credible method, the Commissioner of Insurance advises use of 15% of total amount of outstanding reported claims, in respect of claims incurred, but not reported at the end of the last preceding year

3.1.3 Insurance liabilities sensitivity analysis

If the incurred claims change by 10%, the impact on profit after taxation is as follows:

		2021		**2020**
	Increase 10% Ushs'000	**Decrease 10% Ushs'000**	**Increase 10% Ushs'000**	**Decrease 10% Ushs'000**
Outstanding claims	**6,597,753**	**5,398,161**	4,331,787	3,544,189
Impact on loss after tax	**(419,857)**	**419,857**	(275,659)	275,659
Incurred but not reported	**2,022,917**	**1,655,114**	1,219,787	998,007
Impact on loss after tax	**(128,731)**	**128,731**	(77,623)	77,623

Notes (continued)

3 Critical accounting estimates and judgements in applying the Group and Company's accounting policies (continued)

General Business (continued)

3.1.4 Premium provisions

The Company raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. The Company's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportion basis. The risk profile is determined based on a historic time-based analysis of the incurred claims.

At each reporting date an assessment is made of whether the provisions for unearned premiums are adequate. If the premium level is deemed to be insufficient, based on information available at the statement of financial position date, to cover the anticipated claims and operating expenses, a separate provision is made for any estimated future underwriting losses relating to unexpired risks. This assessment includes estimates of future claims frequency and other factors affecting the need for a provision for unexpired risk.

The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognized. Deferred acquisition costs and reinsurance commission revenue is recognized on a basis that is consistent with the related provisions for unearned premiums.

3.2 Impairment of 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. (Refer to Note 27 for more detailed disclosures on the impact of ECL on the Group and Company's financial performance).

3.3 Going concern

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

3.4 Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group are typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations, the costs and business disruption required to replace the leased asset and the business planning horizon.
- Extension options have been included in the lease liability to the extent that they are within the Group's current business plan.

Notes (continued)

4 Net premiums

	Group	
a) Gross earned premiums	**2021 Ushs'000**	**2020 Ushs'000**
General insurance business		
Gross insurance premiums written	**24,295,405**	18,465,275
Change in unearned premium (note 22)	**802,637**	593,252
	25,098,042	19,058,527
Life assurance business		
Gross insurance premiums written	**12,144,219**	8,561,320
Total gross earned premiums	**37,242,261**	27,619,847
b) Premiums ceded to reinsurers		
General insurance business		
Premium ceded	**(17,670,032)**	(10,099,940)
Life assurance business		
Premium ceded	**(1,977,734)**	(2,016,808)
Total premiums ceded to reinsurers	**(19,647,766)**	(12,116,748)
Total net premiums	**17,594,495**	15,503,099

5 Investment income

	Group	
	2021 Ushs'000	**2020 Ushs'000**
Interest from held to maturity government securities	**1,597,966**	820,404
Interest from fixed bank deposits	**1,189,483**	1,623,647
	2,787,449	2,444,051

6 Other income

	Group		Company	
	2021 Ushs'000	**2020 Ushs'000**	**2021 Ushs'000**	**2020 Ushs'000**
Other gains	**898,833**	443,106	**989,233**	312,614

Notes (continued)

7 Claims and policyholder benefits

	Group 2021 Ushs'000	2020 Ushs'000
General Insurance Business		
Gross benefits and claims paid	**5,147,391**	4,382,345
Change in insurance contract liabilities		
Change in the IBNR during the year (note 21)	**730,118**	807,810
Change in outstanding claims during the year	**2,059,969**	1,494,335
Total change in insurance contract liabilities	**2,790,087**	2,302,145
Claims recoveries from re-insurers	**(4,256,582)**	(4,030,023)
Net claims and benefits expenses	**3,680,896**	2,654,467
Life Assurance Business		
Gross benefits and claims paid	**6,679,367**	5,551,341
Change in outstanding claims during the year	**260,737**	(1,226,846)
Increase in actuarial liability (note 21)	**1,250,149**	1,174,687
Claims recoveries from re-insurers	**(1,154,787)**	(1,201,836)
Net claims and benefits expenses	**7,035,466**	4,297,346
Total claims and policy holder expenses	**10,716,362**	6,951,813

8 Commission expense and income

	2021	2020
Gross commission expense	**6,339,266**	5,222,435
Movement in deferred acquisition costs	**133,803**	69,131
Total commission expense	**6,473,069**	5,291,566
Commission earned	**(3,335,599)**	(3,259,916)
Movement in deferred acquisition revenue	**(52,339)**	312,849
Total commission income	**(3,387,938)**	(2,947,067)
Net commission expense	**3,085,131**	2,344,499

Notes (continued)

9 Other operating expenses/ (income)

	2021		2020	
	Group/	Company	Group/	Company
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
a) Expenses by nature				
Staff costs [note 9(b)]	**3,254,565**	**-**	3,253,169	-
Auditor's remuneration	**123,950**	**-**	105,304	-
Directors' fees	**128,415**	**-**	163,102	-
Directors' expenses	**55,791**	**-**	64,721	-
License fees	**106,925**	**-**	94,236	-
Motor vehicle fuel costs and repairs	**423,712**	**-**	350,177	-
Insurance	**42,370**	**-**	9,012	-
Bank and investment charges	**50,516**	**1,265**	45,812	1,845
Depreciation and amortisation	**219,989**	**-**	232,764	-
Utilities	**55,116**	**-**	56,726	-
Subsistence travel and accommodation	**423,021**	**-**	83,044	-
Printing, stationery and postage	**127,622**	**-**	81,187	-
Telephone and fax	**89,923**	**-**	72,879	-
Business advertising and promotion	**59,653**	**-**	64,575	-
Business acquisition cost	**302,096**	**-**	149,838	-
Professional fees	**291,223**	**-**	184,154	-
Office expenses	**55,986**	**-**	54,328	-
Depreciation on right-of-use assets (note 13)	**273,975**	**-**	271,716	-
Interest expense - leases (note 13)	**39,368**	**-**	18,665	-
Premium/ rein/ stamp levy	**400,016**	**-**	311,370	-
Trainings and seminars	**90,220**	**-**	105,102	-
Company registration fees and taxes	**44,124**	**-**	-	-
AGM expenses	**18,286**	**-**	-	-
Other operating expenses	**146,740**	**-**	170,980	3,096
	6,823,602	**1,265**	5,942,861	4,941

b) Employee benefits expense

	Group	
	2021	2020
	Ushs'000	Ushs'000
Salaries and wages	**2,609,779**	2,543,722
Social security benefit costs	**266,057**	279,561
Staff and other expenses	**378,729**	429,886
	3,254,565	3,253,169

Notes (continued)

10 Income tax

a) **Income tax expense**	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**
Current income tax	**576,050**	1,216,273	**-**	-
Deferred income tax	**-**	-	**-**	-
Income tax expense	**576,050**	1,216,273	**-**	-

The tax on the Group's and Company's profit/ (loss) before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Group		**Company**	
	2021	**2020**	**2021**	**2020**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**
(loss)/ profit before income tax	**(635,628)**	2,002,897	**(600,610)**	(677,689)
Tax calculated at the statutory income tax rate of 30% (2020: 30%)	**(190,688)**	600,869	**(180,183)**	(203,307)
Tax effect of:				
- income not taxable	**(4,298,738)**	(2,935,536)	**-**	-
- expenses not deductible for tax purposes	**5,076,811**	2,938,748	**-**	-
- prior year adjustment on deferred tax asset	**929**	(31,149)	**929**	(31,149)
- movement in deferred tax asset not recognised	**(588,314)**	510,217	**179,254**	234,456
- withholding tax as a final tax	**576,050**	133,124	**-**	-
Income tax expense	**576,050**	1,216,273	**-**	**-**

The movement in the current income tax payable is as follows:

At start of year	**431,180**	-	**-**	-
Charge for the year	**576,050**	1,216,273	**-**	-
Withholding tax transferred from other receivables	**-**	(330,897)	**-**	-
Tax paid	**(1,007,230)**	(454,196)	**-**	-
At end of year	**-**	431,180	**-**	-

b) **Deferred income tax**

Deferred income tax is calculated using the enacted income tax rate of 30% (2020: 30%). The movement on the deferred income tax account is as follows:

	Group		**Company**	
	2021	**2020**	**2021**	**2020**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**
At start of year	**(3,637,110)**	(3,126,893)	**(2,261,318)**	(2,026,862)
Charge/ (credit) to profit or loss	**588,314**	(510,217)	**(179,254)**	(234,456)
At end of year (unrecognised)	**(3,048,796)**	(3,637,110)	**(2,440,572)**	(2,261,318)

Notes (continued)

10 Income tax (continued)

b) Deferred income tax (continued)

The net deferred income tax asset substantially relates to tax losses and other deducible temporary differences carried forward which are available to offset against future taxable profits.

The Group and Company have not recognised the deferred income tax asset due to the uncertainty relating to availability of future taxable profits against which the asset can be utilised. The deferred income tax asset is attributable to the following items:

Group	1 January 2021 Ushs'000	Movement Ushs'000	31 December 2021 Ushs'000
Accelerated capital allowances	2,028	794	2,822
Other deductible temporary differences	(2,505,659)	680,441	(1,825,218)
Tax losses carried forward	(1,133,479)	(92,921)	(1,226,400)
Net deferred income tax asset	**(3,637,110)**	**588,314**	**(3,048,796)**

	1 January 2020 Ushs'000	Movement Ushs'000	31 December 2020 Ushs'000
Accelerated capital allowances	(10,654)	12,682	2,028
Other deductible temporary differences	(2,015,391)	(490,268)	(2,505,659)
Tax losses carried forward	(1,100,848)	(32,631)	(1,133,479)
Net deferred income tax asset	(3,126,893)	(510,217)	(3,637,110)

Company	1 January 2021 Ushs'000	Movement Ushs'000	31 December 2021 Ushs'000
Other deductible temporary differences	(1,127,839)	(179,803)	(1,307,642)
Tax losses carried forward	(1,133,479)	549	(1,132,930)
Net deferred income tax asset	**(2,261,318)**	**(179,254)**	**(2,440,572)**

	1 January 2020 Ushs'000	Movement Ushs'000	31 December 2020 Ushs'000
Other deductible temporary differences	(926,014)	(201,825)	(1,127,839)
Tax losses carried forward	(1,100,848)	(32,631)	(1,133,479)
Net deferred income tax asset	(2,026,862)	(234,456)	(2,261,318)

Notes (continued)

11 Property and equipment - Group

	Motor vehicles Ushs'000	Computers Ushs'000	Fittings and equipment Ushs'000	Total Ushs'000
Cost				
At 1 January 2020	289,736	235,298	826,441	1,351,475
Additions	-	41,310	-	41,310
Disposals	-	(7,882)	-	(7,882)
At 31 December 2020	289,736	268,726	826,441	1,384,903
At 1 January 2021	289,736	268,726	826,441	1,384,903
Additions	-	85,244	36,470	121,714
Disposals	-	(21,849)	-	(21,849)
At 31 December 2021	289,736	332,121	862,911	1,484,768
Depreciation				
At 1 January 2020	268,435	179,773	438,656	886,864
Charge for the year	11,431	38,002	102,887	152,320
Disposals	-	(3,170)	-	(3,170)
At 31 December 2020	279,866	214,605	541,543	1,036,014
At 1 January 2021	279,866	214,605	541,543	1,036,014
Charge for the year	7,522	27,866	104,157	139,545
Disposals	-	(7,459)	-	(7,459)
At 31 December 2021	287,388	235,012	645,700	1,168,100
Net carrying amount				
At 31 December 2021	**2,348**	**97,109**	**217,211**	**316,668**
At 31 December 2020	9,870	54,121	284,898	348,889

12 Intangible assets

	Group 2021 Ushs'000	Group 2020 Ushs'000
Cost		
At 1 January	**1,190,146**	1,190,146
Additions	**-**	-
At 31 December	**1,190,146**	1,190,146
Amortisation		
At 1 January	**1,109,702**	1,029,258
Charge for the year	**80,444**	80,444
At 31 December	**1,190,146**	1,109,702
Net carrying amount	**-**	80,444

The intangible assets relate to costs incurred in the acquisition of various software in use by the Group. The cost is amortised on a straight-line basis over their estimated useful lives of four years.

Notes (continued)

13 Leases

i) Amounts recognised in the balance sheet	Group 2021 Ushs'000	2020 Ushs'000
Right-of-use assets		
Offices	**459,479**	733,274
Lease liabilities		
Current	**306,802**	276,951
Non-current	**129,858**	426,978
	436,660	703,929
ii) Amounts recognised in profit or loss		
Depreciation charge on right-of-use assets	**273,975**	271,716
Interest expense on lease liabilities	**39,368**	18,665
iii) The movement in right-of-use assets is as follows:		
At start of year	**733,274**	403,561
Additions	**-**	601,429
Depreciation	**(273,975)**	(271,716)
Other movements	**180**	-
At end of year	**459,479**	733,274
vii) The movement in lease liabilities is as follows:		
At start of year	**703,929**	561,465
Additions	**-**	437,421
Interest expense	**39,368**	18,665
Repayments – principal and interest	**(306,637)**	(313,622)
At end of year	**436,660**	703,929

14 Investment in subsidiaries

	CIC General Insurance (Uganda) Limited		CIC Life Assurance Limited		Total
	Number of Shares	Values Ushs'000	Number of Shares	Values Ushs'000	Values Ushs'000
At 1 January 2020	1,457,401	14,574,010	713,223	7,132,230	21,706,240
Increase in investment	-	-	123,066	1,230,660	1,230,660
At 31 December 2020	1,457,401	14,574,010	836,289	8,362,890	22,936,900
At 1 January 2021	1,457,401	14,574,010	836,289	8,362,890	22,936,900
Increase in investment	-	-	90,900	909,000	909,000
At 31 December 2021	**1,457,401**	**14,574,010**	**927,189**	**9,271,890**	**23,845,900**

Notes (continued)

14 Investment in subsidiaries (continued)

The percentage holding is shown below:

Company	Share capital Ushs'000	Country of incorporation	Principal Activity	% Holding
CIC General Insurance (Uganda) Limited	14,574,010	Uganda	Underwriting general insurance business.	99%
CIC Life Assurance Limited	9,271,890	Uganda	Underwriting life assurance business.	99%

15 a) Deferred acquisition costs

	Group	
	2021 Ushs'000	2020 Ushs'000
Deferred acquisition costs	**849,529**	983,332

Deferred acquisition costs relate to a proportion of the acquisition costs in respect of the unexpired terms of insurance policies that are in force at year-end.

b) Deferred acquisition revenue

	Group	
	2021 Ushs'000	2020 Ushs'000
Deferred acquisition revenue	**890,724**	943,063

Deferred acquisition revenue relates to portion of reinsurance commission in respect of the unexpired terms of insurance policies that are in force at year-end.

16 Debt instruments at amortised cost

a) Government securities

	Group	
	2021 Ushs'000	2020 Ushs'000
Government securities	**11,449,753**	9,506,169
The movement in Government securities is as follows:		
At start of year	**9,506,169**	6,654,337
Additions	**11,085,476**	9,255,790
Maturities	**(9,255,790)**	(6,503,114)
Accrued interest	**113,897**	99,156
At end of year	**11,449,753**	9,506,169

Notes (continued)

16 Debt instruments at amortised cost (continued)

b) Deposits with financial institutions

	Group	
	2021	**2020**
	Ushs'000	**Ushs'000**
Fixed deposits – maturing within 1 year	**12,773,340**	14,921,864
The movement in fixed deposits is as follows:		
At start of year	**14,921,864**	14,308,454
Additions	**12,119,130**	14,433,581
Maturities	**(14,411,044)**	(13,831,641)
Accrued interest	**(30,302)**	186,660
Expected credit losses	**173,692**	(175,190)
At end of year	**12,773,340**	14,921,864

The deposits include a statutory deposits that the Group maintains with Bank of Uganda in line with the requirements of Ugandan Insurance Act, which states that every insurer must maintain a security deposit of at least 10% of the prescribed paid-up capital of an entity operating in the insurance sector. The Group is compliant with this requirement.

c) Receivables arising out of direct insurance arrangements

	Group	
	2021	**2020**
	Ushs'000	**Ushs'000**
Due from agents, brokers and intermediaries	**2,522,590**	8,716,247
Less provision for impairment	**(503,369)**	(4,238,534)
	2,019,221	4,447,713

d) Receivables arising out of re-insurance arrangements

Receivables arising out of reinsurance arrangements	**12,913,969**	20,995,491
Less expected credit losses	**(194,028)**	(21,316)
	12,719,941	20,974,175

e) Other debt instruments

Staff loans and advances	**32,274**	47,271
Less expected credit losses	**(3,309)**	(666)
	28,965	46,605

17 Other receivables

	Group		Company	
	2021	**2020**	**2021**	**2020**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**
Withholding tax	**164,570**	122,799	**-**	-
Prepayments	**56,870**	76,713	**4,887**	4,887
Less provision for impairment	**(25,853)**	(44,473)	**-**	-
	195,587	155,039	**4,887**	4,887

Notes (continued)

18 Cash at bank and in hand

	Group		Company	
	2021	**2020**	**2021**	**2020**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**
Petty cash	**5,722**	7,832		-
Cash at bank	**385,853**	408,259	**87,746**	12,868
	391,575	416,091	**87,746**	12,868

The Company holds no collateral in respect to the bank balances.

19 Share capital

	No of shares		Ordinary shares	
			2021	**2020**
	2021	**2020**	**Ushs'000**	**Ushs'000**
Authorised share capital	**1,500,000**	1,500,000	**15,000,000**	15,000,000
Issued share capital	**1,021,306**	1,021,306	**10,213,060**	10,213,060

The Company's authorised share capital comprises 1,500,000 ordinary shares with a par value of Shs 10,000.

	2021	**2020**
	Ushs'000	**Ushs'000**
At start of year	**10,213,060**	10,003,060
Increase	**-**	210,000
At end of year	**10,213,060**	10,213,060

20 Reserves

The Group complied with the regulatory reserve requirements as per the Ugandan Insurance Act. These are summarised below:

	Group	
	2021	**2020**
	Ushs'000	**Ushs'000**
Contingency reserve	**2,292,519**	1,685,169
Capital reserve	**324,789**	324,789
Total reserves	**2,617,308**	2,009,958

a) Contingency reserve

At start of year	**1,685,169**	1,230,250
Transfer during the year	**607,350**	454,919
At end of year	**2,292,519**	1,685,169

The contingency reserve is provided at 2% of the gross premiums for the non-life Insurance business and 1% for the life business as required by the Insurance Act of Uganda.

Notes (continued)

20 Reserves (continued)

b) Capital reserve

	Group	
	2021	2020
	Ushs'000	**Ushs'000**
At start of year	**324,789**	243,719
Transfer during the year	**-**	81,070
At end of year	**324,789**	324,789

The capital reserve is provided at 5% of the profit after tax for life and non-life Insurance businesses as required by the Insurance Act of Uganda

21 Insurance contract liabilities

a) Summary of insurance contract liabilities

	Group	
	2021	**2020**
	Ushs'000	**Ushs'000**
Outstanding claims	**7,139,832**	5,164,834
Claims incurred but not reported (IBNR)	**1,839,015**	1,108,897
Actuarial value of policyholder liabilities	**6,560,130**	5,308,593
	15,538,977	11,582,324

b) Movement in insurance contract liabilities

i) Claims incurred but not reported		
At start of year	**1,108,897**	301,087
Movement for the year	**730,118**	807,810
At end of year	**1,839,015**	1,108,897
ii) Outstanding claims		
At start of year	**5,164,834**	3,015,514
Movement for the year	**1,974,998**	2,149,320
At end of year	**7,139,832**	5,164,834
iii) Actuarial value of policyholder liabilities		
At start of year	**5,309,981**	4,133,906
Movement for the year	**1,250,149**	1,174,687
At end of year	**6,560,130**	5,308,593

22 Unearned premium reserve

At start of year	**3,647,808**	4,241,060
Movement	**(802,637)**	(593,252)
At end of tear	**2,845,171**	3,647,808

Notes (continued)

23 Other payables

	Group 2021 Ushs'000	Group 2020 Ushs'000
Reinsurance premiums payable	**6,235,841**	19,408,931
Accruals	**214,680**	277,318
Sundry payables	**1,160,029**	1,483,297
	1,374,709	1,760,615

24 Related parties

The Company's immediate parent is CIC Insurance Group plc incorporated in Kenya. The Company's ultimate parent is Co-operative Insurance Society Limited in Kenya.

Related party transactions mainly involve administration income, payment of expenses, management fees and board fees to Directors.

The following related party balances and transactions are included in the financial statements:

	Group		Company	
	2021 Ushs'000	2020 Ushs'000	2021 Ushs'000	2020 Ushs'000
a) Amounts due from related parties				
CIC Insurance Group Plc	**489,461**	500,000	**500,000**	500,000
CIC Africa Life Assurance Limited	**-**	-	**68,830**	273,635
	489,461	500,000	**568,830**	773,635
b) Amounts due to related parties				
CIC Insurance Group Plc	**2,905,479**	2,772,134	**2,906,118**	2,772,134
CIC General Insurance Uganda Limited	**-**	-	**2,342,160**	1,880,486
	2,905,479	2,772,134	**5,248,278**	4,652,620
c) Related party borrowings				
CIC Insurance Group Plc	**17,129,375**	16,345,350	**17,129,375**	16,345,350

	Group and Company 2021 Ushs'000	Group and Company 2020 Ushs'000
Current	**17,129,375**	16,345,350
Non-current	**-**	-
Total borrowings	**17,129,375**	16,345,350

The movements in borrowings was as follows:

	2021 Ushs'000	2020 Ushs'000
At start of year	**16,345,350**	15,663,789
Interest expense	**1,588,578**	985,362
Foreign exchange gain	**(804,553)**	(303,801)
At end of year	**17,129,375**	16,345,350

Notes (continued)

24 Related parties (continued)

c) Related party borrowings (continued)

The section below sets out an analysis of net debt and the movements in net debt.

Net debt	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**
Cash at bank and in hand	**391,575**	416,091	**87,746**	12,868
Borrowings	**(17,129,375)**	(16,345,350)	**(17,129,375)**	(16,345,350)
Leases	**(436,660)**	(703,929)	**-**	-
At end of year	**(17,174,460)**	(16,633,188)	**(17,041,629)**	(16,332,482)

Group

Net debt reconciliation	**Cash**	**Lease liabilities**	**Borrowings**	**Total**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**
Year ended 31 December 2020				
At 1 January	1,431,040	(561,465)	(15,663,789)	(14,794,214)
Cash flows	(1,014,949)	313,622	-	(701,327)
Foreign exchange gains	-	-	303,801	303,801
Interest expense	-	(18,665)	(985,362)	(1,004,027)
Other movements	-	(437,421)	-	(437,421)
Net debt at 31 December 2020	416,091	(703,929)	(16,345,350)	(16,633,188)
Year ended 31 December 2021				
At 1 January	416,091	(703,929)	(16,345,350)	(16,633,188)
Cash flows	(24,516)	267,269	-	242,753
Foreign exchange gains	-	-	804,553	804,553
Interest expense	-	-	(1,588,578)	(1,588,578)
Net debt at 31 December 2021	**391,575**	**(436,660)**	**(17,129,375)**	**(17,174,460)**

Company

Net debt reconciliation	**Cash**	**Borrowings**	**Total**
	Ushs'000	**Ushs'000**	**Ushs'000**
Year ended 31 December 2020			
At 1 January	91,115	(15,663,789)	(15,572,674)
Cash flows	(78,247)	-	(78,247)
Foreign exchange gains	-	303,801	303,801
Interest expense	-	(985,362)	(985,362)
Net debt at 31 December 2020	12,868	(16,345,350)	(16,332,482)
Year ended 31 December 2021			
At 1 January 2021	12,868	(16,345,350)	(16,332,482)
Cash flows	74,878	-	74,878
Foreign exchange gains	-	804,553	804,553
Interest expense	-	(1,588,578)	(1,588,578)
Net debt at 31 December 2021	**87,746**	**(17,129,375)**	**(17,041,629)**

Notes (continued)

24 Related parties (continued)

c) Related party borrowings (continued)

With the exception of short-term borrowings, all other balances due to or from related parties are interest free and unsecured.

Borrowings relate to money from the parent CIC Insurance Group plc to finance capital requirements of the Group and Company. The borrowings carry a fixed interest of 13% per annum. These borrowings are not secured against any of the assets of the Company.

i) Loans to directors of the Group

The Group did not advance any loans to its directors in the year ended 31 December 2021 (2020: nil).

ii) Key management personnel remuneration

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2021	**2020**
	Ushs'000	**Ushs'000**
Directors' emoluments – fees	**184,206**	227,823
Key management salaries and other short-term employment benefits	**761,368**	506,519
	945,574	734,342

25 Pension plans

The Group contributes to the National Social Security Fund ('NSSF'). This is a defined contribution scheme registered under the National Social Security Act. The Company's obligations under the scheme are limited to specific contributions regulated from time to time and are currently 10% of employees' gross salary. The Group's contributions are charged to the profit or loss in the period to which they relate.

	Group	
	2021	**2020**
	Ushs'000	**Ushs'000**
10% NSSF statutory employer contribution	**250,307**	213,311

26 Commitments and contingent liabilities

The Group is subject to litigation in the normal course of its business. The Group 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 2021 and did not find any that warranted a provision.

Notes (continued)

27 Risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including insurance risk, financial risk, credit risk, and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

The disclosures below summaries the way the Group manages key risks:

i) Insurance risk

The risk under any one insurance contract arises from the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities.

This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Insurance risk in the Group arises from:

a) Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
b) Unexpected claims arising from a single source;
c) Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
d) Inadequate reinsurance protection or other risk transfer techniques; and
e) Inadequate reserves.

(a), (b) and (c) can be classified as the core insurance risk, (d) relates to reinsurance planning, while (e) is about reserving.

Core insurance risk

This risk is managed through:

- Diversification across a large portfolio of insurance contracts;
- Careful selection guided by a conservative underwriting philosophy;
- Continuous monitoring of the business performance per class and per client and corrective action taken as deemed appropriate;
- A minimum of one review of each policy at renewal to determine whether the risk remains within the acceptable criteria;
- Having a business acceptance criterion which is reviewed from time to time based on the experience and other developments; and
- Having a mechanism of identifying, quantifying and accumulating exposures to contain them within the set underwriting limits.

Reinsurance planning

Reinsurance purchases are reviewed annually to verify that the levels of protection being sought reflect developments in exposure and risk appetite of the Group. The basis of these purchase is underpinned by the Group's experience, financial modelling by and exposure of the reinsurance broker. The reinsurance is placed with providers who meet the Group's counter party security requirements.

Notes (continued)

27 Risk management objectives and policies (continued)

i) Insurance risk (continued)

Claims reserving

The Group's reserving policy is guided by the prudence concept. Estimates are made of the estimated cost of settling a claim based on the best available information on registration of a claim, and this is updated as and when additional information is obtained and annual reviews done to ensure that the reserves are adequate. Management is regularly provided with claims settlement reports to inform on the reserving performance.

Long term insurance contracts

Life insurance contracts offered by the Group include term assurance, endowment, anticipated endowments, credit life insurance and Group life insurance. Term assurance contracts are conventional regular premium products where lump sum benefits are payable on death or permanent disability

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large 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, geographical location, lack of sound reinsurance program and type of industry covered.

The main risks that the Group is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected.
- Investment return risk – risk of loss arising from actual returns being different than expected.
- Expense risk – risk of loss arising from expense experience being different than expected.
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

Using sum insured as an indicator the table below illustrates the Group's distribution of risks underwritten:

	2021	**2020**
	%	**%**
Group credit (Member Employee Participation Insurance Plan)	92%	91%
Ordinary life	8%	9%

Short term insurance contracts

The Group underwrites primarily short-tail risks i.e. insurance under which claims are typically settled within one to two periods of the occurrence of the events giving rise to the claims, and risks that are long-tail in nature represent an insignificant portion of the Group's short term insurance portfolio. Consequently, whilst the Group may experience variations in its claims patterns from one period to the next, the Group's exposure at any time to short term insurance contracts issued more than one period before is limited.

Notes (continued)

27 Risk management objectives and policies (continued)

i) Insurance risk (continued)

Short term insurance contracts (continued)

The product features of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from short term insurance contracts in the Group are set out below:

Assets all risks - provides indemnity for losses sustained to the insured's assets on commercial lines.

Contractors all risks / engineering - provides indemnity for losses sustained as a result of structural damages to construction work.

Fire – provides indemnity for damages to immovable property, for the value of property as well as consequential loss, sustained through fire, storm, wind, water or earthquakes, including mining tremors. The properties insured are residential (for personal use) and commercial.

Theft– provides indemnity for losses suffered to householders sustained through accidental damage and theft.

Liability – provides indemnity for losses sustained due to accidental bodily injury/illness or damages relating to insured assets.

Motor - provides indemnity for losses in relation to all types of motor vehicles. The risks covered by this type of contract include fire, theft, impact, and third-party liability cover, excluding liability that is covered in terms of the Road Traffic Act.

Professional indemnity – provides indemnity for losses sustained as a result of litigation against professionals.

The Group limits its exposure to short term contracts insurance risk through setting a clearly defined underwriting strategy and limits, adopting appropriate risk assessment techniques and the reinsurance of risks that exceed its risk appetite. Each of these risk management aspects is dealt with below in more detail.

The Groups underwriting strategy seeks diversity to ensure a balanced portfolio of short-term insurance risks. The strategy also aims to establish a sufficiently large portfolio of risks to reduce the variability of the outcome. To this end, the Group underwrites a wide variety of risks spread across personal and commercial policyholders, which includes the underwriting of risks in niche markets with favourable claims experience. Using sum insured as an indicator, the table below illustrates the Group's distribution of risks underwritten:

	2021	2020
	%	%
All risk	59%	50%
Fire	11%	12%
WCA	6%	8%
CAR	2%	3%
Motor	17%	20%
Theft	3%	5%
Liability	2%	2%

Notes (continued)

27 Risk management objectives and policies (continued)

i) Insurance risk (continued)

Reinsurance risk

The Group enters into reinsurance agreements to spread the insurance risk and minimise the effect of underwriting losses, which agreements are entered into only with approved rated reinsurers. The reinsurers agree to reimburse the Group when a claim is paid under a risk that is reinsured. The Group, however, remains liable to its policyholders regardless of whether the reinsurers honour their obligations in terms of the reinsurance agreements.

Concentration risk

Within the insurance process, concentration of risk may arise when a particular event or series of events could impact heavily upon the Group's resources. The Group monitors the concentration risk by class of business. The Group has exposure to all major lines of business with very limited exposure to specialised areas of insurance. The exposure is consistent with the market and the Group's reinsurance policy limits the losses in any one class of business.

Sensitivity to insurance risk

The frequency and severity of claims can be affected by several factors. Changes in economic conditions such as exchange rates could impact claim levels. Due to the random nature of claims experience, there is a possibility of an accumulation of many larger claims in any one period that result in unexpected losses for the Group. The Group has the right to re-price the risk on renewal of the policy. It can also impose deductibles and reject fraudulent claims. At 31 December 2021, the Group believes that its liabilities for claims are adequate. However, changes to climate and crime rates in the country may produce a higher frequency and severity of claims than currently expected.

The Group enters into reinsurance agreements to spread the insurance risk and minimise the effect of underwriting losses, which agreements are entered into only with approved reinsurers. The reinsurers agree to reimburse the Group when a claim is paid under a risk that is reinsured.

Notes (continued)

27 Risk management objectives and policies (continued)

ii) Financial risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk and currency risk), credit risk and liquidity risk. These risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities include interest rate risk.

a) Market risk

i) Interest rate risk

Interest rate risk is defined as the exposure to changes in interest rate in respect of income earning assets. This risk is monitored through periodic reviews of the Group's interest-bearing assets and liability position.

There are no financial instruments held at variable interest rates. Accordingly, the Group has no significant exposure to interest rate risk.

ii) Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group primarily transacts in Uganda shilling and its assets and liabilities are denominated in the same currency. As at 31 December 2021, if the Uganda Shilling had weakened/strengthened by 5% against the Kenya Shilling with all variables held constant, the loss after tax for the year would have been Ushs 856 million higher/ lower (2020: profit after tax would have been Ushs 817 million lower/ higher) mainly as a result of Kenya shilling denominated borrowings.

b) Financial instruments by category

	Group		Company	
FINANCIAL ASSETS	**2021 Ushs'000**	**2020 Ushs'000**	**2021 Ushs'000**	**2020 Ushs'000**
Financial assets at amortised cost				
Government securities	**11,449,753**	9,506,169	**-**	-
Deposits with financial institutions	**12,773,340**	14,921,864	**-**	-
Other debt instruments	**28,965**	46,605	**-**	-
Receivables arising out of direct insurance arrangements	**2,019,221**	4,477,713	**-**	-
Receivables arising out of reinsurance arrangements	**12,719,941**	20,974,175	**-**	-
Amounts due from related parties	**489,461**	500,000	**568,830**	773,635
Cash and bank balances	**391,575**	416,091	**87,746**	12,868
Total financial assets	**39,872,256**	50,842,617	**656,576**	786,503
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
Other payables (excluding statutory payables)	**1,073,797**	1,222,576	-	-
Borrowings	**17,129,375**	16,345,350	**17,129,375**	16,345,350
Amounts due to related parties	**2,905,479**	2,772,134	**5,248,278**	4,652,620
Payables arising from reinsurance	**6,235,841**	19,408,931	-	-
Lease liabilities	**436,660**	703,929	-	-
Total financial liabilities	**27,781,152**	40,452,920	**22,377,653**	20,997,970

Notes (continued)

27 Risk management objectives and policies (continued)

ii) Financial risk

c) Financial risk factors

The Group is exposed to financial risk through its financial assets and financial liabilities. The Group's principal financial liabilities comprise other payables, amounts due to related parties, borrowings and payables arising from reinsurance. The Group has various financial assets such as other debt securities, treasury bills, reinsurance receivables and cash and short-term deposits, which arise directly from its operations. The Group 's policy is to manage financial risk separately through its operations. Exposure to liquidity, credit, interest rate and foreign currency risk arises in the normal course of the Group's business. In general, financial risk is managed actively by the Board of Directors which has established several subcommittees to deal with risk management issues. The Group risk management policies are established to identify and analyse the risks faced by the Group to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group 's activities.

d) Credit risk

Credit risk is defined as the potential loss in market value resulting from adverse changes in the borrower's ability to repay the debt. The major concentration of credit risk arises from the Group's insurance and reinsurance receivables and investments. Management manages this risk by upfront, stringent underwriting analysis, reviews by the audit committee of the Board and regular management meetings to review credit developments. All credit exposures are reviewed at least annually.

To mitigate credit risks relating to reinsurance receivables, the Group has established business and financial standards for reinsurance approval, incorporating rating by major rating agencies and considering current market information. The Group ensures that there is no concentration risk within a single reinsurer.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group's internal rating process

The Group's investment team prepares internal ratings for financial instruments (Financial assets at amortised cost, government securities, receivables, due from related parties, deposit with financial institutions and cash and bank balances) in which counter parties are rated using internal grades.

The internal ratings are determined by incorporating both qualitative and quantitative information from Standards and Poor's (S&P), rating supplemented with information specific to the counter party and other external information that could affect the counter party's behaviour. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

Notes (continued)

27 Risk management objectives and policies (continued)

ii) Financial risk (continued)

d) Credit risk (continued)

Below are the Group's internal credit rating grades

Internal rating grade	Internal rating description
1	High Grade
2	Standard Grade
3	Sub-standard Grade
4	Past due but not impaired
5	Individually Impaired
6	Individually Impaired

The table below provides information regarding the credit risk exposure of the Group by classifying High Grade is the highest possible rating. Assets that fall outside the range of High Grade to Standard Grade are classified as non-investment grade. The amounts represent the maximum amount exposure to credit risk. The credit risk analysis below is presented in line with how the Group manages the risk. The Group manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance assets.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties.

Group

	2021					
Ushs'000	High Grade	Standard Grade	Sub-standard Grade	Past due but not impaired	Individually impaired	Total
Other debt instruments	-	28,965	-	-	-	28,965
Government securities	11,449,753	-	-	-	-	11,449,753
Deposits with financial institutions	12,773,340	-	-	-	47,715	12,821,055
Receivables arising out of direct insurance	-	2,019,221	-	-	503,369	2,522,590
Receivables arising out of reinsurance arrangements	-	12,556,593	-	-	194,028	12,750,621
Amounts due from related parties	-	489,461	-	-	-	489,461
Cash at bank	385,853	-	-	-		385,853
Total credit exposure	**24,608,946**	**15,094,240**	**-**	**-**	**745,112**	**40,448,298**

Notes (continued)

27 Risk management objectives and policies (continued)

ii) Financial risk (continued)

d) Credit risk (continued)

Credit exposure by credit rating (continued)

Group

Ushs'000	2020 High Grade	Standard Grade	Sub-standard grade	Past due but not impaired	Individually Impaired	Total
Other debt instruments	-	46,605	-	-	666	47,271
Government securities	9,506,169	-	-	-	-	9,506,169
Deposits with financial institutions	14,921,864	-	-	-	221,407	15,143,271
Receivables arising out of direct insurance	-	4,477,713	-	-	4,238,534	8,716,247
Receivables arising out of reinsurance arrangements	-	20,974,175	-	-	21,316	20,995,491
Amounts due from related parties	-	500,000	-	-	-	500,000
Cash and bank balances	408,259	-	-	-	-	408,259
Total credit exposure	24,836,292	25,998,493	-	-	4,481,923	55,316,708

Company

Ushs'000	2021 High Grade	Standard Grade	Sub-standard grade	Past due but not impaired	Individually Impaired	Total
Amounts due from related parties	-	568,830	-	-	-	568,830
Cash and bank balances	87,746	-	-	-	-	87,746
Total credit exposure	**87,746**	**568,830**	**-**	**-**	**-**	**656,576**

Ushs'000	2020 High Grade	Standard Grade	Sub-standard grade	Past due but not impaired	Individually Impaired	Total
Amounts due from related parties	-	773,635	-	-	-	773,635
Cash and bank balances	12,868	-	-	-	-	12,868
Total credit exposure	12,868	773,635	-	-	-	786,503

Notes (continued)

27 Risk management objectives and policies (continued)

ii) Financial risk (continued)

d) Credit risk (continued)

Credit exposure by credit rating (continued)

Total credit risk exposure

Group

	Carrying value 2021 Ushs'000	Collateral 2021 Ushs'000	Net credit exposure 2021 Ushs'000	Carrying value 2020 Ushs'000	Collateral 2020 Ushs'000	Net credit exposure 2020 Ushs'000
Government securities	**11,449,753**	-	**11,449,753**	9,506,169	-	9,506,169
Deposits with financial institutions	**12,773,340**	-	**12,773,340**	14,921,864	-	14,921,864
Receivables arising out of direct insurance	**2,019,221**	-	**2,019,221**	4,477,713	-	4,477,713
Receivables arising out of reinsurance arrangements	**12,719,941**	-	**12,719,941**	20,974,175	-	20,974,175
Other debt instruments	**28,965**	-	**28,965**	46,605	-	46,605
Amounts due from related parties	**489,461**	-	**489,461**	500,000	-	500,000
Cash and bank balances	**385,853**	-	**385,853**	408,259	-	408,259
Total	**39,866,534**	-	**39,866,534**	50,834,785	-	50,834,785

Company

	Carrying value 2021 Ushs'000	Collateral 2021 Ushs'000	Net credit exposure 2021 Ushs'000	Carrying value 2020 Ushs'000	Collateral 2020 Ushs'000	Net credit exposure 2020 Ushs'000
Amounts due from related parties	**568,830**	-	**568,830**	773,635	-	773,635
Cash and bank balances	**87,746**	-	**87,746**	12,868	-	12,868
Total	**656,576**	**-**	**656,576**	786,503	-	786,503

Notes (continued)

27 Risk management objectives and policies (continued)

ii) Financial risk (continued)

d) Credit risk (continued)

The Group limits the levels of credit risk that it accepts by placing limits on its exposure to a single counterparty or entities of counterparties, product, and to industry segments. The levels are subject to annual or more frequent reviews. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each intermediary and the portfolios that they manage. A significant amount of the insurance business is written through intermediaries.

Significant increase in credit risk, default and cure

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers forward looking factors such as GDP growth, unemployment rates and forward CPI rate when assessing the increase in the credit risk.

The Group considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due, In addition, the Group also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Counterparty's listed debt or equity suspended at the primary exchange because of rumors or facts about financial difficulties

The Group considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Group may also consider an instrument to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. In such cases, the Group recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months. There has been no significant increase in credit risk or default for financial assets during the year.

Impairment losses on financial assets subject to impairment assessment

Refer to note 16 for more details on the impairment losses charged in the financial statements.

Notes (continued)

27 Risk management objectives and policies (continued)

ii) Financial risk (continued)

d) Liquidity risk

Liquidity is a measure of the Group's ability to generate sufficient cash flows to meet the short term and long-term cash requirements of the Group's business operations. Liquidity risk arises when there is a mismatch between the maturities of liabilities and assets. Cash needs consist of paying insurance losses and day-to-day operating expenses.

Those needs are met through cash receipts from operations and investment income. The Board sets limits on the minimum proportion of maturing funds available to meet such calls. The Group manages liquidity risk by maintaining adequate cash resources, banking facilities and by continuously monitoring forecasts and actual cash flows.

Maturity profiles

After satisfying cash requirements, excess cash flows are used to build up the investment portfolio and thereby increase future investment income to increase the Group's capacity to expand the business.

The Group has adequate liquid resources to cover its obligations. The Group's liquidity analysis is as per the maturity profile tables in the next section.

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Group based on remaining undiscounted contractual obligations.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. These cash flows are grouped into time buckets based on estimated timing of net cash outflows. These cash flows are grouped into time buckets based on estimated timing of net cash outflows.

Notes (continued)

27 Risk management objectives and policies (continued)

ii) Financial risk (continued)

e) Liquidity risk (continued)

Maturity profiles (continued)

Group

31 December 2021	**Carrying amount Ushs'000**	**Up to 1 year Ushs'000**	**1–3 years Ushs'000**	**>3 years Ushs'000**	**Total Ushs'000**
Assets					
Government securities	11,449,753	6,795,631		4,654,122	11,449,753
Deposits with financial institutions	12,821,055	12,773,340	47,715	-	12,821,055
Receivables arising out of reinsurance arrangements	12,750,621	12,556,593	194,028	-	12,750,621
Receivables arising out of direct insurance arrangements	2,522,590	2,019,221	503,369	-	2,522,590
Other debt instruments	28,965	28,965	-	-	28,965
Amounts due from related parties	489,461	489,461	-	-	489,461
Cash and cash equivalents	391,575	391,575	-	-	391,575
Total assets	40,454,020	35,054,786	745,112	4,654,122	40,454,020
Liabilities					
Insurance contract liabilities	8,978,847	8,978,847	-	-	8,978,847
Payables arising from reinsurance	6,072,494	6,072,494	-	-	6,072,494
Other payables	1,073,797	1,073,797	-	-	1,073,797
Lease liabilities	436,660	306,802	129,858	-	436,660
Amounts due related parties	2,905,479	2,905,479	-	-	2,905,479
Borrowings	17,129,375	17,129,375	-	-	17,129,375
Total liabilities	36,596,652	36,466,794	129,858	-	36,596,652
Net liquidity	**3,857,368**	**(1,412,008)**	**615,254**	**4,654,122**	**3,857,368**

31 December 2020	**Carrying Amount Ushs'000**	**Up to 1 year Ushs'000**	**1–3 years Ushs'000**	**> 3 years Ushs'000**	**Total Ushs'000**
Assets					
Government securities	9,506,169	9,506,169	-	-	9,506,169
Deposits with financial institutions	15,097,054	14,921,864	175,190	-	15,097,054
Receivables arising out of reinsurance arrangements	20,995,491	20,974,175	21,316	-	20,995,491
Receivables arising out of direct insurance arrangements	8,716,247	4,477,713	4,238,534	-	8,716,247
Other debt instruments	47,271	46,605	666	-	47,271
Amounts due from related parties	500,000	500,000	-	-	500,000
Cash and cash equivalents	416,091	416,091	-	-	416,091
Total assets	55,278,323	50,842,617	4,435,706	-	55,278,323
Liabilities					
Insurance contract liabilities	11,582,324	11,582,324	-	-	11,582,324
Payables arising from reinsurance	19,408,931	19,408,931	-	-	19,408,931
Other payables	1,760,615	1,760,615	-	-	1,760,615
Lease liabilities	703,929	276,951	426,978	-	703,929
Amounts due related parties	2,772,134	2,772,134	-	-	2,772,134
Borrowings	16,345,350	16,345,350	-	-	16,345,350
Total liabilities	52,573,283	52,146,305	426,978	-	52,573,283
Net liquidity	2,705,040	(1,303,688)	4,008,728	-	2,705,040

Notes (continued)

27 Risk management objectives and policies (continued)

ii) Financial risk (continued)

e) Liquidity risk (continued)

Maturity profiles (continued)

Company

31 December 2021	Carrying amount Ushs'000	Up to 1 year Ushs'000	1–3 years Ushs'000	>3 years Ushs'000	Total Ushs'000
Assets					
Amounts due from related parties	568,830	568,830	-	-	568,830
Cash and cash equivalents	87,746	87,746	-	-	87,746
Total assets	656,576	656,576	-	-	656,576
Liabilities					
Amounts due related parties	5,248,278	5,248,278	-	-	5,248,278
Borrowings	17,129,375	17,129,375	-	-	17,129,375
Total liabilities	22,377,653	22,377,653	-	-	22,377,653
Net liquidity	**(21,721,077)**	**(21,721,077)**	**-**	**-**	**(21,721,077)**

31 December 2020	Carrying amount Ushs'000	Up to 1 year Ushs'000	1–3 years Ushs'000	>3 years Ushs'000	Total Ushs'000
Assets					
Amounts due from related parties	773,635	773,635	-	-	773,635
Cash and cash equivalents	12,868	12,868	-	-	12,868
Total assets	786,503	786,503	-	-	786,503
Liabilities					
Amounts due related parties	4,652,620	4,652,620	-	-	4,652,620
Borrowings	16,345,350	16,345,350	-	-	16,345,350
Total liabilities	20,997,970	20,997,970	-	-	20,997,970
Net liquidity	(20,211,467)	(20,211,467)	-	-	(20,211,467)

Notes (continued)

27 Risk management objectives and policies (continued)

iii) Capital risk management

The Group maintains an efficient capital structure from a combination of equity shareholders' funds and borrowings, consistent with the Group's risk profile and the regulatory and market requirements of its business.

The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Group'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 Group is focused on the creation of value for shareholders.

The Group has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders The Group 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 Group manages as capital all items that are eligible to be treated as capital for regulatory purposes.

The subsidiaries are regulated by the Insurance Regulatory Authority and are subject to insurance solvency regulations which specify the minimum amount and type of capital in accordance with these rules and has embedded in its risk management framework the necessary tests to ensure continuous and full compliance with such regulations.

Share capital

The General Insurance Business has paid up capital of Ushs 14,574 million while the Life Assurance Business has paid up capital of Ushs 9,272 million. These amounts are also above the required paid up capital of Shs 6,000 million for a non-life company and Shs 4,500 million for a life insurance business as per the Insurance (Capital Adequacy and Prudential Requirements) Regulations 2020.

Notes (continued)

27 Risk management objectives and policies (continued)

iii) Capital risk management (continued)

Solvency 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. The 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.

As at 31 December 2021, application of the RBS framework to the Companies gave rise to capital requirements as per the table below:

	Life business		**General business**	
	2021	**2020**	**2021**	**2020**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**
Capital available	**2,961,495**	2,399,377	**11,818,303**	11,434,584
Capital required	**4,500,000**	4,500,000	**6,000,000**	6,000,000
Capital Adequacy Ratio	**66%**	53%	**197%**	156%
Prescribed Capital Adequacy Ratio	**200%**	200%	**200%**	200%
Capital deficit	**134%**	147%	**3%**	-44%

The Companies' Capital Adequacy Ratios of 66% and 197% were below the required amount of 200%, which represents non-compliance with the Insurance (Capital Adequacy and Prudential Requirements) Regulations, 2020 ("the Regulations"). The capital deficits of 134% and 3% are equivalent to Ushs 6 billion and Ushs 182 million respectively.

The Insurance Regulatory Authority could revoke the Companies' licences for non-compliance with the Regulations. That said, the directors have engaged with the Insurance Regulatory Authority to explore ways of how the required Capital Adequacy Ratio can be achieved. The directors also represent that the parent entities (CIC Africa (Uganda) Limited and CIC Insurance Group Plc) will continue providing the Companies with financial support in the foreseeable future to enable them to meet their Capital Adequacy Ratio requirements.

Notes (continued)

27 Risk management objectives and policies (continued)

iii) Capital risk management (continued)

Gearing ratio

The Group and Company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as equity as shown in the statement of financial position and net debt as disclosed below.

The gearing ratio is calculated by dividing the net debt by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. The gearing ratio as at the end of the year was as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**
Total borrowings (Note 24(c))	**17,129,375**	16,345,350	**17,129,375**	16,345,350
Less: cash at bank and in hand (Note 18)	**(391,575)**	(416,091)	**(87,746)**	(12,868)
Net debt	**16,737,800**	15,929,259	**17,041,629**	16,332,482
Equity	**(5,663,417)**	(4,451,739)	**2,129,710**	2,730,320
Total capital	**11,074,383**	11,477,520	**19,171,339**	19,062,802
Gearing Ratio	**151%**	139%	**89%**	86%

iv) Operational risk

Generally, all business activities contain some aspects of operational risk. The Group has established a comprehensive framework to identify, assess, quantify, mitigate and report on operational risks within the organisation.

As part of this process, operational risks are identified for key business areas and are qualitatively assessed. Risks identified and assessed above certain thresholds must be evaluated for mitigation. Any resulting plans for improvement actions are documented and tracked on an ongoing basis. In addition to the operational risk assessments, loss events above a threshold determined by policy are documented and evaluated in a Group-wide data base. Where needed, improvement actions are put in place to avoid recurrence of such operational loss events.

Specific processes and systems are put in place to focus on high-priority operational matters such as outsourcing, information technology and managing business continuity. A key task is keeping the business continuity plans up to date, with an emphasis on recovery from unexpected events such as natural catastrophes and the possibility of a pandemic.

The Group continues to strengthen the consistency, documentation and assessment of our internal controls for significant processes. Although primarily focused on important controls for financial reporting, this effort also includes related operational and compliance controls.

Notes (continued)

27 Risk management objectives and policies (continued)

v) Risks to reputation and strategic risks

As with operational risk, every risk type has potential consequences for the Group's reputation. Effectively managing each type of risk helps reduce the threats to reputation. The Group preserves its reputation by adhering to all applicable laws and regulations, and by following the core values and principles of the Group, which include, among others, integrity and good business practice. Strategic business decisions by nature involve risks. These risks are reduced through risk assessment processes and tools.

vi) Legal risks

Legal risk is the risk that the Group may be exposed to contractual obligations which have not been provided for. The risk arises from the uncertainty of the enforceability, through legal or judicial processes, of the obligations of our customers and counterparties, including contractual provisions intended to reduce credit and product exposure.

28 COVID-19

The novel Coronavirus 2019 (COVID-19) poses a significant threat to global health and the World Health Organisation has officially characterised the situation as a pandemic.

The directors have assessed the impact of COVID-19 and also reviewed the measures undertaken by the Government of Uganda to mitigate the spread of the pandemic. Based on this assessment, the Directors are of the view that while it is still too early to determine the full impact of COVID-19, this pandemic will not have a material impact on the Group's and Company's operations, financial performance and going concern status.

CIC UGANDA OFFICES

HEAD OFFICE
AHA Building
1st and 2nd Floor
Plot 7, Lourdel Rd Nakesero.
P.O. Box 34975 Kampala, Uganda.
Tel: 0200900100, +256 312307600

TOWN OFFICE BRANCH
Tobani Centre Building
Ground Floor Plot 11, Kampala Road
Kampala – Uganda
Tel: 020 090 01 00, +256 312 307 627

MBALE BRANCH
Oval Plaza
Ground Floor
Plot 1, Court Road,
Mbale – Uganda
Tel: 0200900100, +256 312307600, +256 779584615

MBARARA BRANCH
Rusca Building,
Plot 73, High Street,
Mbarara – Uganda
Tel: 020 090 01 00, +256 782 165 815

KASESE BRANCH
Karabia House
Stanely Street
Kasese Town Centre
Kasese – Uganda
Tel: 0789615258, 0752892590

REGIONAL OFFICES

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CIC Plaza, Upper Hill, Nairobi
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CIC MALAWI
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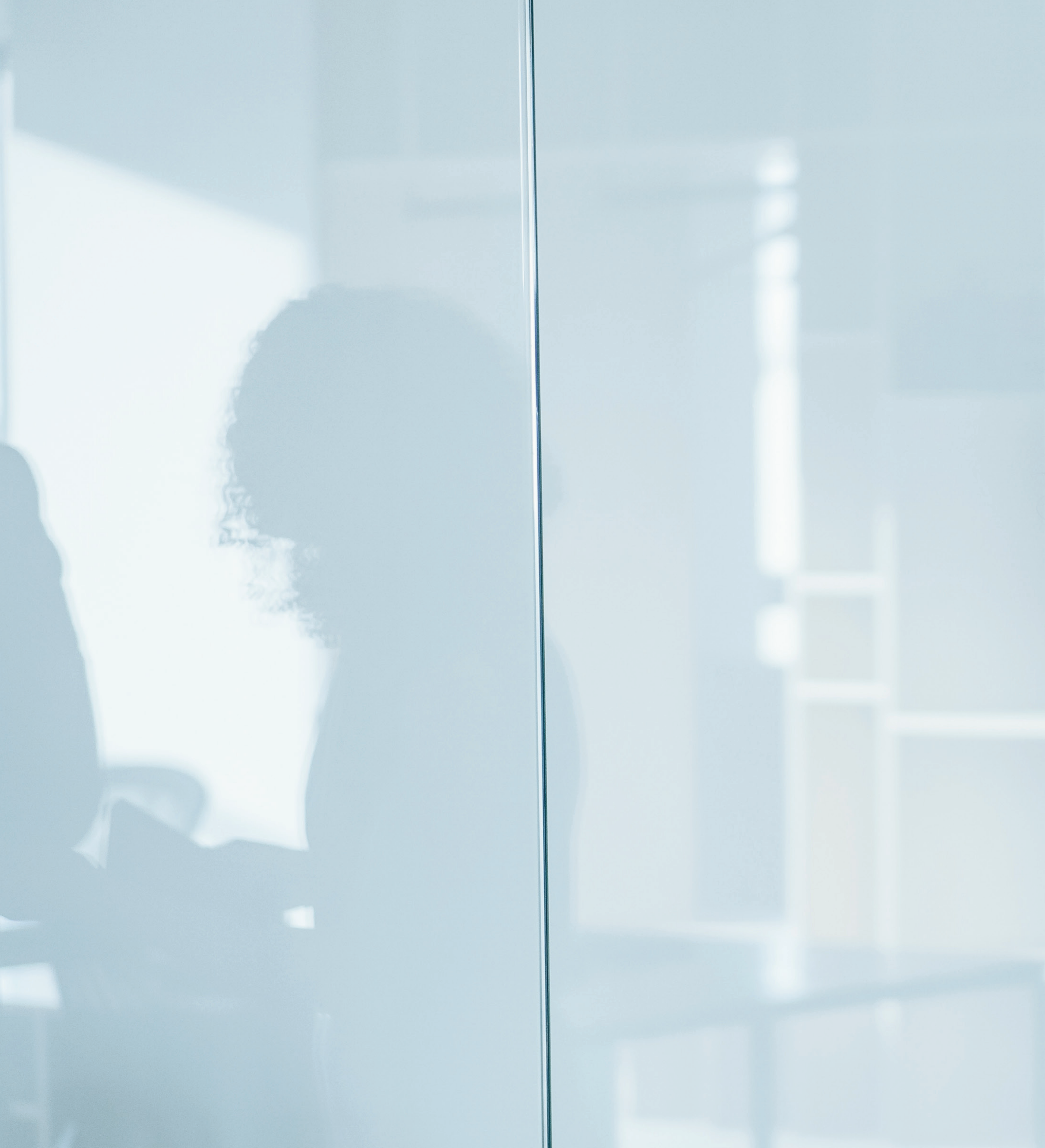

CIC INSURANCE

CIC AFRICA INSURANCE (UGANDA) LTD.

AHA BUILDING 2ND FLOOR, LOURDEL RD KAMPALA

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