KlaptonRe

ANNUAL REPORT 2021

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KlaptonRe

CONTENTS

About Us

Klapton Reinsurance Limited (“Klapton Re”) is a private limited company incorporated under the Companies Act of Zambia in August 2020 and licenced by the Pensions and Insurance Authority as a non-life reinsurer in 2021. We opened our doors to the public on 1 October 2021.

Our principal activity is to provide facultative and treaty reinsurance services in various markets, namely, Africa, Asia, and Latin America. Klapton Re brings reinsurance capacity to our markets with innovative underwriting, allowing us to offer security over a wide range of products, giving an excellent customer experience. The company takes on risks that range from fire, engineering, energy, marine and aviation to specialised liability, casualty, and motor reinsurance.

Klapton Re has established regional hubs in Kenya, Côte d’Ivoire and Asia, and we collaborate with brokers in different markets to provide reinsurance support through our strategic position. We bring collective experience and expertise in insurance and investment management to the insurance market.

Our value proposition of solid partnership is evidenced by agile reinsurance solutions focused on providing professional service to ensure an exceptional customer experience. We are proud to offer a one-stop-shop with prompt decision making to ensure unmatched claims settlement service for the benefit of our clients.

We want our customers to count on us through a positive customer experience, flexible solutions, expeditious claims settlement, and long-term relationships. We will also collaborate with other reinsurance players in the quest to provide solutions to cedants for the ultimate benefit of insureds.

Klapton Re is an active member of the Insurance Association of Zambia (IAZ), African Insurance Organisation (AIO), Organisation of Eastern and Southern African Insurers (OESAI) and the Federation of Afro-Asian Insurers and Reinsurers (FAIR).

Our call to brokers and cedants in our chosen markets is to place their reinsurance business with Klapton Re. As our tag line goes, we are “Here for You”.

KlaptonRe

"At the heart of Klapton Re are technology focused solutions that automate underwriting procedures."

Our Mission

"Providing reinsurance services with specific application of experience, knowledge through innovative underwriting and prudent risk management for the ultimate benefit of our customers"

Our Vision

"To be a preferred provider of reinsurance services in our chosen markets"

Our Values

Our values guide the way we do things to ensure we fulfil our vision, mission and objectives. The solid foundation of Klapton Re's culture is based on the following values:

Knowledge
KlaptonRe is a knowledge-focused and data-driven organisation that strives to be a centre of excellence. We will be a learning organisation.

Long Term
We will take a long-term approach to run the business, building partnerships, and serving our clients.

Accountability
Our commitment is to be transparent and accountable in all our actions and decisions. We will promote good corporate governance.

Proactivity
We will endeavour to effectively serve our clients by anticipating their needs and proactively offering solutions through innovation.

Togetherness
We will collaborate with our stakeholders in the value chain, beginning with our employees, insurers, customers, shareholders, regulators and the public.

Product and Service Offering

Reinsurance Arrangements
At Klapton Re, we pride ourselves in analytical assessment. Information and knowledge are at the core of our underwriting philosophy underpinned by underwriting discipline to sustain our deep client relationships across a broad product offering that provides reinsurance solutions.

We have a team of talented leaders and underwriters who are flexible and creative in their approach to underwriting risks while prudent in decision-making. Our primary goal is centred on a commitment to service and provision of both treaty and facultative reinsurance capacity to meet cedants needs across all regions of operation. We believe that reinsurance is a relationship rather than just a product or transaction.

Whether it is a complex single risk or project that you need capacity for, or perhaps an SME product line that you need to structure, our niche expert facultative underwriters will be at hand to drive this process with you. We will be standing with you throughout the product design and reinsurance.

Policies
We aim at prudent underwriting rather than pure premium growth, achieved through our competent underwriting team equipped with the right tools to analyse and rate risks appropriately.

Central to our operation is our mission to be the preferred reinsurer in all markets that we operate in. Hence our risk selection approach focusses on four key elements (AIMS): Adequacy of premium, cedant Involvement, Management of risks, and a Source of business that is accurate.

Claims
Klapton Re is committed to adhering to best claims management practices and ensuring that we are a centre of excellence. This commitment aligns with our vision of being a preferred provider of reinsurance services in our chosen markets.

We promise to pay valid claims and aim to be proactive in claims handling through prompt feedback to ensure efficiency in our service delivery. As one of our critical corporate strategic objectives, we seek to win customer confidence and trust through efficient service delivery.

Klapton Re has an established, fully functioning internal claims department comprising qualified and experienced professionals who handle complex claims in our local, regional, and international markets by utilising an existing network of regional brokerage hubs that have been operating for several years.

Product and Service Offering

Agriculture

Klapton Re offers the capacity to underwrite all the major classes of business in all the regions of operation, including agriculture, aviation, engineering, fire, marine, motor, liability and casualty.

We offer various protection coverage for material damage loss to crops and livestock from perils such as disease, flood, fire, drought, storm, hail and wind, to name a few.

Aviation

Flying creates unique risks to businesses that own or use aeroplanes or helicopters for business purposes. This incorporates risks such as fire, theft, floods, hailstorms, wars etc. Because we understand that the risks associated with aviation can be catastrophic, we offer products tailored to cover your needs.

We offer Aviation Hull, War and P&I, Aviation Cargo material damage cover and Liability risks protection for aeroplanes or helicopters for private and business purposes.

Engineering

Our engineering policy covers a wide range of engineering-related products.
It provides complete protection against risks associated with erection, resting, and working of any machinery, plant, or equipment, and it also provides protection against ongoing projects such as construction.

Klapton Re offers a wide range of engineering-related products, such as plant all risks, contractors all risks, single projects / annual projects, erection all risks, machinery breakdown, heavy equipment all risks and electronic equipment.

Product and Service Offering

Fire

Our fire reinsurance provides protection against incidents of accidental fire, lightning, explosions, etc. Fire accidents are unexpected and can cause enormous destruction in terms of finances and dealing with the aftermath.

We work hand in hand with our clients to provide products and policies that meet their needs. Our fire protection includes business interruption and consequential loss of profits.

Marine

Under marine reinsurance, we offer a wide range of products that protect against damage to the ship and cargo at sea or inland waterways in transit. In addition, we have extended cover risks that other reinsurers may be reluctant to cover, such as oil spillage and pollution.

This also broadens to cover risks affiliated with war. Offering a wide range of Marine Hull, War and P&I, Marine Cargo product protection against damage shipment of cargo at sea or inland waterways, including extended coverage that most reinsurers are reluctant to cover, such as oil spillage and pollution.

Motor

Accidents on the road are unexpected and can cause both financial and mental strain. Our products have a wide coverage from third party liabilities to damages to own vehicles arising from risks such as fire, theft, property damage etc. We cover both private and commercial vehicles.

Our products have a wide coverage from third party liabilities to damages to own vehicles arising from risks such as fire, theft, property damage etc., covering both private and commercial vehicles under the following categories; RVI. Motor Vehicles, MV TPL and MV Casco Cover.

The Year in Photos

The Klapton Re team had the pleasure of attending the 2021 IAZ Conference and the Insurance Awards Giving Ceremony.

Pictured from left to right: Klapton Re's Underwriting Manager, Herfty Muzyamba, CEO Webster Twaambo Jr., COO Cynthia Simeza, and Tionge Simbeye, Head of Underwriting.

Klapton Re attended the 2021 African Insurance Organisation (AIO) Reinsurance Forum held in Kigali, Rwanda.

Pictured from left to right: Klapton Re's CEO, Webster Twaambo Jr., with Klapton Reinsurance Brokers (KRB) Chief Underwriter Regine Akayezu, and CEO, Chris Kiragu.

Our solid team of vibrant, young talented individuals carefully selected to deliver exceptional service and achieve the vision of Klapton Re "To be a preferred provider of reinsurance services in our chosen markets".

Flexible Insurance for Insurance Companies

Klapton Re Launch Event

The Klapton Reinsurance launch event was held at the Taj Pamodzi Hotel in Lusaka on 14th October 2021. We were humbled to be joined by over 150 dignitaries and invited guests who enjoyed speeches, networking and live jazz entertainment.




Guests were addressed by:

- CEO & Managing Director of Klapton Re, Mr. Webster Twaambo Jr,
- Klapton Re Shareholders Representative, Mr. Shay Reches
- Acting Registrar PIA, Mrs. Kabisa Ngwira
- Minister of Finance and National Planning, represented by Acting Secretary to the Treasury, and Guest of Honour, Mr. Danies Chisenda

Other VIPs included:

- Israel Consul Representative, Ms. Justina Jata
- AIO Representative, Mr. Chabala Lumbwe
- OESAI Representative, Dr. Hastings Chiti
- IAZ president, Ms. Christabel Banda
- IBAZ president, Mr. Humphrey Kabwe
- Klapton Re Board member, Ms. Chiluba Mumba

Chairman's Report

On behalf of the Board of Directors, I am pleased to present the results of Klapton Reinsurance Limited for the financial year ended December 31, 2021.

Economic Overview

Global sentiments for 2021 were positive regarding economic recovery. Many markets, including emerging markets, are poised for positive growth after the changes brought about by the COVID-19 pandemic in 2020. Global GDP was projected to close at 5.9%, up from -3.12% in 2020. The emergence of a new variant of the COVID 19, Omicron, towards the end of the year raised the risk of slower than anticipated global economic recovery.

Zambia's GDP stood at 3.3% in 2021, an increase from the 2.8% of 2020 that was driven by the contraction due to the impact of the COVID – 19 pandemic in 2020. There is an anticipated recovery in the mining, tourism, and manufacturing sectors. An upswing in demand for copper was noted and, as a result, a rise in the prices of copper will boost the local mining sector.

Industry Review

There was notable activity in the Zambian insurance regulatory space in 2021, with significant progress made towards operationalising the Insurance Act No, 38 of 2021.

Changes expected in 2022 due to this are a move towards a risk-based capital adequacy structure and the introduction of perpetual licences at the end of 2022. In addition, 30% of the shareholding of insurance and reinsurance companies must be placed with citizens of Zambia within four years.

The 2022 budget presented in October 2021 introduced withholding tax (WHT) at the rate of 20% on all reinsurance placed outside Zambia. This measure is intended to encourage the uptake of reinsurance from local firms and further develop the industry.

Further, the budget initially proposed abolishing the insurance levy on local insurance and the re-introduction of VAT. This was reversed, and the levy was maintained but with the rate revised upwards from 3% to 5%.

Company Operations

2021 was a milestone year for Klapton Re. With support from the Zambia Development Agency (ZDA) and the Pensions and Insurance Authority (PIA), Klapton Re was registered and incorporated in the Republic of Zambia in August 2020 and licenced by the Pensions and Insurance Authority in 2021 to operate as a reinsurance entity. This was an exciting year, and all of us at Klapton Re anticipate a rewarding journey as Klapton Re presents itself to the world stage as a viable and trustworthy reinsurance partner.

The company set up operations in Lusaka, Zambia, against the backdrop of an emerging strengthened regulatory regime and insurance regulation that is rapidly evolving to keep up with changing regional and global dynamics.

Klapton Re set up physical offices, employed key personnel and was successfully launched on October 14, 2021, shortly after the commencement of trading on October 1, 2021. In FY21, the company recorded a gross written premium of K16.7 million.

The company recorded a loss of K29.2 million owing to the significant start-up costs that placed pressure on earnings. Investments stood at K24.1 million with a corresponding investment income of K1.6million.

The fully paid-up share capital stood at K70 million with a share premium of K7million. Solvency margin was recorded at 101%, significantly above the statutory requirement of 10%. PriceWaterhouseCoopers (PWC) was formally appointed as Auditors to carry out external audit work for Klapton Re.

The company set out credit rating road maps with critical activities pertaining to GCR and Bloomfield. Both rating processes were in the preliminary stages as of year-end.

Once issued, these ratings will provide market confidence that the security has a market-accredited rating. This is expected to boost premium uptake and assist the company's focus on underwriting premium level risks to drive a positive risk profile further. Both rating processes are expected to be finalised within Q1 2022.

As of the end of December 2021, Klapton Re is fully staffed with representation in all the company's departments, namely: Underwriting, Claims, Finance, Information Technology, Governance, Risk and Compliance and Administration.

The COVID-19 pandemic impacted the operations periodically during the year. The company continues to monitor the COVID - 19 situation in the country to protect members within reasonable measure from the virus. All staff employed by Klapton Re are fully vaccinated against COVID – 19.

Governance Risk And Compliance

Klapton Re places great emphasis on governance, and we recognise the responsibility to our various stakeholders to be abreast with the latest governance best practices obtained in the market.

The Board of Directors comprises two executives, one independent and two non-executive directors appointed in 2021. Three Subcommittees of the Board have been established: the Audit Finance and Investments Committee, the Reinsurance, Claims, ICT and Risk Committee, and the Human Resource and Remuneration Committee.

Following the establishment of the Board and Board Committees the key areas of focus for the year were identified as:

- Approving the company's risk appetite.
- Approving the company's guiding policies.
- Approving the company's strategy formulated by management

Klapton Re has a Governance, Risk and Compliance unit tasked with ensuring that the company conducts its business in line with the relevant rules, regulations, and guidelines of the insurance industry and that the company is compliant with all relevant provisions of the laws of Zambia.

Information and Communication Technology

The focus of the company, from an ICT perspective, has been to ensure that all physical and digital infrastructure is installed and working effectively. The focus is to harness technology for the organisation's benefit in improving efficiency across as many areas as possible.

An initial investment of over USD $800,000 has been made into the core reinsurance software system DXC's - SICS NT. This dynamic and robust system ensures that the highest quality of data integrity is maintained while delivering optimal service to our partners.

SICS is specially designed for reinsurers that require an administrative system to handle both their front end and back end reinsurance arrangements and is suitable for all lines of business. It can support all types of reinsurance arrangements and is particularly useful for administering complex policies and treaty portfolios.
It is estimated that over 20% of global non-life reinsurance premium is processed through the SICS system. SICS is a multi-company and multi-currency solution with rich automated processes expected to yield significant value to Klapton Re.

Strategic Planning
Klapton Reinsurance Limited's (KRL) Strategic Plan sets out the organisation's focus and highest priorities for 2022 to 2025. The plan is used to ensure that company priorities and regulatory obligations are delivered, the company's core service responsibilities are met, and service delivery is continually improved.

The plan also serves the critical function of helping KRL staff focus on key priorities and understand how their work fits into the bigger picture of the company's overall long-term goals.

The board believes that a robust Strategic Plan is an integral part of the planning cycle, designed to build on the business's vision, mission, and guiding principles. The plan will be reviewed annually and, if needed, adjusted to reflect changes in the operating environment and company needs.

Outlook
Forecasts for 2022 indicate a slight moderation in global GDP growth to 4.4.%. In Zambia, GDP growth is forecast at 3.5%. Inflation is expected to remain elevated, and supply chain disruptions triggered by COVID – 19 remain a threat.

The company projects to grow on the back of strong shareholder support, and significant premium uptake through the company's strategic partners. The company will focus on writing high-quality risks while pushing growth and profitability.

The company's reach across markets is expected to widen, and we plan to establish ourselves as premier security within the Zambian market and a significant contributor to the economy.

Conclusion
On behalf of the board, management, and staff, I wish to express my gratitude to our partners, the regulator, the shareholders, and all other stakeholders for their confidence in the vision of Klapton Re. I believe that Klapton Re is poised to change the reinsurance landscape in Zambia and beyond and create long term value for all stakeholders.

Michael Lawson
Board Chairperson

Managing Directors’ Report

Operating Environment
2021 was an exciting year for Klapton Re. With our key stakeholders' support and leveraging our hub network, we successfully started writing business on October 1, 2021. Setting up a company at the height of a world pandemic demonstrates the long-term view of our shareholders.

While COVID-19 continues to impact economies globally, in 2021, world markets started recovering from the economic downturn triggered by the pandemic. Klapton Re joins the reinsurance market as the world economy rebounds and has strategically positioned itself to provide reinsurance support in our defined markets.

Financial Performance
The three months to December 31, 2021, resulted in a gross written premium (GWP) of K16.7 million, driven mainly by property and engineering business classes. Net assets stood at K47.9 million, and cash and investments were recorded at K32.5million.
Investments stood at K24.1 million with a corresponding investment income of K1.6million. The fully paid-up share capital stood at K70 million with a share premium of K7million. The solvency margin was recorded at 76%, well above the statutory requirement of 10%.

Klapton Re commenced the initial credit rating process with Global Credit Rating (GCR) and Bloomfield Investments within the first three months of operations.

The two rating agencies have since rated the company, and a similar process will be done with Moody's in 2022.

Strategy
The company has developed a strategic business plan and, in 2022, seeks to position the company for growth, visibility and operational excellence. The plan aims to take the company to the front stage in our chosen markets, identify and mitigate risks facing the business and ensure the company's desired business model is enhanced to achieve optimal results.

With support from the board, the management team has a strategic intent to ensure the plan is successfully implemented.

ICT
The technical operations of Klapton Re are anchored on a robust reinsurance software system - SICS NT. This end-to-end system is utilised by over 10,000 reinsurance professionals worldwide and boasts exceptional data analytics capabilities.

Staff
Klapton Re has recruited an energetic team with the right balance of skills and experience in all the organisation's core functions, namely, underwriting, claims, finance, ICT, and risk and compliance. The team is focused on delivering premium quality service while acting prudently in the best interests of our partners.

The staff at Klapton Re are fully aware that the only way to grow, protect, and improve our reputation is to exceed our customers' expectations through innovative underwriting, proactively deliver excellence in claims management, meet our commitments, and always be accountable.

COVID-19 remains a threat, and in 2021 we ensured that a safe and healthy work environment was maintained as the fluid situation of the pandemic was closely monitored.
A hybrid work environment was adopted to enable operations smoothly continue while mitigating the risk to staff. It is equally gratifying to report that all staff members at Klapton Re are fully vaccinated.

Outlook
With the global economy expected to rebound following the contraction of 2020, sentiments are positive, and Klapton Re is ready to step onto the world stage and establish itself as a reliable reinsurance partner in Africa, Asia, and the Middle East and Latin America. In 2022, Klapton Re will upscale operations by onboarding business from our Asian hub, which services the Asia, the Gulf region, and Latin America markets.

In the medium to long term, our vision, mission, objectives, and goals will propel us to realise our ultimate goal of becoming a major regional and international player as we build stronger and lasting relationships.

Klapton Re will focus on improving efficiencies and maximisation of automation of processes. Digitisation will also be a key focus of the service delivery agenda.
Costs will be monitored closely to ensure the company grows sustainably to bring satisfactory returns to our shareholders, even during challenging economic circumstances.

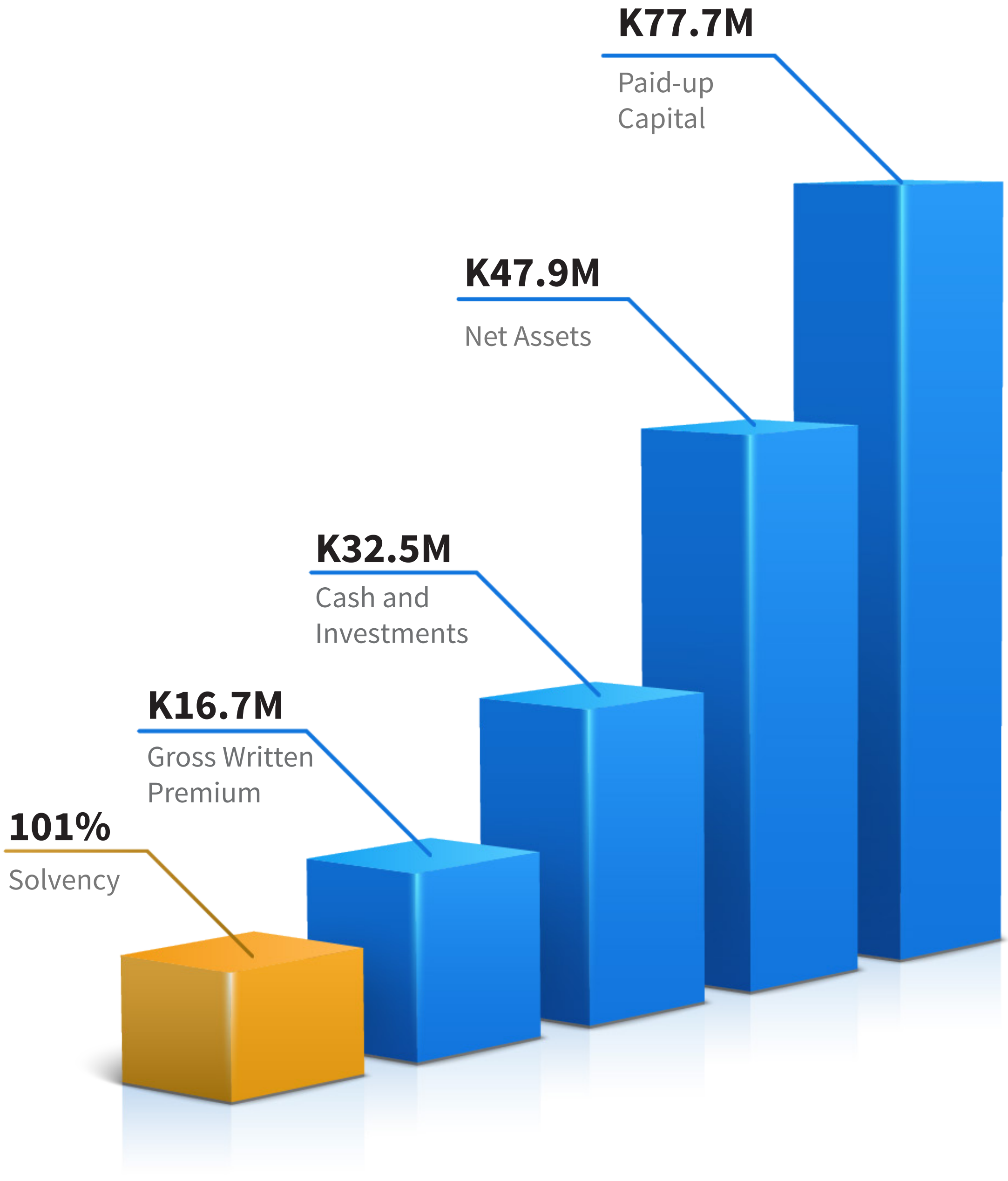
Appreciation
I wish to thank the staff, management, our hub teams, and the board for their contribution to the company's setting up. I am more confident than ever about Klapton Re's future trajectory and capacity to not only leverage post-COVID-19 opportunities but also significantly contribute to the resilience and growth of the industry. We built on solid foundations and are here for the long haul.

Webster Twaambo, Jr.
Managing Director & Chief Executive Officer


KlaptonRe
Here When You Need Us

Key Financial Highlights

Financial Highlights



Company Advisors, the Board of Directors, and Management Team

Company Advisors

Auditors
Pricewaterhouse Coopers

Company Secretary,
Equitas Legal Practitioners

Tax Consultants,
HLB Zambia

Bankers,
Stanbic Bank, Indo Zambia Bank, FNB Zambia

Lawyers,
Equitas Legal Practitioners

The Board of Directors

Board Chairperson,
Michael Lawson

Board Non Executive Director,
Chiluba Mumba

Board Director - Chief Executive Officer,
Matete Sichizya

Board Non Executive Director,
Daniel Joffe

Board Director - Chief Executive Officer,
Webster Twaambo, Jr.

The Management Team

Chief Executive Officer,
Webster Twaambo, Jr.

Chief Financial Officer,
Matete Sichizya

Chief Operations Officer,
Cynthia Simeza

Head of Underwriting,
Tionge Simbeye

Financial Controller,
Musonda Chisanga

Manager Risk and Compliance,
Rex Mudenda

Manager ICT,
Mukuma Musenge

The Board Committees

Audit, Finance, Risk, and Investment Committee
Robert Sichilimba
Daniel Joffe

Reinsurance, Claims, and ICT Committee
Robert Bygrave
Maulu Hamunjele

Remuneration & HR Committee
Chiluba Mumba
Vikali Mwale

Board of Directors

Meet the Board of Directors

Michael Lawson,
Board Chair

Mike Lawson is the CEO of SLA Consolidated Limited, an Investment Holding Company for Global Insurance/Reinsurance ventures.

He has over 25 years of financial services experience, working in multiple areas of Structure Finance, including Commercial Banking Finance and Structured Corporate Finance.
Mr Lawson has held numerous senior positions in multinational banks, including Lloyds Bank, Dresdner Kleinwort Wasserstein and Sanwa International.

Chiluba Mumba,
Board Non Executive Director

Ms. Chiluba Mumba holds a Master of Laws Degree in Corporate and Commercial Law from the University of London, a Bachelor of laws degree from the University of Zambia (UNZA).

Ms. Chiluba Mumba is the Co-Founder and Managing Partner at Equitas Legal Practitioners in Lusaka, Zambia. She is an Advocate of the High Court for Zambia and all the Superior Courts. Also holds a Postgraduate Diploma in International Business Law from the University of London.

Daniel Joffe,
Board Non Executive Director

Danny began his career with Aegis Insurance Company in SA in 1996 as a legal advisor after completing his law degree and a Master of Laws in Insurance and Company Law.

Danny sits on insurance agents and company boards in South Africa and has specialised in regulatory governance. He is also chair of Aurora, an insurance company in South Africa that specialises in court bonds.

Webster Twaambo, Jr.
Managing Director, CEO

A Fellow of the Chartered Insurance Institute (FCII), Webster is a visionary and strategic leader with a strong background in general insurance spanning over 17 years.

He holds a Master of Science in Strategic Management and a master's degree in Business Administration (MBA). Webster has contributed to the development of Zambia's insurance industry and beyond having authored two books on insurance.

Matete Sichizya,
Director, CFO
A fellow of the Association of Chartered Certified Accountants ACCA, and the Zambia Institute of Chartered Accountants ZICA with over 18 years' experience.

Matete holds a degree in Accountancy and underwent executive leadership training under a programme with the University of Oxford and various professional development courses.He is currently doing a Master of Science in Pensions and Insurance Management programme.

Management

Meet the Management

Webster Twaambo, Jr.,
Managing Director & Chief Executive Officer

A Fellow of the Chartered Insurance Institute (FCII), Webster is a visionary and strategic leader with a strong background in general insurance spanning over 17 years.

He holds a Master of Science in Strategic Management and a master's degree in Business Administration (MBA). Webster has contributed to the development of Zambia's insurance industry and beyond having authored two books on insurance.

Matete Sichizya,
Chief Financial Officer

A fellow of the Association of Chartered Certified Accountants ACCA, and the Zambia institute of Chartered Accountants ZICA with over 18 years' experience.

Matete holds a degree in Accountancy and underwent executive leadership training under a programme with the University of Oxford and various professional development courses.He is currently doing a Master of Science in Pensions and Insurance Management programme.

Cynthia Simeza,
Chief Operations Officer

A Chartered Insurer and seasoned professional with over 20 years' insurance and risk management experience.

Cynthia holds a bachelor's degree from the University of Zambia, holds postgraduate diplomas from the CII (UK) and has undergone executive education course at the University of Capetown. She is a Fellow of the Insurance Institute of Zambia, an Associate of the Chartered Insurance Institute (UK) and a member of the Institute of Directors.

Meet the Management

Tionge Simbeye,
Head of Underwriting

Tionge Simbeye has 11 years of experience in the insurance industry, most of which has been served in reinsurance departments.

He is a graduate from the University of Zambia with a Bachelor of Science in Agricultural Economics and a member of the Chartered Insurance Institute (CII), United Kingdom, with a Diploma in Insurance (Dip CII), while currently pursuing the full qualification.

Musonda Chisanga,
Financial Controller

Musonda has 10 years of external audit experience with international audit firm KPMG both in Zambia and the United Kingdom.

Musonda is a qualified Chartered Accountant and fellow of the Association of Chartered Certified Accountants in Zambia. He holds a bachelor's degree in Accounting from Monash University South Africa. Musonda is also a Zambian Institute of Chartered Accountants member.

“Klapton Re operates in the African, Asian, Middle East and Latin American markets, and always stays true to the local market with policies that work for you.”

Rex Mudenda,
Manager Risk and Compliance

Rex, a Governance, Risk and Compliance professional, holds a degree in Computing from the University of Greenwich. He has 10 years of experience in banking and insurance.

He also holds a Post Graduate Certificate in Risk Management and has a Certificate in Business Risk Management from the University of Capetown. In addition, he has attended various professional development courses.

Mukuma Musenge,
Manager ICT

Mukuma holds a degree in Computer Science from the University of Zambia and is a member of the Information and Communications Technology Association of Zambia.

Mukuma has worked for Zambia’s top general insurance service providers for 3 years as a Systems Administrator as well as Software Developer.

Board Committees

Reinsurance, Claims, and ICT Committee

Robert Sichilimba

Robert has a wealth of experience in insurance and reinsurance spanning over 35 years having started his career in insurance in Zambia State Insurance Corporation Ltd in 1977.

He successfully headed the setting up of the first domiciled reinsurance company in Zambia namely, Emeritus Reinsurance Company Ltd, formerly Zambian Reinsurance Company Limited which started trading in April 1999. He served on the Boards of Zambian Investment Holdings Ltd, Zambian Re, as a non-Executive Director for two years and First Reinsurance Company domiciled in Botswana. He also served as one of the first five members of the Disciplinary Committee of the Insurers Association of Zambia.

Daniel Joffe,
Board Non Executive Director

Danny began his career with Aegis Insurance Company in SA in 1996 as a legal advisor after completing his law degree and a Master of Laws in Insurance and Company Law.

Danny sits on insurance agents and company boards in South Africa and has specialised in regulatory governance. He is also chair of Aurora, an insurance company in South Africa that specialises in court bonds.

Audit, Finance, Risk, and Investment Committe

Robert Bygrave

Rob qualified as a Chartered Accountant in 1992 with an accountancy firm based in Bedfordshire. Post qualification, he moved into the Financial Services arena.

where he has remained for his entire subsequent working career, into a finance role at the Equitable Life Assurance Society. After a couple of years there he moved to a role in the City with Deutsche Bank where he spent 5 years in the role of Head of Management and Financial Reporting for the London Branch. Whilst at Deutsche he was also heavily involved in a number of projects including the NYSE listing and SAP implementation.

Maulu Hamunjele

Maulu O. Hamunjele is a Fellow of the Zambia Institute of Chartered Accountants (FZICA) and the Association of Chartered Certified Accountants (FCCA) of the United Kingdom.

In addition, Maulu holds a Master's Degree in Business Administration (MBA) from the Edinburgh Business School of Scotland.
He has vast experience in finance, audit, investment, and risk management gained over a wide spectrum of businesses. Maulu worked for the Bank of Zambia for over twenty years in financial regulation and compliance.

Remuneration & HR Committee

Chiluba Mumba,

Ms. Chiluba Mumba holds a Master of Laws Degree in Corporate and CommercialLaw from the University of London, a Bachelor of laws degree from the University of Zambia (UNZA).

Ms. Chiluba Mumba is the Co-Founder and Managing Partner at Equitas Legal Practitioners in Lusaka, Zambia. She is an Advocate of the High Court for Zambiaand all the Superior Courts. Also holds a Postgraduate Diploma in International Business Law from the University of London.

Vikali Mwale

Vikali is a competent and diligent professional having diverse experience in the areas of human resource management, strategic organisation management, and corporate governance affairs.

She has extensive experience in human resource management and administration for both large and small corporations in a variety of industries such as mining, insurance, financial institutions, education, and utility organizations.

Directors’ Report

The Directors submit their report together with the annual financial statements for the period ended 31 December 2021, which disclose the state of affairs of Klapton Reinsurance Limited ("The Company").

1 Principal activities

The Company is a private limited company incorporated and domiciled in Zambia. Principal activities of the Company is to provide reinsurance business to complement insurers and reinsurers and focuses on Africa, the Middle East and Asia. The Company is licensed under the Pension and Insurance Act to provide these services.

2 Share capital

The Company has issued and fully paid up capital of ZMW 70million. Details of the Company's authorised and issued share capital are disclosed in note 24 to the financial statements.

3 Shareholding information

The Company's shareholding comprises of the following:
- Klapton Management Limited (35%)
- SLA Consolidated Limited (35%)
- Shay Reches (30%)

4 Financial results

The financial results of the Company are set out in the financial statements and are summarised as follows:

	2021 **ZMW**
Gross written premium	16,716,015
Net underwriting loss	(3,465,730)
Loss for the period	(29,249,235)

5 Directors

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

Name	**Position**	**Appointed**
Michael Lawson	Chairperson	23 September 2020
Chiluba Mumba	Non- Executive	23 September 2020
Daniel Jason Joffe	Non- Executive	24 February 2021
Webster Twaambo	Managing Director	24 February 2021
Matete Sichizya	Executive Director	24 February 2021

6 Staff remuneration

The total remuneration of employees for the period amounted to ZMW 8.8 million as disclosed in note 14 to the financial statements. The Company had 17 employees as at 31 December 2021.

7 Investments

The Company had financial investments amounting to ZMW 24.1 million as at 31 December 2021. The investment portfolio comprised of fixed term deposits, government bonds and treasury bills. During the period, the Company recorded investment income of ZMW 1.6 million.

8 Property and equipment

The Company acquired assets amounting to ZMW 6 million as disclosed in note 17 to the financial statements.
The Company entered into lease agreements for office space and printing equipment on 5 and 3 years respectively. These were capitalised as per requirements of IFRS 16 at a value of ZMW 6.5 million as disclosed in note 18 to the financial statements.

In the opinion of the Directors, there was no significant difference between the carrying value of property and equipment and its market value.

9 Intangible assets and research and development

The Company invested ZMW 10 million in its core business system, SICS NT, which was successfully implemented during the period. The Company did not conduct research and development activities during the period.

10 Directors emoluments and interests

Directors' emoluments amounted to ZMW 0.18 million and are disclosed as part of the related party transactions in note 33 to the financial statements. An outstanding loan to an Executive Director during the period amounted to ZMW 0.075 million as at 31 December 2021. This is included in amounts due from key management personnel.

11 Donations

During the period, the Company did not make any donations to charitable organisations.

12 Risk management and control

The Company, through its normal operations, is exposed to a number of risks, the most significant of which are insurance risk, credit risk, liquidity risk and market risk. The Company's risk management objectives and strategies are disclosed in note 31 to the financial statements.

13 Covid 19

During the period the Company had to deal with the impacts of the Covid 19 both from the perspective of its customers who were adversely impacted by the economic effects as well as from a staff perspective to ensure there was continuity in operations of the Company whilst prioritising the safety of the employees. The Company invoked its business continuity management plan with staff having different protocols such as working from home as well as splitting teams into smaller work groups.

14 Auditors

The auditors, PWC, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the annual general meeting.

By order of the Board

Company Secretary

25 March **2022**

Statement of Directors' responsibilities in respect of the preparation of the financial statements

The Companies Act, 2017 of Zambia requires the Directors to prepare annual financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Directors are further required to ensure the Company adheres to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia and the Insurance Act, 1997 of Zambia (as amended).

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of annual financial statements, and for such internal controls as the Directors determine necessary to enable the preparation of annual financial statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the annual financial statements set out on pages 45 to 72 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with IFRS as issued by the IASB and the requirements of the Companies Act, 2017 of Zambia and the Insurance Act, 1997 of Zambia (as amended). The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia.

The Company recorded a loss before tax for the period amounting to ZMW 29.2 million and its current assets exceeded its current liabilities by ZMW 47.9 million. The Directors are confident that, the Company will continue to generate sufficient resources from operations to discharge its liabilities in the normal course of business for at least 12 months from date of these annual financial statements. On this basis, the preparation of the annual financial statements under the going concern basis is appropriate.

Approval of the financial statements

The financial statements of Klapton Reinsurance Limited, as identified in the first paragraph, were approved by the Board of Directors on ....25 March 2022..... and signed on its behalf by:

....

Board Chairperson Director

Corporate Governance

Klapton Re places great emphasis on adhering to the highest standards of Corporate Governance and ensures that the company operates within the framework of acceptable Corporate Governance practices.

The Board of Directors
The Board is appointed to establish policies for the management, oversight of the company. Its principal roles are to oversee, approve and monitor strategy; to oversee the implementation of the company's business plan. The Board also provides supervision of corporate values and monitors the integrity of financial reporting.

The Board's function is guided by a Board Charter. The Board represents and protects the interests of the shareholders and other stakeholders. Some of their functions are delegated to Advisory Committees who assist in ensuring these interests are protected. The Board consists of one independent director, two non-executive directors and two executive directors.

Board Advisory Committees
The Board of Directors has delegated authority to Advisory Committees to guide the operations of the company. The company has three committees, The Audit, Finance and Investments Committee, The Reinsurance, Claims, Risk and ICT Committee and the Remuneration and Human Resource Committee. The committees meet once a quarter to review the performance of the company and provide the necessary guidance where required.

The Audit, Finance, Risk and Investments Committee (AFI)
This committee oversees the audit, finance and investments activity of the company. The primary responsibilities of the committee are audit supervision, financial analysis, advice, and oversight of the organisation's budget. The committee supervises the organisation's financial reporting and provides guidance in preparation of submissions to regulators, auditors and rating agencies.

The Committee is further responsible for reviewing the company's quality and risk management framework and linkage to the company Risk Management strategy. The committee reviews regular assurance reports for management and provides guidance to the Quality & Risk Management function and Internal Audit covering services quality and risk management, regulatory compliance, business resilience.

The Reinsurance, Claims and ICT Committee (RCI)

This committee focuses on the core business operations of the company. It provides oversight and guidance regarding underwriting philosophy, claims management and the procedures and standards governing the same. This committee also reviews the company's marketing activities in line with the established marketing objectives set from time to time.

This committee also governs policies guiding the company's ICT infrastructure to ensure adherence to best practice around data protection and ensuring the company is protected against possible cyber attacks.

The Remuneration and Human Resource Committee

The Remuneration and Human Resource Committee is responsible for implementing Human resource policy through Management and makes recommendations to the Board, on remuneration, recruitments, appointments, terminations, competencies, skills development and incentive policies and procedures. The Committee is also responsible for the development of a process of evaluation of the performance of the Board and its Committees.

Independent Auditor's Report

Independent auditor's report

To the Shareholders of Klapton Reinsurance Limited

Report on the audit of the annual financial statements

Our opinion

In our opinion, the annual financial statements give a true and fair view of the financial position of Klapton Reinsurance Limited (the "Company") as at 31 December 2021, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia and the Insurance Act, 1997 of Zambia (as amended).

What we have audited
Klapton Reinsurance Limited's annual financial statements are set out on pages 9 to 40 and comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the annual financial statements, which include a summary of significant accounting policies.

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 annual financial statements"* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

We have determined that there are no Key Audit Matters to communicate in our report.

Independent auditor's report (continued)

Other information

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

Our opinion on the annual 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 annual 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 annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 annual financial statements

The Directors are responsible for the preparation of annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2017 of Zambia and the Insurance Act,1997 of Zambia (as amended), and for such internal control as the Directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual 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.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Independent auditor's report (continued)

Report on other legal and regulatory requirements

The Companies Act, 2017 of Zambia

The Companies Act, 2017 of Zambia requires that in carrying out our audit of Klapton Reinsurance Limited, we report on whether:

i. as required by Section 259 (3)(a), there is a relationship, interest or debt which, ourselves, as the Company Auditor, have in the Company;

ii. as required by Section 259 (3)(b), there are serious breaches by the Company's Directors, of corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia; and

iii. in accordance with Section 250 (2), as regards loans made to a Company Officer (a director, company secretary or executive officer of a company), if the Company does not state the:

- particulars of any relevant loan made during the financial year to which the accounts apply, including any loan which was repaid during that year; or
- amount of any relevant loan, whenever made, which remained outstanding at the end of the financial year.

In respect of the foregoing requirements, we have no matters to report.

The engagement leader on the audit resulting in this independent auditor's report is Martin Bamukunde.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

25 March 2022

Martin Bamukunde
Practicing Certificate Number: AUD/A009933
Partner signing on behalf of the firm


KlaptonRe
Agile Reinsurance

Financial Statements

KLAPTON REINSURANCE LIMITED

Annual financial statements

Statement of financial position as at 31 December 2021

	Notes	**2021** **ZMW**
ASSETS		
Non-current assets		
Property and equipment	17	5,379,856
Right-of-use assets	18	5,822,188
Intangible assets	19	10,027,585
Total non current assets		**21,229,629**
Current assets		
Cash on hand and at bank	23	8,427,240
Financial investments at amortised cost	22	24,132,196
Reinsurance contract assets	28	16,298,051
Deferred acquisition costs	27	5,785,936
Other assets	21	3,516,190
Total current assets		**58,159,613**
Total Assets		**79,389,242**
Equity		
Share Capital	24	70,000,000
Share premium	24	7,185,576
Accumulated loss		(29,249,235)
Total equity		**47,936,341**
Liabilities		
Non-current liabilities		
Reinsurance contract Liabilities	30	7,443,427
Unearned premium reserve	29	14,625,959
Lease liability	25	3,394,976
Total non-current liabilities		**25,464,362**
Current liabilities		
Lease liability	25	1,036,146
Other payables	26	4,952,394
Total current liabilities		**5,988,540**
Total liabilities		**31,452,901**
Total equity and liabilities		**79,389,242**

The notes on pages 49 to 76 are an integral part of these annual financial statements.

These financial statements were approved for issue by the Board of Directors on ..25 March............ 2022 and signed by:

....

Chairman Director

KLAPTON REINSURANCE LIMITED

Annual financial statements

Statement of profit or loss for the period ended 31 December 2021

	Notes	2021 ZMW
Gross premiums written	8	16,716,015
Changes in unearned premiums reserve	29	(14,625,959)
Gross earned premiums		**2,090,056**
Less premiums ceded	9	(4,268,707)
Net earned premiums		**(2,178,651)**
Net claims incurred	10	(166,376)
Acquisition expenses	27	(1,120,703)
Underwriting loss		**(3,465,730)**
Investment income	11	**1,642,969**
Other income	12	**43,759**
Administrative expenses	13	**(18,833,648)**
Pre start up costs	24	**(2,522,289)**
Finance costs	15	**(6,114,296)**
Loss before taxation		**(29,249,235)**
Income tax		**-**
Loss after taxation		**(29,249,235)**

The notes on pages 49 to 76 are an integral part of these annual financial statements.

Statement of changes in equity as at 31 December 2021

	Share Capital	Share Premium	Accumulated losses	Total
	ZMW	ZMW	ZMW	ZMW
Opening balance				
Total comprehensive income for the period				
Loss for the period	-	-	(29,249,235)	(29,249,235)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**(29,249,235)**	**(29,249,235)**
Transactions with owners of the Company				
Contributions and distributions				
Issue of ordinary shares	70,000,000	7,185,576	-	77,185,576
Dividends	-	-	-	-
Total transactions with owners of the company	**70,000,000**	**7,185,576**	**-**	**77,185,576**
Balance as at 31 December 2021	**70,000,000**	**7,185,576**	**(29,249,235)**	**47,936,341**

Share capital

This represents the normal share capital of the Company from the issue of shares

Share premium

This arose from the issue of shares and represents amounts paid by shareholders in excess of the nominal value of the shares

Accumulated losses

Accumulated losses represents the brought forward income net of expenses, plus current year loss attributable to shareholders, less dividends paid and transfers to other reserves

KLAPTON REINSURANCE LIMITED
Annual financial statements
Statement of cashflow as at 31 December 2021

	Notes	**2021**
		ZMW
Cashflow from operating activities		
Loss for the period		(29,249,235)
Adjustments for:		
- Depreciation	17-18	1,311,993
- Amortisation	19	226,724
- Interest expense on ROU liabilities	25	213,057
- FX on cash, investments and ROU liabilities		4,978,620
- Income tax credit		-
- Interest on investments	11	(1,642,969)
Changes in:		
- Reinsurance contract assets		(16,298,051)
- Deferred acquisition costs		(5,785,936)
- Other receivables		(3,516,190)
- Reinsurance contract Liabilities		7,443,427
- Unearned premium reserves		14,625,959
- Other payables		4,952,394
Cash used in operating activities		
Income taxes paid		**-**
Net cash from operating activities		**(22,740,207)**
Cash flows from investing activities		
Acquisition of property and equipment	17	(6,019,589)
Acquisition of intangible assets	19	(10,254,309)
Net acquisition of investments at amortised cost		(26,501,458)
Interest received on investments		632,318
Net cash from (used in) investing activities		**(42,143,038)**
Cash flows from financing activities		
Proceeds from issue of share capital	24	77,185,576
Payment of lease liabilities	25	(696,310)
Net cash from (used in) financing activities		**76,489,265**
Net increase in cash and cash equivalents		11,606,020
Cash and cash equivalents at beginning of period		-
Effect of movements in exchange rates on cash and cash equivalents held		(3,178,780)
Total cash at end of year		**8,427,240**

The notes on pages 49 to 76 are an integral part of these annual financial statements.

1 Reporting entity

Klapton Reinsurance Limited ("The Company") is a private limited company incorporated and domiciled in Zambia. Principal activity of the Company is to provide reinsurance business to complement insurers and reinsurers and focusses on Africa, the Middle East and Asia. The Company is licensed under the Pension and Insurance Act to provide these services. The Company's registered office is at:

Suite 12B, Green City Office Park
Stand 2374, Danny Pule Road
Lusaka, Zambia

2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

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

Details of the Company's accounting policies, including changes thereto, are included in Note 5 to 7.

3 Functional and presentation currency

These financial statements have been presented in Zambian Kwacha "ZMW", which is the Company's functional currency.

4 Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company’s accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. The areas involving significant estimates or judgements are:

(i) Estimation for claims incurred but not yet reported (note 7 (c))

(ii) Estimation of impairment of financial assets (note 7 (k))

5 Changes in significant accounting policies

This being the Company's first year of operation, there have been no changes in the accounting policies. The following new standards were effective from 1 January 2021 however they did not have a material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(i) Covid-19-related Rent Conversions- Amendments to IFRS 16

(ii) Interest Rate Benchmark Reform Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4

6 Standards issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company in preparing these financial statements. The Company will adopt these standards, if applicable, when they become effective:

The following standards are expected to have a material impact on the Company's statements in the period of initial application.

IFRS 17 - *Insurance Contracts*

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

(i) Discounted probability-weighted cash flows
(ii) An explicit risk adjustment, and
(iii) A contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

6 Standards issued but not yet effective (continued)

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.

Other amendments effective 2022/2023
The following amendments to existing standards have been published by the IASB, which will become mandatory in 2022/2023 but are not expected to have material impact on the Company in the current or future reporting periods and on foreseeable future transactions:

(i) Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)
(ii) Reference to the Conceptual Framework (Amendments to IFRS 3)
(iii) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
(iv) Annual Improvements to IFRS Standards 2018-2020
(v) Classification of liabilities as current or non-current (Amendments to IAS 1)
(vi) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
(vii) Definition of Accounting Estimate (Amendments to IAS 8)
(viii) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

7 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Gross written premium
Gross written premium comprises the total premiums receivable for the whole period of cover for contracts entered into during the year, regardless of whether they relate in whole or in part due to a later accounting period. Premiums includes adjustments arising in the accounting period to premiums written in prior accounting periods.

Premiums relating to the expired risk period are taken as earned and recognised as revenue for the period, while the premium relating to the unexpired risk period is treated as a provision for unearned premium. The unearned premiums are calculated on a pro-rata basis using the 24th method for facultative business. For proportional treaty business, the unearned premium provision is calculated on a treaty by treaty basis at the reporting date using the 1/8th method. For any cases where the underlying business and risk do not justify the above methods, the unearned premium provision is calculated on bases relevant to the risk profile of the insurance contract.

7 Summary of significant accounting policies (continued)

(b) Outward reinsurance premiums
Outward reinsurance premiums relating to earned premiums are recognised as expense in accordance with the insurance services provided. Unearned reinsurance premiums are the proportion of premiums written in a year that relate to periods of risk after the reporting date and are deferred over the term of the reinsurance contract.

(c) Claims
Claims is comprised of amounts payable to policyholders and related loss adjustment expenses, net of salvage and other recoveries and is charged to the statement of income as incurred. In addition, claims reflect the movements in the provision for outstanding claims, claims incurred but not reported (IBNR), claims incurred but not enough reserved (IBNER) and other claims reserves.

Outstanding claims comprises the provision for the Company's estimated ultimate cost of settling all claims incurred (and related claims handling costs) but unpaid at the reporting date, whether or not these had been reported. These are provided for at their face value.

Provision are also made for claims incurred but not reported at the reporting date based upon the management's judgement and the Company's prior experience.

(d) Policy acquisition costs
Policy acquisition costs represent commissions paid to intermediaries and other direct costs incurred in relation to the acquisition and renewal of insurance contracts which are deferred and expensed over the terms of the insurance contracts to which they relate, as premiums are earned.

(e) Interest income
Interest income is included within investment income and is recognised as the interest accrued using the effective interest method. Under this method, the rate used discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(f) Commission income
This income arises from reinsurance business ceded out by the Company. All fees are recognised as revenue over the period in which the related services are provided. Any fees which relate to services provided in future periods are deferred and recognised in those future periods.

(g) Dividends
The Company by resolution may declare a dividend, if and only if, the Directors have recommended a dividend. The dividend shall not exceed the amount recommended by the Directors. A dividend shall not be paid except out of profit of the Company. Dividends on ordinary shares are charged to equity in the period in which they are declared.

7 Summary of significant accounting policies (continued)

(h) Intangible assets - computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life of the software.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets where the following criteria are met:

(i) It is technically feasible to complete the software so that it will be available for use;
(ii) Management intends to complete the software and use or sell it;
(iii) There is an ability to use or sell the software;
(iv) It can be demonstrated how the software will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or
(vi) the software are available; and
(vii) the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The Company amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

(i)	Licenses	3-5 years
(ii)	IT development and software	3-5 years

Costs associated with maintaining software programmes are recognised as an expense as incurred.

(i) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. 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 Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

7 Summary of significant accounting policies (continued)

(i) Property, plant and equipment (continued)
Depreciation is calculated using the straight-line method to allocate the cost, net of their residual values, over their estimated useful lives as follows:

(i)	Furniture and fittings	5 years
(ii)	Computer equipment	3 years
(iii)	Office equipment	2-4 years
(iv)	Other assets	2-4 years
(v)	Motor Vehicle	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 carrying amount. These are included in profit or loss.

(j) Impairment of non financial assets
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Investments and other financial assets
(i) Classification
The company classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments and
- available-for-sale financial investments

7 Summary of significant accounting policies (continued)

(ii) Recognition and derecognition

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

(iii) Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value in profit or loss. Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the company's right to receive payments is established. Interest income from financial assets at fair value through profit or loss is included within investment income.

(l) Financial liabilities

(i) Classification

Financial liabilities are classified as financial liabilities at amortised cost. The Company has no financial liabilities in any other category. Management determines the classification of financial liabilities at initial recognition.

(ii) Financial liabilities at amortised cost

These include trade payables, marketing creditors, amount due to related parties and accrued expenses. Trade payables are classified as current liabilities due to their short term nature.

(iii) Recognition and measurement

Financial liabilities are recognized initially at fair value, net of any transaction costs. Subsequently, they are measured at amortised cost using the effective interest method.

(iv) Derecognition

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right is not contingent on future events and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

7 Summary of significant accounting policies (continued)

(m) Impairment of financial assets
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.
For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

(n) Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents, comprise short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(o)Fair values
For financial instruments where there is not an active market, fair value can be determined by using valuation techniques. Such techniques include using recent arm's length transactions, current market value of a another financial instrument which is substantially the same or discounted cash flow analysis. For the discounted cash flow technique, estimated cash flows are based upon management's best estimates and the discount rate used is a market related rate for a similar instrument.

If fair value cannot be measured reliably, the financial instrument should be measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All direct transaction costs directly attributable to the acquisition are also included in the cost of the investment.

7 Summary of significant accounting policies (continued)

(o)Fair values (continued)
Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:
• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

(p)Temporary exemption rom applying IFRS 9
Predominance ratio:

	2021
	ZMW
Liabilities relating to insurance activities	26,500,507
Other connected liabilities	4,952,394
	31,452,901
Total Liabilities	**31,452,901**
Ratio	100%

The amendment to IFRS 4 Insurance contracts requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for Company's financial assets with contractual cash flows that solely payments of principal and interest ("SPPI") another financial assets. The Company has assessed that only cash and cash equivalents and investments in debt instruments have contractual cash flows that meet the SPPI criteria.

The Company has no financial assets whose contractual cash flows that do not represent the solely payments of principal and interest. The Company does not currently use the option of IAS 39 to designate the financial assets at fair value. The carrying amount of cash and cash equivalents and investments in debt instruments are shown in the financial statements is a reasonable approximation of their fair value.

7 Summary of significant accounting policies (continued)

(q) Offsetting
Financial assets and financial 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 recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation.

(r) Foreign currency translation
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Zambian Kwacha (ZMW), which is functional and the Company's presentation currency.

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

(s) Trade and other payables and other expenses
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

(t) Provisions
A provision is recognised when the Company has 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.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as 'other finance costs'.

7 Summary of significant accounting policies (continued)

(u) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is accounting for using the liability method i.e. on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(v) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration – i.e. the customer has the rights to:

7 Summary of significant accounting policies (continued)

(v) Leases (continued)

(i) Obtain substantially all of the economic benefits from using the asset; and
(ii) Direct the use of the asset.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

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

(i) Fixed payments (including in-substance fixed payments), less any lease incentives
(ii) Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
(iii) Amounts expected to be payable by the Company under residual value guarantees
(iv) The exercise price of a purchase option if the Company is reasonably certain to exercise that
(v) Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is:

(i) A change in future lease payments arising from a change in an index or rate;
(ii) A change in the amounts expected to be payable under a residual value guarantee;
(iii) a change in the Company's assessment of whether it will exercise a purchase, extension or termination option or
(iv) a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

7 Summary of significant accounting policies (continued)

(v) Leases (continued)

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

(w) Contributed equity

Ordinary shares are recognised at par value and classified as ‘share capital’ in equity. Any amounts received over and above the par value of the shares issued are classified as ‘share premium’ in equity. Incremental costs directly attributable to the issue of new shares are expensed to the income statement.

(y) Employee benefits

Short-term obligations such as liabilities for wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

For defined contribution plans, the Company pays contributions to publicly and privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(z) Comparatives

Where necessary comparatives have been adjusted to conform with changes in presentation in the current year.

		2021
		ZMW
8	**Gross written premium**	
	See accounting policy in Note 7 (a)	
(i)	By class of business	
	Agriculture	711,576
	All Risks	8,462,845
	Aviation	2,370,395
	Engineering	3,219,018
	Fire	233,399
	Liability	912,977
	Marine	127,042
	Motor	43,332
	Political	635,431
		16,716,015
(ii)	Geographical analysis	
	Central, East and Southern Africa	16,068,867
	West and North Africa	647,148
		16,716,015
(iii)	Type- distribution	
	Facultative	16,716,015
	Treaty	-
		16,716,015
9	**Gross written premium ceded**	
	See accounting policy in Note 7 (b)	
	These relate to retrocession expenses incurred during the period broken down as follows:	
	Facultative	4,268,707
	Treaty	-
		4,268,707
10	**Net claims incurred**	
	See accounting policy in Note 7 (c)	
	Claims Provisions/Paid	-
	Claims Expenses	-
	IBNR	166,376
	IBNER	-
		166,376
	There were no claims reported during the period.	
11	**Investment income**	
	See accounting policy in Note 7 (e)	
	Interest from government securities	984,878
	Interest from deposits with financial institutions	658,091
		1,642,969
12	**Other income**	
	See accounting policy in Note 7 (e)	
	Staff loan interest	42,009
	Interest on bank and call accounts	1,750
		43,759

		2021
		ZMW
13	**Administrative expenses**	
	Personnel expenses (note 14)	8,832,856
	Software maintenance costs	2,168,342
	Legal and professional fees	2,045,260
	Ratings and license fees	1,480,672
	Marketing and advertising costs	840,958
	Premises costs	432,605
	Directors fees (note 33)	176,116
	Amortisation of intangible assets (note 19)	226,724
	Depreciation property and equipment (note 17 & 18)	1,311,993
	Other expenses **(include insurance, internet and telephone costs)*	1,531,179
		18,833,648
14	**Personnel expenses**	
	See accounting policy in Note 7 (y)	
	The following items are included in employee benefits expense:	
	Salaries	5,480,346
	Recruitment expenses	527,996
	Employee gratuity accrual	785,245
	Other staff costs*	2,039,269
		8,832,856

*Other staff costs consists mainly of statutory contributions, contributions to defined contribution schemes, leave pay accrual, staff insurance costs and performance related incentives costs.

15	**Finance costs**	
	See accounting policy in Note 7 (r) and (v)	
	Net foreign exchange loss	5,901,239
	Interest expense on lease liabilities (Note 25)	213,057
		6,114,296
16	**Income Tax Expense**	
	See accounting policy in Note 7 (u)	
(i)	Income tax expense	
	Income tax charge comprises of:	
	Current tax charge	-
	Recognised deferred taxation	-
		-
(ii)	Current tax (asset)/liabilities	
	Current period tax charge	-
	Withholding tax on interest (at source)	(106,754)
		(106,754)
(iii)	Reconciliation of tax charge	

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

Loss before tax	**(29,249,238)**
Taxation applicable rate - 35%	(10,237,233)
Tax effect of:	
Permanent differences	(101,044)
(Under)/Over provision	1,730,790
Unrecognised income tax credit	**(8,607,487)**

17 Property and equipment

See accounting policy in Note 7 (i)

	Furniture and fittings ZMW	Motor Vehicle ZMW	Computer and office equipment ZMW	Total ZMW
Cost				
Opening balance	-	-	-	-
Additions	1,914,883	1,997,627	2,107,079	6,019,589
Disposals	-	-	-	-
Impairment	-	-	-	-
Total costs	**1,914,883**	**1,997,627**	**2,107,079**	**6,019,589**
Accumulated depreciation				
Opening balance	-	-	-	-
Charge for the period	187,830	192,661	259,242	639,733
Disposals	-	-	-	-
Total accumulated depreciation	**187,830**	**192,661**	**259,242**	**639,733**
			-	-
Carrying amount 31 December 2021	**1,727,053**	**1,804,966**	**1,847,837**	**5,379,856**

18 Right of use asset

See accounting policy in Note 7 (w)

	Office lease	Office equipment	Total
Cost			
Opening balance	-	-	-
Additions	6,176,995	317,453	6,494,448
Disposals	-	-	-
Impairment	-	-	-
Total costs	**6,176,995**	**317,453**	**6,494,448**
Accumulated depreciation			
Opening balance	-	-	-
Charge for the period	628,169	44,091	672,260
Disposals	-	-	-
Total accumulated depreciation	**628,169**	**44,091**	**672,260**
Carrying amount 31 December 2021	**5,548,826**	**273,362**	**5,822,188**

19 Intangible assets

See accounting policy in Note 7 (h)

	ZMW	ZMW	ZMW	ZMW
	Software and licenses	WIP	Total	
Cost				
Opening balance	-	-	-	
Additions	10,080,258	174,051	10,254,309	
Disposals	-	-	-	
Impairment	-	-	-	
Total costs	**10,080,258**	**174,051**	**10,254,309**	
Accumulated amortisation				
Opening balance	-	-	-	
Charge for the period	226,724	-	226,724	
Disposals	-	-	-	
Total accumulated amortisation	**226,724**	**-**	**226,724**	
			-	
Carrying amount 31 December 2021	**9,853,534**	**174,051**	**10,027,585**	

20 Deferred tax

See accounting policy in Note 7 (u)

Movement in deferred tax balance

	Net opening balance	Unrecognised in profit or loss	Net unrecognised balance as at 31 December	Unrecognised deferred tax assets/ (liability)
Unrealised exchange gain	-	848,563	848,563	(848,563)
Excess of capital allowances over depreciation	-	187,478	187,478	(187,478)
Gratuity provision	-	(235,574)	(235,574)	235,574
Leave provision	-	(53,533)	(53,533)	53,533
Trading losses	-	(9,354,421)	(9,354,421)	9,354,421
	-	**(8,607,487)**	**(8,607,487)**	**8,607,487**

The deferred tax assets and liabilities relate to income tax in the same jurisdiction, and the law allows net settlement. The net deferred income tax asset for the period ended 31 December 2021 has not been recognised with Management able to utilise this before the losses expire against future taxable profits. Unutilised losses expire after 5 years, with the current year losses expiring on 31 December 2026.

21 Other assets

	2021
See accounting policy in Note 7 (k)	
Staff loan	335,635
Prepayments	3,180,555
	3,516,190

The carrying amounts of other assets are considered to be the same as their fair values due to their short-term nature. No impairment was made against these balances as all amounts are considered recoverable due to their nature.

		2021
		ZMW
22	**Financial investments at amortised cost**	
	See accounting policy in Note 7 (k)	
	Government bonds	5,167,038
	Government treasury bills	10,635,575
	Fixed term deposits	8,329,583
		24,132,196
	Reconciliation	
	Opening Balance	-
	Additions during the year	66,510,785
	Interest accrued during the year	1,622,176
	Maturities during the year	(40,620,535)
	Effects of exchange rate movements	(3,380,230)
	At 31 December	**24,132,196**
23	**Cash and cash equivalents**	
	See accounting policy in Note 7 (n)	
	Cash on hand and at bank	**8,427,240**
24	**Share capital and share premium**	
	See accounting policy in Note 7 (x)	
	Authorised:	
	70,000,000 ordinary shares of ZMW 1.00 each	**70,000,000**
	Issued and fully paid	
	70,000,000 ordinary shares of ZMW 1.00 each	**70,000,000**
	Share premium	
	This represents the excess of capital contributions after full payment of issued shares	**7,185,576**
	Reconciliation	
	Cash contribution	74,663,287
	Pre start up costs	2,522,289
	Issued and fully paid shares	(70,000,000)
		7,185,576

*These relate to legal costs (ZMW 1.64 million) and executive management recruitment costs (ZMW 0.88 million) incurred directly by the shareholders prior to operations commencing.

25 Leases

See accounting policy in Note 7 (w)

The Company entered into lease agreements as a lessee for office space and printing equipment on 5 and 3 years respectively. The Company does not lease out any property and equipment as a lessor. The information for which the Company is a leasee is presented below.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases

Right of use assets	
Office building (*note 18*)	5,548,826
Office equipment *(note 18)*	273,362
	5,822,188

		2021
		ZMW
25	**Leases (continued)**	
	See accounting policy in Note 7 (w)	
(i)	Amounts recognised in the balance sheet	
	Lease liabilities	
	Office building (*note 25 (iii)*)	4,198,391
	Office equipment *(note 25 (iii))*	232,730
		4,431,121
(ii)	Amounts recognised in the statement of profit or loss	
	Depreciation charge of right of use assets *(note 18)*	672,260
	Interest expense *(note 15)*	213,057
	Expenses relating to short-term leases (included in administrative expenses)	229,397
	Exchange differences	1,580,073
(iii)	Amounts recognised in the statement of cashflow	
	Short-term leases	229,397
	Long term leases	696,310
	Rental deposit	**77,830**
		1,003,538
(iv)	Lease liability reconciliation	
	Office Lease	
	Present value of future lease payments at recognition	6,176,995
	Interest expense for the period	203,208
	Rental payments made during the period	(642,622)
	Exchange gain	(1,539,189)
		4,198,391
	Current	949,578
	Non-Current	3,248,814
		4,198,391
	Office printers	
	Present value of future lease payments at recognition	317,453
	Interest expense for the period	9,849
	Rental payments made during the period	(53,688)
	Exchange gain	(40,884)
		232,730
	Current	86,568
	Non-Current	146,162
		232,730
	Total lease liability at 31 December 2021	**4,431,121**
(v)	Extension options	
	The leases do not have extension options exercisable by the Company	

		2021
		ZMW
26	**Trade and other payables**	
	See accounting policy in Note 7 (s)	
a	**Accruals and creditors**	
	Trade payables (suppliers)	4,825
	Accruals	3,156,031
		3,160,856
b	**Employee related liabilities**	
	Contract gratuity provision	785,245
	Leave accrual	178,442
		963,687
c	**Statutory obligations**	
	Withholding taxes	367,306
	Payroll statutory taxes	460,545
		827,851
	Total trade and other payables	**4,952,394**

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

27	**Deferred policy acquisition costs**	
	See accounting policy in Note 7 (d)	
	The movement in deferred acquisition costs was as follows:	
	At 1 January	-
	Deferred during the year	6,906,639
	Released during the period	(1,120,703)
	Balance	**5,785,936**

Commission expense of ZMW 6.5 million is attributable to business written from the brokerage hubs.

28	**Reinsurance contract assets**	
	See accounting policy in Note 7 (k)	
	Reinsurance receivables	16,298,051
	Provision for doubtful debts	-
		16,298,051
	Analysis by source of business	
	Reinsurance brokers	15,172,435
	Direct business	1,125,616
		16,298,051
29	**Unearned premium reserve**	
	See accounting policy in Note 7 (a)	
	The movement in the unearned premium reserve was as follows:	
	At 1 January	-
	Premiums written	16,716,015
	Premiums earned	(2,090,056)
	Balance at period end	**14,625,959**

		2021
30	**Reinsurance contract liabilities**	**ZMW**
	See accounting policy in Note 7 (l)	
	Retrocessions payable	452,286
	Commission payable	6,824,766
	Outstanding claims*	-
	Provision for claims incurred but not reported	166,375
	Provisions for claims incurred but not enough reserved	-
		7,443,427

Disclosed as part of reinsurance contract liabilities are amounts due to related parties of ZMW 0.73 million and ZMW 6.5 million for retrocessions and commissions payable respectively.

31 RISK MANAGEMENT

Introduction and overview

The Klapton Re Board of Directors has overall responsibility for the establishment and oversight of the Risk Management Framework. The Board of Directors have established the Audit, Finance and Investments committee (AFI) and Reinsurance, Claims, Risk and ICT Committee (RCRI), which are responsible for approving and monitoring Klapton Re’s risk management policies.

Klapton Re’s risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company’s activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Klapton Re’s AFI and RCRI Committees oversee how management monitors compliance with the company’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the organisation. The AFI and RCRI Committees are assisted in their oversight by the Risk and Compliance function which performs internal audit checks for both regular and adhoc reviews of risk management controls and procedures. The results of which are reported to both the Company's AFI and RCRI.

This note explains the Company's exposure to the insurance and financial risks which could affect the Company's future financial performance and how these risks are mitigated.

(I) Insurance risk

Insurance risk includes the risk of inappropriate underwriting, ineffective management of underwriting, inadequate controls over exposure management in relation to catastrophic events and insufficient reserves for claims incurred but not reported.

The Company has developed a detailed underwriting manual covering risk acceptance criteria, pricing, authority levels, and reinsurance protection amongst others. It guides the underwriters in their acceptances, on the principals of prudence and professionalism within the overall objective of diversifying the types 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. The priority is to ensure adherence to the criteria for risk selection by maintaining high levels of experience and expertise among the underwriting staff.

31 RISK MANAGEMENT (continued)

(I) Insurance risk (continued)
Loss reserve estimates are inherently uncertain. Reserves for unpaid losses are the largest single component of the liabilities of the Company. Actual losses that differ from the provisions, or revisions in the estimates, can have a material impact on future earnings and the statement of financial position. The Company ensures that the provision is constantly reviewed and monitored in conjunction with the underwriting and claims teams to ensure it is adjusted to reflect changes in exposure and loss experience.

In order to diversify risks and mitigate the risk of catastrophic loss, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. This allows the Company to control exposure to potential losses from large risks, provides for greater diversification of business and provides additional capacity for growth. Prior to renewing any annual reinsurance business, the Company carries out a detailed review of the financial stability of the reinsurer. Therefore the Company ensures that reinsurance is placed only with a select group of financially secure and experienced companies in the industry.

(ii) Financial risk management
In the normal course of business, the Company uses primary financial instruments such as cash and cash equivalents, fixed income investments and receivables. The Company does not enter into derivative contracts.

As a result of the financial instruments held by the Company, it has exposures to the following risks:

- Credit risk;
- Liquidity risk; and
- Market risk

a) Credit risk
Credit risk is the risk of financial loss to the Company if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily from unpaid insurance receivables and fixed income investments.

Risk management
Credit risk relating to insurance receivables is mitigated by the following:
- Establishing the authorisation structure for the approval and renewal of contracts in line with credit policies. Authorisation limits are allocated to the business with large exposures being approved according to set financial authority guidelines.

- The Company has formulated credit control policy in consultation with business units. This policy outlines procedures in respect of these receivables and monitors them on a regular basis to restrict the Company's exposure to bad debts. The policy is regularly reviewed for changes in the business and risk environment.

- The Company has a large number of cedants with a wide geographical dispersal which reduces concentration risk. In addition, concentration risk is reduced through underwriting of business in various industries.

- The Company enters into premium payment warranties and credit terms which are strictly monitored to keep balances as current as possible.

31 RISK MANAGEMENT (continued)

(ii) Financial risk management (continued)

Impairment
In respect of insurance receivables, the company establishes an ECL based upon loss rates which are calculated with reference to days past due.

The Company ages receivables based on date on which the contract comes into effect. However the provision for doubtful dates is based on when premiums become due. Days past due are determined by counting the number of days since the earliest elapsed due date in taking into account premium payment warranty due dates as well as agreed upon payment plans.

As at 31 December 2021, no receivables were due and accordingly no impairment was recognised. The age analysis of insurance receivables past due but not impaired is shown below.

	Current	30 days	60 days	90 days	Total
Insurance receivables	**7,592,365**	**7,570,663**	**1,135,023**	**-**	**16,298,051**

Insurance receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on insurance receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Company's portfolio of fixed income investments is managed in accordance with the Company's investment policy. To mitigate the credit risk, the Company places investments with various international financial institutions and varying tenures.

All the investments are at amortised cost and are considered to have low credit risk. No loss allowance has been recognised during the period.

b) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its insurance and reinsurance contracts and financial liabilities that are settled by delivering cash or another financial asset as and when they fall due. Liquidity risk arises from funds composed of illiquid assets and results from mismatches in the liquidity profile of assets and liabilities.

The Company’s investment guidelines prescribe minimum levels of financial assets to be held in cash and cash instruments. Liquidity is monitored on a daily basis by the Finance department lead by the Chief Financial Officer and controlled as far as possible by ensuring that mismatches between liabilities following due and investments of funds are kept at a minimum.

31 RISK MANAGEMENT (continued)

(ii) Financial risk management (continued)

b) Liquidity risk (continued)

The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key elements of the Company's liquidity strategy are as follows:
- Maintaining a diversified funding base and appropriate contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity, that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- Matching, to the maximum extent possible, the cash flows of the Company's financial assets with the cash flows of insurance and investment contracts and other financial liabilities.
- Monitoring liquidity ratios
- The Company maintains a pool of short-term liquid assets that is intended to provide sufficient liquidity in the Company as a whole to cover short-term fluctuations in the liquidity requirements of any business units. Longer-term funding is used to manage structural liquidity requirements.

Maturity of financial liabilities and assets

The table below summarizes the maturity profile of the Company's financial liabilities and financial assets at 31 December based on contractual undiscounted cash flows. The insurance receivables and payables are allocated based on the end date of the respective contracts with financial investments at amortised cost being allocated based on amount expected at maturity.

	Up to 1 year	Between 1-2 years	Over 2 years	Total
	ZMW	ZMW	ZMW	ZMW
Liabilities				
Commission payable	5,982,207	842,560	-	**6,824,767**
Retrocessions payable	452,286	-	-	**452,286**
Lease liabilities	1,203,794	1,236,783	2,928,320	**5,368,897**
Other liabilities	4,167,149	785,245	-	**4,952,394**
Total financial liabilities	**11,805,436**	**2,864,588**	**2,928,320**	**17,598,344**
Assets				
Cash and cash equivalents	8,427,240	-	-	**8,427,240**
Other assets (excluding prepayments)	335,635	-	-	**335,635**
Insurance receivables	14,483,740	1,814,311	-	**16,298,051**
Financial investments at amortised cost	19,917,182	5,900,000	-	**25,817,182**
Total financial assets	**43,163,797**	**7,714,311**	**-**	**50,878,108**
Liquidity gap	**31,358,361**	**4,849,723**	**(2,928,320)**	**33,279,764**

31 RISK MANAGEMENT (continued)

c) Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the fulfilment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk.

Market risk principally arises from the Company's financial assets and financial liabilities denominated in foreign currencies.

Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency transaction risk to the extent that the currencies in which insurance and reinsurance contracts and financial instruments are denominated differ from the functional currency. The Company holds both assets and liabilities in different currencies and therefore is exposed to the risk of exchange rate movements associated with assets and liabilities matching. Although the Company does not apply hedging techniques to mitigate its currency risk, it does ensure that the net exposure to this risk is mitigated by constantly monitoring the net exposure to this risk is within acceptable levels.

As shown in the section below, the Company is primarily exposed to the United States Dollar and as such, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Foreign currency exposures

The Company's financial assets and liabilities exposure to foreign currency risk at the end of the reporting period, expressed in Zambian Kwacha, was as follows:

	USD ZMW	ZAR ZMW	Other ZMW	Total ZMW
Financial assets				
Cash and cash equivalents	2,425,577	-	-	**2,425,577**
Insurance receivables	10,757,237	2,854,313	1,668,616	**15,280,166**
Financial investments at amortised cost	4,198,435	-	-	**4,198,435**
TOTAL ASSETS	**17,381,248**	**2,854,313**	**1,668,616**	**21,904,178**
Financial liabilities				
Commission payable	4,555,221	1,207,590	709,757	**6,472,568**
Retrocessions payable	452,285	-	-	**452,285**
Lease liabilities	4,431,121	-	-	**4,431,121**
Other liabilities	2,808,793	-	236,041	**3,044,834**
TOTAL LIABILITIES	**12,247,420**	**1,207,590**	**945,799**	**14,400,809**
NET POSITION	**5,133,828**	**1,646,723**	**722,817**	**7,503,369**

Key to currency abbreviations:

USD - United States Dollars; ZAR- South African Rand; Other includes EURO, Malagasy Ariary, Mozambican Metical, Rwandan Franc and Swazi Lilangeni.

31 RISK MANAGEMENT (continued)

c) Market risk

Sensitivity analysis

As shown in the foreign exchange exposure table, the Company is primarily exposed to changes in the USD/ZMW exchange rates. The sensitivity of profit or loss to the changes in the exchange rates arises mainly from US dollar-denominated financial instruments and the impact of the strengthening/weakening on the profit or loss based on the foreign currency net position at reporting date, assuming that all variables remain constant, is presented below.

	2021	
	Profit or loss	
	Strengthening	Weakening
USD/ZMW exchange rate- 10% movement	**(513,383)**	**513,383**

ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future profitability or fair values of financial instruments.

The Company has no borrowings and as such is primarily exposed to this risk on its fixed income portfolio. The Company limits this risk by monitoring changes in interest rates in the currencies in which the fixed income portfolio are denominated. Additionally to mitigate the effect of price volatility is actively manages the duration of the portfolio.

As at 31 December, the Company's did not hold floating rate financial assets and liabilities held and as such the effect/sensitivity of the assumed changes in interest rates on the Company's profit for the year would not have an effect.

32 FAIR VALUES OF FINANCIAL INSTRUMENTS

See accounting policy in Note 7 (n)

Fair value classification and hierarchy

The Company's financial instruments as at 31 December 2021 were all measured at amortised cost. The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level of the fair value hierarchy into which each fair value measurement is categorised.

	Level 1 ZMW	**Level 2 ZMW**	**Level 3 ZMW**	**Total ZMW**
Financial investments at amortised cost				
Cash and cash equivalents	-	8,427,240	-	**8,427,240**
Insurance receivables	-	16,298,051	-	**16,298,051**
Other assets (excluding prepayments)	-	335,635		**335,635**
Financial investments at amortised cost	-	24,132,196	-	**24,132,196**
TOTAL ASSETS	**-**	**49,193,122**	**-**	**49,193,122**
Financial liabilities				
Commission payable	-	6,824,766	-	**6,824,766**
Retrocessions payable	-	452,286	-	**452,286**
Lease liabilities	-	4,431,121	-	**4,431,121**
Other liabilities	-	4,952,394	-	**4,952,394**
TOTAL LIABILITIES	**-**	**16,660,567**	**-**	**16,660,567**

Management considers the carrying amount of financial assets and financial liabilities recognised in the financial statements are a reasonable approximation of their fair value.

33 RELATED PARTY TRANSACTIONS

(i) Shareholding

The Company's shareholding comprises of the following:
- Klapton Management Limited (35%)
- SLA Consolidated Limited (35%)
- Shay Reches (30%)

		2021 ZMW
(ii)	Transactions with related parties	
	The following transactions occurred with related	
	- Shareholder equity contribution *(note 24)*	77,185,576
	- Premiums written by brokerage hubs on behalf of the Company	15,172,435
	- Commission expense on premiums written by brokerage hubs	6,543,201
	- Retrocessions	73,373
	- Key management personnel compensation (note 33	4,669,017
	- loans to key management personnel (note 33 (iv))	312,008
	- Directors fees	176,116
(iii)	Key management personnel compensation	
	Short term employee benefits	3,883,772
	Post-employment benefits	785,245
		4,669,017
(iv)	Loans to key management personnel	
	Beginning of the year	-
	Loans advanced	721,949
	Interest charged	42,009
	Loan repayments made inclusive of interest	(451,950)
	At 31 December	**312,008**
	Loans to key management personnel are for a period of 12 to 18 months, repayable in monthly instalments at interest rates of 10% per annum.	
(v)	Amounts due from related parties	-
	Loans to key management personnel	**312,008**
(vi)	Amounts directly due to related parties	
	Klapton Reinsurance Brokers- Hub commission payable	1,489,022
	Klapton Management Africa- Hub commission payable	50,869
	Klapton Insurance Company- Retrocession instalment	73,373
		1,613,265

34 Capital commitments

There was no significant capital expenditure contracted for at the end of the reporting period not recognised as liabilities.

35 Contingent liabilities

The Company did not have any contingent liabilities at 31 December 2021.

36 Events occurring after the reporting period

In February 2022, the shareholders increased their equity contribution in the Company from a nominal share capital of ZMW 70 million to ZMW 78.750 million.

37 Capital management

Regulatory capital

The Company's management uses regulatory capital ratios to monitor the Company's capital base. The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Company's regulator, the Pensions and Insurance Authority (PIA), monitors capital requirements for the Company as a whole. In implementing current capital requirements, the PIA requires the Company to maintain a minimum solvency margin of 10%. As at 31 December, the Company's solvency margin was 101% as presented below.

Solvency statement	2021 ZMW
Admissible assets	
Admissible fixed assets	5,379,856
Premium receivables	16,298,051
Admissible investments	24,132,196
Cash and cash equivalents	8,427,240
Total admissible assets	**54,237,343**
Less: Admissible liabilities	
Other financial liabilities	(4,952,397)
Insurance funds and provisions	(22,069,386)
Total admissible liabilities	**(27,021,783)**
Excess of assets over liabilities	**27,215,560**
Solvency margin	**101%**
Statutory solvency margin requirements	**10%**

KlaptonRe

Here for You

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