

**WAICA REINSURANCE (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS**

**31 December 2024**

## **WAICA REINSURANCE (PRIVATE) LIMITED**

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### **CORPORATE INFORMATION**

Waica Reinsurance (Private) Limited is a company domiciled and incorporated in Zimbabwe and is engaged in short term reinsurance business.

### **DIRECTORS**

E.A Ekundayo : Non-Executive (Chairman)  
H. Gariba : Non-Executive  
A. Onomake : Non-Executive  
W. Machimbidzofa : Executive (Chief Executive Officer)  
P. Jonhera : Non-Executive  
H. Shindi : Non-Executive  
C.Mwale : Chief Underwriting Officer (Ex Officio)  
E.T.Nartey : Chief Finance Officer (Ex Officio)

### **COMPANY SECRETARY**

W. Madya

### **REGISTERED OFFICE**

27 Epping Road  
Mt Pleasant  
Harare

### **AUDITORS**

AMG Global Chartered Accountants (Zimbabwe)  
3 Elcombe Avenue  
Belgravia  
**HARARE**

### **PRINCIPAL BANKERS**

Ecobank Zimbabwe Limited  
Ecobank Zambia Limited  
CBZ Bank Limited  
FBC Bank Limited

### **PUBLIC OFFICER**

L.K Badze

### **COMPANY LAWYERS**

Nyamayaro and Bakura Legal Practitioners

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## STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY

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The Directors are required by the Companies and other Business Entities Act (Chapter 24:31) and the Insurance Act (Chapter 24:07) to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The Directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the Company and place considerable importance on maintaining a strong control environment. To enable them to meet these responsibilities, the Directors set standards for internal controls aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing, and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems, and ethical behavior are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion that, based on the information and explanations given by management, the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Company's independent external auditors, AMG Global Chartered Accountants (Zimbabwe), are responsible for reporting on the fair presentation of the annual financial statements and their report appears on pages 2 to 4.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for the foreseeable future.

The financial statements were prepared under the supervision of Lloyd Kudzai Badze who is a Registered Public Accountant (RPAcc.Z) - Registration Number 03656.

The financial statements set out on pages 5 to 49, were approved by the Board of Directors of the Company on 13 February 2025 and are signed on its behalf by:



..... (Director)



..... (Director)

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3 Elcombe Avenue  
Belgravia  
Harare  
Zimbabwe

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Chartered Accountants  
(Zimbabwe)

A member firm of AMG Global, a Swiss Verein

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**

### **WAICA REINSURANCE (PRIVATE) LIMITED**

#### **Opinion**

We have audited the financial statements of WAICA Reinsurance (Private) Limited (“the Company”), set out on pages 5 to 49, which comprise:

- Statement of financial position as at 31 December 2024;
- Statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 31 December 2024;
- Notes to the financial statements; and
- A summary of significant accounting policies applied by the Company during the year.

In our opinion, the Company’s financial statements are properly drawn up in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and in all material respects, give a true and fair view of the financial position of the Company as at 31 December 2024 and the results of its operations, and its cash flows, for the year then ended.

#### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Institute of Chartered Accountants of Zimbabwe (“ICAZ”) Code of Professional Conduct, which is consistent with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

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

The key audit matters noted during the audit are as follows:



| Key audit matter                                                                                                                                                                                                                | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Premiums constitute the Company's main source of income. Revenue is inherently a high-risk area and as a result, the occurrence, accuracy, and completeness of revenue was considered to be a key audit matter.                 | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We documented the Company's internal control process on the revenue and receipting cycle and tested the key controls we identified; and</li> <li>• Performed analytical reviews on revenue and obtained reasons for unusual trends and/or occurrences; and</li> <li>• Tested completeness of premiums by following a selection of premiums receipts from the core underwriting system through to the accounting system.</li> </ul> <p>We were satisfied with the results of our audit procedures.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| The Company adopted IFRS 17 in the 2023 financial year. As such, the Company is still in the transitioning stage of implementing IFRS 17 and as a result the implementation of IFRS 17 was considered to be a key audit matter. | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Obtained IFRS Methodology from management and assessed reasonability of the methodology, assumptions and estimates using IFRS 17 as guidelines;</li> <li>• Obtained and reviewed approval documents from those charged with governance for the IFRS 17 implementation plan, methodologies, cohorts, and assumptions;</li> <li>• Reviewed reconciliations performed by management (finance and actuarial sections) between IFRS 17 figures produced by the Green 13 IRIS Software and the SIC underwriting system;</li> <li>• Compared some input data submitted to IRIS with data produced from the SICs system;</li> <li>• Obtained the IFRS 17 general ledger produced from IRIS for the last five financial years to 31 December 2024;</li> <li>• Performed data analytics on the ledger and compared aggregated numbers therefrom to the IFRS 17 trial balance and IFRS 17 financial statements;</li> <li>• Assessed consistency in the output from the general ledgers.</li> </ul> <p>We were satisfied with the outcome of the procedures performed.</p> |

### Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and other Business Entities Act (Chapter 24:31), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The financial statements were prepared under the supervision of Mr Lloyd Kudzai Badze, a Registered Public Accountant (RPacc.Z), Registration number 03656.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

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

We are required to 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 are also required to 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.

### **Report on other legal and regulatory requirements**

In our opinion, the financial statements have been properly drawn up so as to comply, in all material respects, with the presentation and disclosure requirements of the Companies and other Business Entities Act (Chapter 24:31) and related statutes.

The Engagement Partner on the audit resulting in this independent auditors' report is Clyton Kazembe, Registered Public Auditor (PAAB Practising Certificate number 0372).



**AMG Global**  
**Harare**

**13 February 2025**

**WAICA REINSURANCE (PRIVATE) LIMITED****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**year ended 31 December 2024**

|                                                         | <b>Note</b> | <b>2024</b><br><b>\$</b> | <b>2023</b><br><b>\$</b> |
|---------------------------------------------------------|-------------|--------------------------|--------------------------|
| Insurance revenue                                       | 2           | 44 682 354               | 35 310 889               |
| Insurance service expenses                              | 3           | (26 518 738)             | (24 489 721)             |
| Net expenses from reinsurance contracts                 | 4           | (9 409 924)              | (5 402 905)              |
| Insurance service result                                |             | <u>8 753 692</u>         | <u>5 418 263</u>         |
| Investment return                                       | 5           | 1 039 846                | 505 620                  |
| Net finance income from reinsurance contracts issued    | 6           | 184 850                  | 103 256                  |
| Net finance income from retrocessionaire contracts held | 6           | (715 558)                | (280 057)                |
| Net finance result                                      |             | <u>509 138</u>           | <u>328 819</u>           |
| Operating expenses                                      | 7           | (4 103 961)              | (3 344 419)              |
| Other income                                            | 8           | 59 318                   | 2 391 424                |
| Profit before taxation                                  |             | <u>5 218 187</u>         | <u>4 794 087</u>         |
| Income tax expense                                      | 9           | (1 519 154)              | (713 231)                |
| Total comprehensive income for the year                 |             | <u><u>3 699 033</u></u>  | <u><u>4 080 856</u></u>  |

# WAICA REINSURANCE (PRIVATE) LIMITED

## STATEMENT OF FINANCIAL POSITION as at 31 December 2024

|                                       | Note | 2024<br>\$        | 2023<br>\$        |
|---------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                         |      |                   |                   |
| Cash and cash equivalents             | 10   | 907 042           | 744 334           |
| Investments                           | 11   | 22 233 651        | 19 081 257        |
| Other receivables                     | 12   | 4 662 252         | 2 488 199         |
| Retrocessionaire contract asset       | 19   | 1 387 449         | 2 786 460         |
| Reinsurance contract asset            | 19   | 207 054           | 1 385 983         |
| Investment property                   | 13   | 2 316 032         | 450 000           |
| Property and equipment                | 14   | 825 005           | 969 347           |
| Investment in associate               | 15   | 48 897            | 48 897            |
| <b>Total assets</b>                   |      | <b>32 587 382</b> | <b>27 954 477</b> |
| <b>EQUITY AND LIABILITIES</b>         |      |                   |                   |
| <b>Equity</b>                         |      |                   |                   |
| Share capital                         | 16   | 10 200            | 10 200            |
| Share premiums                        |      | 6 101 018         | 6 101 018         |
| Retained earnings                     |      | 12 605 890        | 8 906 857         |
| Capital reserves                      |      | 26 132            | 26 132            |
| Foreign operation translation         |      | (5 808 499)       | (5 808 499)       |
| Other reserves                        |      | 437 050           | 452 742           |
|                                       |      | <b>13 371 791</b> | <b>9 688 450</b>  |
| <b>Liabilities</b>                    |      |                   |                   |
| Current tax payable                   |      | 2 218 363         | 6 487             |
| Deferred tax liability                | 17   | 1 277 353         | 2 465 239         |
| Other payables                        | 18   | 588 561           | 532 444           |
| Retrocessionaire contract liabilities | 19   | 2 766 516         | 1 847 924         |
| Reinsurance contract liabilities      | 19   | 12 364 798        | 13 413 933        |
|                                       |      | <b>19 215 591</b> | <b>18 266 027</b> |
| <b>Total liabilities and equities</b> |      | <b>32 587 382</b> | <b>27 954 427</b> |





Directors

13 February 2025

**WAICA REINSURANCE (PRIVATE) LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**year ended 31 December 2024**

|                                            | Share<br>capital<br>\$ | Share<br>premium<br>\$ | Retained<br>earnings<br>\$ | Foreign<br>currency<br>translation<br>reserve<br>\$ | Other<br>reserves<br>\$ | Capital<br>reserves<br>\$ | Total<br>\$ |
|--------------------------------------------|------------------------|------------------------|----------------------------|-----------------------------------------------------|-------------------------|---------------------------|-------------|
| Restated balance as at 31<br>December 2022 | 10 200                 | 6 101 018              | 4 826 001                  | (5 808 499)                                         | 233 524                 | 26 132                    | 5 388 376   |
| Total comprehensive<br>income for the year | -                      | -                      | 4 080 856                  | -                                                   | -                       | -                         | 4 080 856   |
| Revaluation adjustments                    | -                      | -                      | -                          | -                                                   | 219 218                 | -                         | 219 218     |
| Balance as at 31 December 2023             | 10 200                 | 6 101 018              | 8 906 857                  | (5 808 499)                                         | 452 742                 | 26 132                    | 9 688 450   |
| Total comprehensive<br>income for the year | -                      | -                      | 3 699 033                  | -                                                   | -                       | -                         | 3 699 033   |
| Revaluation adjustments                    | -                      | -                      | -                          | -                                                   | (15 692)                | -                         | (15 692)    |
| Balance as at 31 December 2024             | 10 200                 | 6 101 018              | 12 605 890                 | (5 808 499)                                         | 437 050                 | 26 132                    | 13 371 791  |

**WAICA REINSURANCE (PRIVATE) LIMITED**

**STATEMENT OF CASH FLOWS**

**year ended 31 December 2024**

|                                                                                 | <b>Note</b> | <b>2024</b><br>\$      | <b>2023</b><br>\$       |
|---------------------------------------------------------------------------------|-------------|------------------------|-------------------------|
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |             |                        |                         |
| Profit before taxation                                                          |             | 5 218 187              | 4 794 087               |
| Adjustment for:                                                                 |             |                        |                         |
| Depreciation on equipment                                                       | 16          | 143 049                | 116 930                 |
| Expected credit loss on investments                                             | 12          | 398 887                | 428 010                 |
| Net cash flows from operating activities before reinvestment in working capital |             | 5 760 123              | 5 339 027               |
| <b>Reinvestment in working capital</b>                                          |             |                        |                         |
| Increase in other receivables                                                   |             | (2 174 053)            | (989 038)               |
| Decrease in accounts payables                                                   |             | 56 117                 | (679 457)               |
| Net increase in retrocessionaire contracts                                      |             | 2 317 603              | (661 102)               |
| Net increase in reinsurance contracts                                           |             | 129 793                | 8 223 042               |
| Income tax paid                                                                 |             | 6 089 583<br>(495 164) | 11 232 472<br>(286 707) |
| Net cash from operating activities                                              |             | 5 594 419              | 10 945 764              |
| <b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>                                  |             |                        |                         |
| Acquisition of property and equipment                                           | 16          | (28 165)               | (310 021)               |
| Acquisition of fixed term investments                                           | 12          | (3 551 281)            | (9 975 554)             |
| Acquisition of Investment property                                              | 12          | (1 891 450)            | -                       |
| Proceeds from disposal of equipment                                             |             | 39 185                 | 18 664                  |
| Net cash used in investing activities                                           |             | (5 431 711)            | (10 266 911)            |
| Net increase in cash and cash equivalents                                       |             | 162 708                | 678 853                 |
| Cash and cash equivalents at the beginning of the year                          |             | 744 334                | 65 481                  |
| Cash and cash equivalents at the end of the year                                |             | 907 042                | 744 334                 |

## **WAICA REINSURANCE (PRIVATE) LIMITED**

### **ACCOUNTING POLICIES**

**31 December 2024**

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#### **STATEMENT OF COMPLIANCE**

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS), promulgated by the International Accounting Standards Board (IASB), which include standards and interpretations approved by the IASB, as well as International Accounting Standards and IFRS Interpretations Committee (IFRIC) interpretations.

The principal accounting policies of the company, which are set out below, have been consistently followed in all material respects.

#### **FUNCTIONAL AND PRESENTATION CURRENCY**

In 2023 the Company changed its presentation currency from Zimbabwean dollars (“ZWL”) to the United States dollars (“\$”/”US”), which is also the functional currency of the Company as this is the currency of the primary economic environment in which the Company operates. The comparative figures were amended accordingly.

#### **FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies are translated into US\$, which is the respective functional currency of the Company at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

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

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

#### **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS.

#### **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)**

##### **Changes in accounting policies and disclosure**

The following new standards, amendments and interpretations are effective for the first time for December 2024 year end and are relevant to the Company.

## WAICA REINSURANCE (PRIVATE) LIMITED

### ACCOUNTING POLICIES

31 December 2024

| Standard/<br>Interpretation                                                   | Content                                                                                                                                                                                                                                                                                                                   | Applicable for<br>financial years<br>beginning<br>on/after |
|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current | 1 January 2024                                             |
| Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)               | The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.                                                                                                                                                 | 1 January 2024                                             |
| Non-current Liabilities with Covenants (Amendments to IAS 1)                  | The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.                                                                                                                                                         | 1 January 2024                                             |
| Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)                | The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.                                                                                                           | 1 January 2024                                             |

| Standard/ Interpretation                                                                    | Content                                                                                                                                                                                                                                                                                                                                                 | Applicable for<br>financial years<br>beginning on/after |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information | IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. | 1 January 2024                                          |
| IFRS S2 Climate- related disclosure                                                         | IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.                                                                           | 1 January 2024                                          |

#### New and revised IFRSs in issue but not yet effective

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2024 and are expected to be relevant to the Company. The Company is in the process of assessing the potential impact that the adoption of these Standards and interpretations may have on its future financial performance or disclosures in the annual financial statements.

## WAICA REINSURANCE (PRIVATE) LIMITED

### ACCOUNTING POLICIES

31 December 2024

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| Standard/<br>Interpretation                                                                        | Content                                                                                                                                                                     | Applicable for financial years beginning on/after |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| Lack of Exchangeability<br>(Amendments to IAS 21)                                                  | The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.                                           | 1 January 2025                                    |
| Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments | The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 <i>Financial Instruments</i> . | 1 January 2026                                    |
| IFRS 18 Presentation and Disclosures in Financial Statements                                       | IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.                                    | 1 January 2027                                    |
| IFRS 19 Subsidiaries without Public Accountability: Disclosures                                    | IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.       | 1 January 2027                                    |

### INVESTMENTS

Quoted investments are stated at the lower of cost or market value.

Unquoted equity investments that do not meet the recognition criteria of investment in associate are accounted for at cost less, where appropriate, an applicable provision for diminution in value.

Other investments are stated at cost less, where appropriate, an applicable provision for diminution in value. Provision is made in the financial statements for diminution in the value of investments where the cost of such investments exceeds their market or realisable value, except when the investments are to be held until maturity, when they are shown at cost.

## **WAICA REINSURANCE (PRIVATE) LIMITED**

### **ACCOUNTING POLICIES**

**31 December 2024**

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#### **INVESTMENT INCOME**

Investment income comprises interest, dividends and net rental income from investments. Dividends on equity investments are brought to account on a receipt basis.

Interest income is recognised in the statement of profit or loss and other comprehensive income as it accrues, taking into account the effective yield on the asset.

Realised gains and losses on investments represent the differences between the sale proceeds and cost price.

Unrealised gains and losses on individual investments represent the difference between the valuation of investments on the lower of cost or net realisable value basis at the statement of financial position date and their cost or valuation at the previous statement of financial position date.

#### **TAXATION**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly to equity, in which case it is recognised as equity.

Current tax is the expected tax payable on the taxable income for the year, using the rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The principal temporary differences arise from depreciation on equipment, capital allowances and tax losses carried forward.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unutilized tax losses can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related benefits will be realised.

#### **EMPLOYEE BENEFITS**

Employee benefits are all forms of benefits given in exchange for services rendered by employees. These are classified as:

- (i) Short-term employee benefits – benefits due to be settled within 12 months after the end of the period in which the employees rendered related services;
- (ii) Post-employment benefits are benefits payable after the completion of employment. Post-employment benefit plans are benefit plans which are formal or informal arrangements providing post-employment benefits for one or more employees. Such plans (or funds) may be either defined contribution funds or defined benefit funds; and
- (iii) Termination benefits are employee benefits payable as a result of either the Company's decision to terminate an employee's employment before normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

## **WAICA REINSURANCE (PRIVATE) LIMITED**

### **ACCOUNTING POLICIES**

**31 December 2024**

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#### **Recognition**

##### ***Short-term benefits***

The cost of all short-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other benefit contributions are recognised during the period in which the employee renders the related service.

The Company recognises the expected cost of bonuses when the Company has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The Company's short-term employee benefits comprise remuneration in the form of salaries, wages, commissions and bonuses.

##### ***Post-employment retirement benefit funds***

Retirement benefits are provided for Company employees through an independently administered defined contribution fund and by the National Social Security Authority (NSSA). Payments to the defined contribution fund and to the NSSA scheme are recognised as an expense when they fall due, which is when the employee renders the service.

During the year the Company contributed to the Company defined contribution fund and to the NSSA scheme.

##### ***Other long-term benefits***

Other long-term benefits are recognised as an expense when an obligation arises.

The Company had no other long-term benefit commitments during the year.

##### ***Termination benefits***

The Company recognises termination benefits as a liability and an expense when, and only when, it is demonstrably committed to either:

- (i) Terminate the employment of an employee or Company of employees before the normal retirement date; or
- (ii) Provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Termination benefits are recognised as an expense immediately.

#### **Measurement**

##### ***Short-term employee benefits***

All short-term employee benefits are measured at cost.

##### ***Post-employment retirement benefit funds***

The Company has no liability for post-employment retirement benefit funds once the current contributions have been paid at the time the employees render service.

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#### ***Termination benefits***

Termination benefits are measured according to the terms of termination contract

### **EQUIPMENT**

#### ***Carrying amount***

Items of equipment are stated at cost less accumulated depreciation and impairment losses.

#### ***Depreciation***

Depreciation on equipment is charged to the statement of profit or loss and other comprehensive income on the straight-line basis over the estimated useful lives of the items of equipment at the following rates per annum:

|                        |       |
|------------------------|-------|
| Buildings              | 2%    |
| Computers              | 33.3% |
| Motor vehicles         | 25%   |
| Office equipment       | 20%   |
| Furniture and fittings | 20%   |

#### ***Impairment***

The carrying amounts of the company's assets, other than deferred tax assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment.

If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised in the statement of profit or loss and other comprehensive income whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

#### ***Calculation of recoverable amount***

The recoverable amount of the company's assets is their estimated realisable value.

#### ***Reversal of impairment***

Any impairment losses previously recognised are reversed if there has been a change in the estimates used to determine the recoverable amount.

The increased carrying amount of an asset due to a reversal of an impairment loss should not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

### **INVESTMENT PROPERTIES**

Investment properties comprise land and buildings which are held to earn rental income or for capital appreciation, or both.

Investment properties are initially recognised at cost, including transaction costs, when it is probable that future economic benefits associated with the investment properties will flow to the company and the cost of the investment property can be measured reliably. The cost of a purchased investment

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property comprises its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction development is complete.

Investment properties are accounted for under the fair value model.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of retirement or disposal. Transfers are made to investment property when there is a change in use of the property. Transfers are made from investment property when there is a change in use or when the amount will be recovered principally through a sale transaction.

### **ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities and technical liabilities in the financial statements. The estimates, including those related to allowance for credit losses and property and equipment are reviewed on an ongoing basis and are based on the Directors best knowledge of current events and actions of and technical liabilities Company as well as historical experience and other factors that are considered to be relevant. In addition, management apply assumptions made by experts in arriving at some of the estimates. Actual results may ultimately differ from those estimates and assumptions.

#### **Residual values of PE**

Residual values are reassessed each year and adjustments are made where appropriate. The valuation methods adopted in this process involve significant judgement and estimation.

#### **Useful lives of PE**

The determination of the remaining estimated useful lives of PE is deemed to be a significant area of judgement.

#### **Allowances for credit losses**

The Company considers changes in the credit quality of the respective accounts receivables from the date on which credit was granted up to the end of the reporting period before determining whether to provide for a debtor as doubtful.

## **FINANCIAL INSTRUMENTS**

### **Classification**

Trading instruments are those that the company principally hold for the purpose of short-term profit taking.

Originated loans and receivables are loans and receivables created by the company providing money to debtors other than those created with the intention of short-term profit taking.

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Held to maturity assets are financial assets with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity.

Available for sale assets are financial assets that are not held for trading purposes, originated by the company, or held to maturity other than loans and receivables originated by the company.

#### **Recognition**

The company recognises financial assets held for trading and available for sale on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognised.

Held to maturity loans and originated loans and receivables are recognised on the day that they are transferred to or originated by the company.

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and all available for sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities originated loans and receivables and held to maturity assets are measured at amortised cost less impairment losses. Amortized cost is calculated on the effective interest rate of the instrument.

#### **Fair value measurement principles**

The fair value of financial instruments is based on their quoted market price at the statement of financial position date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the statement of financial position date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the company would receive or pay to terminate the contract at the statement of financial position date taking into account market conditions and the current creditworthiness of the counterparties.

#### **Gains and losses on subsequent measurement**

Gains and losses arising from a change in the fair value of available for sale assets are recognised directly in equity. When financial assets are sold, collected, or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the statement of profit or loss and other comprehensive income.

Gains and losses arising from a change in fair value trading instruments are recognised in the statement of profit or loss and other comprehensive income.

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#### **Derecognition**

A financial asset is derecognised when the company loses control over the contractual rights that make up that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available for sale assets and assets held for trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the company commits to sell the assets. The company uses the specific identification method to determine the gain or loss on derecognition.

Held to maturity instruments and originated loans and receivables are derecognised on the day that they are transferred by the company.

#### **FAIR VALUE MEASUREMENTS**

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience, the work of independent professional valuers and other factors that are considered to be relevant. Actual outcomes may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The estimated net fair values of all the financial instruments approximate the carrying amounts shown in the financial statements. The fair value of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. Due to the non-existence of active markets for some of the Company's significant financial instruments, management applied various fair valuation models to determine and evaluate the appropriateness of the carrying amounts of these financial instruments.

The following methods and assumptions were used to come up with the best possible estimates of the respective fair values of the Company's financial instruments;

- Cash and cash equivalents, other assets and other liabilities approximate their carrying amounts largely due to their short-term nature regarding maturity dates.
- Fair values of quoted investments are obtained from quoted market prices in active markets where available and where necessary adjusted to reflect the nature and condition of the Company's instruments.
- Fair value of trade investments are derived from the Company's proportionate share of the net asset value of the associate investments.
- Fair value of financial assets and liabilities at fair value through profit and loss is derived from market prices in active markets for the respective instruments.
- If active markets are not available the fair value is estimated using pricing models, net present value technique, net asset value technique, discounted cash flow techniques, use of recent arm's length transactions or comparison to similar instruments for which market observable prices exist.
- The fair values of the investment properties are reviewed annually by independent professional valuers where the results of the movement of the values are adjusted for in the profit or loss.

The fair value of interest-bearing loans and borrowings is determined after taking into account the effective interest on the loans. This involves an assessment of world market rates, specific country risk, credit risk and other relevant factors. The Directors believe that the Amortized cost of the interest-bearing loans and borrowings approximates their fair value.

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The significant unobservable inputs used in the fair value measurements of the Company's financial instruments are prepayment rates, probability of default and loss severity in the event of default, the liquidity of the economy and demand forecasts of the Company's unique product offerings. Significant increases/decreases in any of these inputs in isolation or concurrently would result in a significantly lower/higher fair value measurement. **Fair value hierarchy**

As at 31 December 2023, the Company held financial instruments measured at the fair value under the following categories;

- Level 1; Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2; Other techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly.
- Level 3; Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

#### **Reinsurance contracts**

A reinsurance contract is a contract under which the Company accepts significant insurance risks from a cedant by agreeing to compensate the cedant or other beneficiary if a specified uncertain future event (the insured event) occurs.

#### **Reinsurance and retrocession contracts classification**

##### ***Reinsurance contracts***

The Company issues reinsurance contracts in the normal course of business, under which it accepts significant insurance risk from a cedant by agreeing to compensate the cedant or other beneficiary if a specified uncertain future event (the insured event) occurs.

As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Reinsurance contracts can also transfer financial risk. The Company issues non-life reinsurance to cedants. Non-life reinsurance products offered include casualty, engineering, fire & property, motor, marine & aviation and oil & gas. These products protect cedant against ceded risks of claims made by primary policyholders.

Casualty reinsurance contracts protect the cedants against ceded risk of claims made by primary policyholders for causing harm to third parties as a result of the legitimate activities of the primary policyholder.

Under property reinsurance contracts, the Company compensates cedants of a portion of claims payable to primary policyholders for damage suffered to their properties or for the value of property lost or the loss of earnings caused by the inability of the primary policyholder to use the insured properties in their business activities (business interruption cover).

Personal accident reinsurance contracts compensate the cedants for a portion of claims made by primary policyholders for bodily injuries suffered by the primary policyholder or his/her family members or employees.

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#### ***Retrocession contracts held***

Contracts entered into by the Company with retrocessionaires under which the Company is compensated for losses which meet the classification requirement for reinsurance contracts are classified as retrocession insurance contracts held. Contracts that do not meet these classifications are classified as financial assets.

#### ***Retrocession contracts held***

The Company uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce its risk of catastrophic loss on reinsurance assumed. The ceding of risk to retrocessionaires does not relieve the company of its obligation to its cedants. The company regularly reviews the financial condition of its retrocessionaires.

#### ***Separating components from insurance and reinsurance contracts***

The Company assesses its non-life reinsurance and retrocession products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) reinsurance contract. Currently, the Company's products do not include any distinct components that require separation.

Some retrocession contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the retrocession contracts and are, therefore, non-distinct investment components which are not accounted for separately.

#### ***Level of aggregation***

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator.

However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). No group of contracts for level of aggregation purposes contain contracts issued more than one year apart.

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The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes.

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#### **Reinsurance and retrocession contracts classification**

##### ***Level of aggregation***

Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognized
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

##### ***Recognition***

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

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#### **Reinsurance and retrocession contracts classification**

##### ***Recognition***

- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

##### ***Contract boundary***

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

Or

Both of the following criteria are satisfied:

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

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|                                                                 | IFRS 17 Options                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Adopted approach                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Premium Allocation Approach (PAA)<br>Eligibility                | Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Coverage period for, accident, marine, aviation, motor and property reinsurance and liability retro insurance assumed is one year or less and so qualifies automatically for PAA.<br>Engineering reinsurance includes contracts with coverage period greater than one year. However, there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA. |
| Insurance acquisition cash flows for insurance contracts issued | Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group. | Insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.                                                                                                                                                                                                                                                                                                 |

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|                                                                                             | <b>IFRS 17 Options</b>                                                                                                                                                                                                                                                                 | <b>Adopted approach</b>                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Liability for Remaining Coverage (LRC), adjusted for financial risk and time value of money | Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC. | There is no allowance as the premiums are received within one year of the coverage period.                                                                                                                                                                                      |
| Liability for Incurred Claims, (LIC) adjusted for time value of money                       | Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.                                                                                                                     | For some claims within the Motor, accident, property product line, the incurred claims are expected to be paid out in less than one year. Hence, no adjustment is made for the time value of money.<br>For all other business, the LIC is adjusted for the time value of money. |
| Insurance finance income and expense                                                        | There is an option to disaggregate part of the movement in LIC resulting from changes in discount rates and present this in OCI.                                                                                                                                                       | The change in LIC as a result of changes in discount rates are captured within profit or loss.                                                                                                                                                                                  |

**Insurance and Reinsurance contracts accounting treatment*****Insurance contracts – initial measurement***

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary (refer to 3 (o)(iv)).

Or

- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

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### **ACCOUNTING POLICIES**

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- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

There is no allowance for time value of money as the premiums are received within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component.

#### ***Reinsurance contracts held – initial measurement***

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

#### **Insurance and Reinsurance contracts accounting treatment**

#### ***Reinsurance contracts held – initial measurement***

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

#### ***Insurance contracts – subsequent measurement***

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

Plus premiums received in the period

Minus insurance acquisition cash flows, with the exception of property insurance product line for which the Company chooses to expense insurance acquisition cash flows as they occur

Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group

Plus any adjustment to the financing component, where applicable

Minus the amount recognised as insurance revenue for the services provided in the period

Minus any investment component paid or transferred to the liability for incurred claims.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims.

The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

### **Insurance and reinsurance contracts accounting treatment**

#### ***Insurance contracts – subsequent measurement***

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

#### ***Reinsurance contracts held – subsequent measurement***

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying insurance.

contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

#### ***Insurance acquisition cash flows***

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

With the exception of the property insurance product line, for which the Company chooses to expense insurance acquisition cash flows as they occur, the Company uses a systematic and rational method to allocate:

- (a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
  - to that group; and
  - to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.
- (b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

***Insurance acquisition cash flows***

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts. The time bands when the Company expects to derecognise the above asset for insurance acquisition cash flows are disclosed in [Note 11](#).

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The Company recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

***Insurance contracts – modification and derecognition***

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired)  
Or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

***Presentation***

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

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The Company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

*Insurance revenue*

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognised on the basis of the passage of time.

*Loss components*

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

*Loss-recovery components*

where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

*Insurance finance income and expense*

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

**ACCOUNTING POLICIES**

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- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Company disaggregates insurance finance income or expenses on insurance contracts issued for its personal accident product line between profit or loss and OCI. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing the personal accident insurance portfolios are predominantly measured FVOCI. For all other business, the Company does not disaggregate finance income and expenses because the related financial assets are managed on a fair value basis and measured at FVPL.

*Net income or expense from reinsurance contracts held*

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

**Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following:

- Impairment of financial assets: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL;
- Classification of financial assets: assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest (SPPI) on the principal amount outstanding;
- Classification of reinsurance, retrocessionaire and investment contracts: assessing whether the contract transfers significant insurance risk.
- Level of aggregation of insurance and reinsurance contracts: identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently.

## **WAICA REINSURANCE (PRIVATE) LIMITED**

### **ACCOUNTING POLICIES**

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- Measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract
- Transition to IFRS 17: determining whether sufficient reasonable and supportable information is available to apply a full or modified retrospective approach.

**WAICA REINSURANCE (PRIVATE) LIMITED**

**NOTES ON THE FINANCIAL STATEMENTS**

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**1 INCORPORATION AND ACTIVITIES**

The company was registered in Zimbabwe on 1 November 2009 and offers reinsurance services.

|                                                                                            | <b>2024</b>        | <b>2023</b>        |
|--------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                            | <b>\$</b>          | <b>\$</b>          |
| <b>2 Insurance Revenue</b>                                                                 |                    |                    |
| Contracts measured under PAA                                                               | 44 682 354         | 35 310 889         |
| Total insurance revenue                                                                    | <u>44 682 354</u>  | <u>35 310 889</u>  |
| <b>3 INSURANCE SERVICE EXPENSES</b>                                                        |                    |                    |
| <b>(a) Incurred claims and insurance contracts expenses</b>                                |                    |                    |
| Recognition of claims in the period (current in the period)                                | 13 682 656         | 13 738 402         |
| Release of risk adjustment                                                                 | 66 132             | 732 183            |
| Increase losses on onerous contracts in subsequent measurement                             | 254 475            | 37 280             |
| Reversal of losses on onerous contracts                                                    | (55 341)           | (159 532)          |
|                                                                                            | <u>13 949 922</u>  | <u>14 348 333</u>  |
| <b>(b) Insurance contract acquisition cash flows</b>                                       |                    |                    |
| Amounts attributed to insurance acquisition cash flows incurred during the year            | -                  | -                  |
| Amortisation of insurance acquisition cash flows                                           | 12 568 816         | 10 141 388         |
|                                                                                            | <u>12 568 816</u>  | <u>10 141 388</u>  |
| <b>Totals</b>                                                                              | <u>26 518 738</u>  | <u>24 489 721</u>  |
| <b>4 NET EXPENSES FROM REINSURANCE CONTRACTS HELD</b>                                      |                    |                    |
| Allocation of reinsurance premiums                                                         | (12 423 723)       | (9 386 611)        |
| Release retro commission                                                                   | 2 839 055          | 2 160 104          |
|                                                                                            | <u>(9 584 668)</u> | <u>(7 226 507)</u> |
| <b>Amounts recoverable from reinsurers for incurred claims</b>                             |                    |                    |
| Changes/increase in recoverable amounts – adjustments to LIC (RA)                          | (63 248)           | 127 237            |
| Changes/increase in recoverable amounts – adjustments to LIC (PVFC)                        | 237 992            | 1 696 365          |
|                                                                                            | <u>174 744</u>     | <u>1 823 602</u>   |
| <b>Total</b>                                                                               | <u>(9 409 924)</u> | <u>(5 402 905)</u> |
| <b>5 INVESTMENT RETURN</b>                                                                 |                    |                    |
| The following table analyses the company's net financial result in profit or loss and OCI: |                    |                    |
| Interest revenue calculated using the effective interest method                            | 1 026 280          | 513 398            |
| Net impairment loss on financial assets                                                    | 13 566             | (7 778)            |
| <b>Total</b>                                                                               | <u>1 039 846</u>   | <u>505 620</u>     |

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|                                                                                     | <b>2024</b>      | <b>2023</b>      |
|-------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                     | <b>\$</b>        | <b>\$</b>        |
| <b>6 NET FINANCE INCOME FROM RETROCESSIONE CONTRACTS</b>                            |                  |                  |
| <b>Finance (expenses)/income from contracts issued within the scope of IFRS 17:</b> |                  |                  |
| Interest accretion on LIC (Best estimate liability)                                 | (649 652)        | (266 511)        |
| Effect of changes in interest rates and other financial assumptions                 | 3 343            | 12 334           |
| Interest accretion on LIC (RA)                                                      | (69 249)         | (25 880)         |
|                                                                                     | <u>(715 558)</u> | <u>(280 057)</u> |
| <b>Finance income/(expenses) from reinsurance contracts held:</b>                   |                  |                  |
| Interest accretion on reinsurance LIC (Best estimate liability) P&L                 | 162 336          | 92 260           |
| Effect of changes in interest rates and other financial assumptions                 | 3 772            | 289              |
| Interest accretion on reinsurance LIC (RA) P&L                                      | 18 742           | 10 707           |
|                                                                                     | <u>184 850</u>   | <u>103 256</u>   |
| <b>7 OPERATING EXPENSES</b>                                                         |                  |                  |
| <b>7.1 Analysis</b>                                                                 |                  |                  |
| Auditors fees                                                                       | 24 860           | 28 589           |
| Staff costs (note 7.2)                                                              | 1 828 041        | 1 556 635        |
| Advertising                                                                         | 8 340            | 1 452            |
| Depreciation on property and equipment (note 14)                                    | 143 049          | 116 930          |
| Legal and professional fees                                                         | 254 078          | 189 703          |
| Motor running expenses                                                              | 25 249           | 35 425           |
| Directors remuneration                                                              | 111 504          | 79 130           |
| Board expenses                                                                      | 117 237          | 127 323          |
| Business promotion                                                                  | 275 081          | 138 170          |
| Communication                                                                       | 88 102           | 87 570           |
| Insurance                                                                           | 22 530           | 8 366            |
| Dues and subscriptions                                                              | 472 831          | 394 276          |
| Printing and stationery                                                             | 2 864            | 2 560            |
| Meetings, conferences and trainings                                                 | 123 466          | 108 792          |
| Repairs and maintenance                                                             | 8 460            | 10 880           |
| Other office running costs                                                          | 595 268          | 458 618          |
|                                                                                     | <u>4 103 961</u> | <u>3 344 419</u> |
| <b>7.2 Staff costs</b>                                                              |                  |                  |
| Salaries and wages                                                                  | 1 509 132        | 1 332 043        |
| Other employee benefits                                                             | 236 639          | 180 106          |
| Other staff costs                                                                   | 82 270           | 44 486           |
|                                                                                     | <u>1 828 041</u> | <u>1 556 635</u> |
| <b>8 OTHER INCOME</b>                                                               |                  |                  |
| Sundry income                                                                       | 38 657           | 2 231 682        |
| Actuarial difference                                                                | -                | 159 742          |
| Other investment revenue                                                            | 21 344           | -                |
| Dividend income                                                                     | 12 883           | -                |
| Net impairment gain on financial assets                                             | (13 566)         | -                |
|                                                                                     | <u>59 318</u>    | <u>2 391 424</u> |

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**NOTES ON THE FINANCIAL STATEMENTS**
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|            |                                                         | <b>2024</b>       | <b>2023</b>       |
|------------|---------------------------------------------------------|-------------------|-------------------|
|            |                                                         | <b>\$</b>         | <b>\$</b>         |
| <b>9</b>   | <b>TAXATION</b>                                         |                   |                   |
| <b>9.1</b> | <b>Current charge for the year</b>                      |                   |                   |
|            | Current tax                                             | 2 707 040         | 272 150           |
|            | Deferred tax                                            | (1 187 886)       | 441 081           |
|            |                                                         | <u>1 519 154</u>  | <u>713 231</u>    |
| <b>9.2</b> | <b>Reconciliation of income tax expense</b>             |                   |                   |
|            | Profit before income tax                                | 5 218 187         | 4 794 087         |
|            |                                                         | <u>1 343 683</u>  | <u>1 185 098</u>  |
|            | Notational tax charge based on profit for the year      | 175 471           | (471 867)         |
|            | Additional savings resulting from permanent differences | <u>1 519 154</u>  | <u>713 231</u>    |
| <b>10</b>  | <b>CASH AND CASH EQUIVALENTS</b>                        |                   |                   |
|            | Cash in the bank                                        | 904 205           | 743 901           |
|            | Cash at hand                                            | 2 837             | 433               |
|            |                                                         | <u>907 042</u>    | <u>744 334</u>    |
| <b>11</b>  | <b>INVESTMENTS</b>                                      |                   |                   |
|            | Opening balance                                         | 19 081 257        | 9 533 714         |
|            | Additional fixed deposits with financial institutions   | 3 551 281         | 9 975 553         |
|            | Expected credit loss provision (financial assets)       | (398 887)         | (428 010)         |
|            |                                                         | <u>22 233 651</u> | <u>19 081 257</u> |
| <b>12</b>  | <b>OTHER RECEIVABLES</b>                                |                   |                   |
|            | Due from related party                                  | 1 148 371         | 392 505           |
|            | Sundry receivables                                      | 3 513 881         | 2 095 694         |
|            |                                                         | <u>4 662 252</u>  | <u>2 488 199</u>  |
| <b>13</b>  | <b>INVESTMENT PROPERTY</b>                              |                   |                   |
|            | Opening balance                                         | 450 000           | 283 700           |
|            | Additions                                               | 1 891 450         | -                 |
|            | Revaluation                                             | (25 418)          | 166 300           |
|            |                                                         | <u>2 316 032</u>  | <u>450 000</u>    |

NOTES ON THE FINANCIAL STATEMENTS

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14 PROPERTY AND EQUIPMENT

|                                      | Land and<br>buildings<br>\$ | Computer<br>hardware<br>\$ | Motor<br>vehicles<br>\$ | Furniture<br>and<br>fittings<br>\$ | Total<br>\$ |
|--------------------------------------|-----------------------------|----------------------------|-------------------------|------------------------------------|-------------|
| <b>14.1 Cost/valuation</b>           |                             |                            |                         |                                    |             |
| At 1 January 2023                    | 379 113                     | 58 235                     | 472 178                 | 107 110                            | 1 016 638   |
| Additions                            | -                           | 13 967                     | 293 232                 | 2 822                              | 310 021     |
| Disposal                             | -                           | (1 057)                    | (62 400)                | -                                  | (63 457)    |
| Revaluation surplus                  | 96 564                      | -                          | -                       | -                                  | 96 564      |
| At 31 December 2023                  | 475 677                     | 71 145                     | 703 010                 | 109 934                            | 1 359 766   |
| Additions                            | -                           | 18 360                     | -                       | 9 805                              | 28 165      |
| Disposals                            | -                           | (4 982)                    | (88 000)                | -                                  | (92 982)    |
| Revaluation surplus                  | 24 170                      | -                          | -                       | -                                  | 24 170      |
| At 31 December 2024                  | 499 847                     | 84 523                     | 615 010                 | 119 739                            | 1 319 119   |
| <b>14.2 Accumulated depreciation</b> |                             |                            |                         |                                    |             |
| At 1 January 2023                    | 24 593                      | 42 560                     | 154 779                 | 52 705                             | 274 637     |
| Charge for the year                  | 3 841                       | 8 350                      | 93 815                  | 10 924                             | 116 930     |
| Disposals                            | -                           | (351)                      | (8 040)                 | -                                  | (8 391)     |
| Revaluation surplus                  | 7 242                       | -                          | -                       | -                                  | 7 242       |
| At 31 December 2023                  | 35 676                      | 50 559                     | 240 554                 | 63 629                             | 390 418     |
| Charge for the year                  | 4 171                       | 12 230                     | 115 373                 | 11 275                             | 143 049     |
| Disposal                             | -                           | (2 348)                    | (36 647)                | (357)                              | (39 352)    |
| At 31 December 2024                  | 39 847                      | 60 441                     | 319 260                 | 74 546                             | 494 114     |
| <b>Net carrying amounts</b>          |                             |                            |                         |                                    |             |
| At 31 December 2024                  | 460 000                     | 24 082                     | 295 730                 | 45 193                             | 825 005     |
| At 31 December 2023                  | 440 000                     | 20 586                     | 462 456                 | 46 305                             | 969 347     |
| At 1 January 2023                    | 354 520                     | 15 675                     | 317 399                 | 54 407                             | 742 001     |

15 LONG TERM INVESTMENTS

|                                       | 31 December<br>2024<br>\$ | 31 December<br>2023<br>\$ | 1 January<br>2023<br>\$ |
|---------------------------------------|---------------------------|---------------------------|-------------------------|
| <b>15.1 Analysis</b>                  |                           |                           |                         |
| Balances at the beginning of the year | 48 897                    |                           | 48 897                  |
| Movement for the year                 | -                         |                           | -                       |
|                                       | 48 897                    |                           | 48 897                  |

15.2 The company has a 26.84% shareholding in Special Automobile Underwriter of Zimbabwe (Private) Limited. The investment is stated at cost.

# WAICA REINSURANCE (PRIVATE) LIMITED

## NOTES ON THE FINANCIAL STATEMENTS

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|  | 2024 | 2023 |
|--|------|------|
|  | \$   | \$   |

### 16 SHARE CAPITAL

#### 16.1 Authorised, issued and fully paid

|                                                |        |        |
|------------------------------------------------|--------|--------|
| 102 000 000 ordinary shares of US\$0.0001 each | 10 200 | 10 200 |
|------------------------------------------------|--------|--------|

**16.2** The holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at general meetings of the company. All shares rank equally with regards to residual assets.

**16.3** As at 31 December 2024, the company has complied with the Insurance Act on the minimum capital required for an insurance company carrying out reinsurance business in Zimbabwe.

### 17 DEFERRED TAX LIABILITY

Deferred tax is calculated in full on all temporary differences using a principal tax rate of 25.75%. The movement on the deferred on the deferred tax account is as follows:

|                                       | 31 December<br>2024 | 31 December<br>2023 |
|---------------------------------------|---------------------|---------------------|
|                                       | \$                  | \$                  |
| Balances at the beginning of the year | 2 465 239           | 2 024 158           |
| Movement for the year                 | (1 187 886)         | 441 081             |
|                                       | <u>1 277 353</u>    | <u>2 465 239</u>    |

### 18 OTHER PAYABLES

|                          |                |                |
|--------------------------|----------------|----------------|
| Trade and other payables | 313 740        | 390 344        |
| Staff gratuity           | 274 821        | 142 100        |
|                          | <u>588 561</u> | <u>532 444</u> |

### 19 RETROCESSIONAIRE CONTRACT ASSET AND LIABILITIES

#### 19.1 Insurance and reinsurance contracts

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out below:

|                            | 2024               |                   |                   | 2023               |                   |                   |
|----------------------------|--------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
|                            | Assets             | Liabilities       | Net               | Assets             | Liabilities       | Net               |
|                            | \$                 | \$                | \$                | \$                 | \$                | \$                |
| Retrocessionaire contracts | (1 387 449)        | 2 766 516         | 379 067           | (2 786 460)        | 1 847 924         | (938 536)         |
| Reinsurance contracts      | (207 054)          | 12 364 798        | 12 157 744        | (1 385 983)        | 13 413 933        | 12 027 950        |
| Total insurance issued     | <u>(1 594 503)</u> | <u>15 131 314</u> | <u>13 536 811</u> | <u>(4 172 443)</u> | <u>15 261 857</u> | <u>11 089 414</u> |

## NOTES ON THE FINANCIAL STATEMENTS

31 December 2024

## 19.2 Movement in reinsurance and retrocessionaire contract balances

The following reconciliations show how the net carrying amounts of insurance contracts in each segment changed during the year as a result of cash flows and amounts recognized in the statement of profit or loss and other comprehensive income:

## 19.2.1 Retrocessionaire contract asset - 2024

|                                                               | Asset for remaining<br>coverage excluding<br>loss recovery<br>component<br>US\$ | Loss<br>recovery<br>component<br>US\$ | Asset for<br>incurred<br>claims<br>US\$ | Total<br>US\$ |
|---------------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------|-----------------------------------------|---------------|
| Opening reinsurance contract liabilities                      | (711 627)                                                                       | -                                     | (1 136 408)                             | (1 848 034)   |
| Opening reinsurance contract assets                           | 587 171                                                                         | -                                     | 2 371 279                               | 2 958 450     |
| Net insurance contract assets/(liabilities) opening balance   | (124 456)                                                                       | -                                     | 1 234 871                               | 1 110 416     |
| <b>Movement during the year</b>                               |                                                                                 |                                       |                                         |               |
| Allocation of reinsurance premiums                            | (9 756 548)                                                                     | -                                     | -                                       | (9 576 548)   |
| Amounts recoverable for incurred claims and other expenses    | -                                                                               | -                                     | 3 513 408                               | 3 513 408     |
| Changes to amounts recoverable for incurred claims            | -                                                                               | -                                     | (3 338 664)                             | (3 338 664)   |
| Reinsurance finance income                                    | 6 963                                                                           | -                                     | 155 519                                 | 162 482       |
| Premiums paid                                                 | 10 219 144                                                                      | -                                     | -                                       | 10 219 144    |
| Amounts received                                              | (2 181 174)                                                                     | -                                     | (1 108 131)                             | (3 289 304)   |
| Other movements                                               | 547 661                                                                         | -                                     | (547 661)                               | -             |
| Net reinsurance contract assets/(liabilities) closing balance | (1 288 410)                                                                     | -                                     | (90 657)                                | (1 379 067)   |
| Closing reinsurance contract liabilities                      | (1 288 410)                                                                     | -                                     | (1 478 106)                             | (2 766 516)   |
| Closing reinsurance contract assets                           | -                                                                               | -                                     | 1 387 449                               | 1 387 449     |
| Net reinsurance contract assets/(liabilities) closing balance | (1 288 410)                                                                     | -                                     | (90 657)                                | (1 379 067)   |

NOTES ON THE FINANCIAL STATEMENTS

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|                                                                          | Liability for remaining<br>coverage excluding<br>loss recovery<br>recovery component<br>US\$ | Loss recovery<br>component<br>US\$ | Liability<br>for incurred<br>claims<br>US\$ | Total<br>US\$     |
|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------|-------------------|
| <b>19.2.2 Reinsurance contract liabilities - 2024</b>                    |                                                                                              |                                    |                                             |                   |
| Opening insurance contract liabilities                                   | (213 611)                                                                                    | 48 281                             | 13 579 262                                  | 13 413 931        |
| Opening insurance contract assets                                        | (1 616 849)                                                                                  | 7 059                              | (223 809)                                   | (1 385 981)       |
| <b>Net reinsurance contract (assets)/liabilities opening balance</b>     | <b>(1 830 460)</b>                                                                           | <b>55 340</b>                      | <b>13 803 071</b>                           | <b>12 027 950</b> |
| <b>Movement during the year</b>                                          |                                                                                              |                                    |                                             |                   |
| Insurance revenue                                                        | (44 682 354)                                                                                 | -                                  | -                                           | (44 682 354)      |
| Incurred claims and other directly attributable expenses                 | -                                                                                            | (55 341)                           | 13 727 223                                  | 13 671 882        |
| Changes to liabilities for incurred claims                               | -                                                                                            | -                                  | 23 565                                      | 23 565            |
| Losses on onerous contracts and reversal of those losses                 | -                                                                                            | 254 474                            | -                                           | 254 474           |
| Amortisation of insurance acquisition cash flows                         | 12 568 816                                                                                   | -                                  | -                                           | 12 658 816        |
| Insurance finance expenses                                               | 8 279                                                                                        | -                                  | 566 166                                     | 574 446           |
| Premiums received                                                        | 42 534 053                                                                                   | -                                  | -                                           | 42 534 053        |
| Claims and other expenses                                                | -                                                                                            | -                                  | (12 670 242)                                | (12 670 242)      |
| Insurance acquisition cash flows                                         | (12 144 723)                                                                                 | -                                  | -                                           | (12 144 723)      |
| Other investments                                                        | 565 464                                                                                      | -                                  | (565 464)                                   | -                 |
| <b>Net reinsurance contract assets/(liabilities)<br/>closing balance</b> | <b>(2 980 958)</b>                                                                           | <b>254 473</b>                     | <b>14 884 229</b>                           | <b>12 157 744</b> |
| <b>Closing reinsurance contract liabilities</b>                          | <b>(2 744 615)</b>                                                                           | <b>253 768</b>                     | <b>14 855 645</b>                           | <b>12 364 798</b> |
| <b>Closing reinsurance contract assets</b>                               | <b>(236 345)</b>                                                                             | <b>705</b>                         | <b>28 584</b>                               | <b>(207 054)</b>  |
| <b>Net reinsurance contract (assets)/liabilities<br/>closing balance</b> | <b>(2 980 958)</b>                                                                           | <b>254 473</b>                     | <b>14 884 229</b>                           | <b>12 157 744</b> |

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|                                                                          | <b>Asset for remaining<br/>coverage excluding<br/>loss recovery<br/>component<br/>US\$</b> | <b>Loss<br/>recovery<br/>component<br/>US\$</b> | <b>Asset for<br/>incurred<br/>claims<br/>US\$</b> | <b>Total<br/>US\$</b> |
|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------|-----------------------|
| <b>19.2.3 Retrocessionaire contract asset - 2023</b>                     |                                                                                            |                                                 |                                                   |                       |
| <b>Opening reinsurance contract liabilities</b>                          | (530 581)                                                                                  | -                                               | (1 014 07)                                        | (1 544 987)           |
| <b>Opening reinsurance contract assets</b>                               | (209 435)                                                                                  | -                                               | 2 031 856                                         | 1 822 421             |
| <b>Net reinsurance contract assets/(liabilities)<br/>opening balance</b> | (740 015)                                                                                  | -                                               | 1 017 449                                         | 277 434               |
| <b>Movement during the year</b>                                          |                                                                                            |                                                 |                                                   |                       |
| Allocation of reinsurance premiums                                       | (7 226 507)                                                                                | -                                               | -                                                 | (7 226 507)           |
| Amounts recoverable for incurred claims and other expenses               | -                                                                                          | -                                               | (1 077 822)                                       | (1 077 822)           |
| Changes to amounts recoverable for incurred claims                       | -                                                                                          | -                                               | 2 901 424                                         | 2 901 424             |
| Reinsurance finance income                                               | (53 868)                                                                                   | -                                               | 65 416                                            | 11 548                |
| Premiums paid                                                            | 8 628 058                                                                                  | -                                               | -                                                 | 8 628 058             |
| Claims and other expenses                                                | (2 175 464)                                                                                | -                                               | (400 135)                                         | (2 575 599)           |
| Other investments                                                        | 1 443 349                                                                                  | -                                               | (1 443 349)                                       | -                     |
| <b>Net reinsurance contract/(liabilities) closing balance</b>            | (124 447)                                                                                  | -                                               | 1 062 983                                         | 938 536               |
| <b>Closing reinsurance contract liabilities</b>                          | (711 623)                                                                                  | -                                               | (1 136 301)                                       | (1 847 924)           |
| <b>Closing reinsurance contract assets</b>                               | 587 176                                                                                    | -                                               | 2 199 284                                         | 2 786 460             |
| <b>Net reinsurance contract (assets)/liabilities<br/>closing balance</b> | (124 447)                                                                                  | -                                               | 1 062 983                                         | 938 536               |

|                                                                          | Liability for remaining<br>coverage excluding<br>loss recovery<br>component<br>US\$ | Loss recovery<br>component<br>US\$ | Liability for<br>incurred<br>claims<br>US\$ | Total<br>US\$      |
|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------|--------------------|
| <b>19.2.4 Reinsurance contract liabilities - 2023</b>                    |                                                                                     |                                    |                                             |                    |
| Opening insurance contract liabilities                                   | (59 985)                                                                            | 100 599                            | 5 681 763                                   | 5 722 377          |
| Opening insurance contract assets                                        | (1 187 461)                                                                         | 76 959                             | (806 967)                                   | (1 917 469)        |
| <b>Net reinsurance contract (assets)/liabilities opening balance</b>     | <b>(1 247 446)</b>                                                                  | <b>177 558</b>                     | <b>4 874 796</b>                            | <b>3 804 908</b>   |
| <b>Movement during the year</b>                                          |                                                                                     |                                    |                                             |                    |
| Insurance revenue                                                        | (35 310 899)                                                                        | -                                  | -                                           | (35 310 889)       |
| Incurred claims and other directly attributable expenses                 | -                                                                                   | (159 532)                          | 14 279 681                                  | 14 120 149         |
| Changes to liabilities for incurred claims                               | -                                                                                   | -                                  | 190 904                                     | 190 904            |
| Losses on onerous contracts and reversal of those losses                 | -                                                                                   | 37 280                             | -                                           | 37 280             |
| Amortisation of insurance acquisition cash flows                         | 10 141 388                                                                          | -                                  | -                                           | 10 141 388         |
| Insurance finance expenses                                               | 1 288                                                                               | 34                                 | 241 826                                     | 243 148            |
| Premiums received                                                        | 34 793 353                                                                          | -                                  | -                                           | 34 793 353         |
| Claims and other expenses                                                | -                                                                                   | -                                  | (6 359 632)                                 | (6 359 632)        |
| Insurance acquisition cash flows                                         | (9 632 659)                                                                         | -                                  | -                                           | (9 632 659)        |
| Other investments                                                        | (575 497)                                                                           | -                                  | 575 497                                     | -                  |
| <b>Net reinsurance contract assets/(liabilities)<br/>closing balance</b> | <b>(1 830 462)</b>                                                                  | <b>55 340</b>                      | <b>13 803 072</b>                           | <b>12 027 950</b>  |
| <b>Closing reinsurance contract liabilities</b>                          | <b>(213 611)</b>                                                                    | <b>48 281</b>                      | <b>13 579 263</b>                           | <b>13 413 933</b>  |
| <b>Closing reinsurance contract assets</b>                               | <b>(1 616 851)</b>                                                                  | <b>7 059</b>                       | <b>223 809</b>                              | <b>(1 385 983)</b> |
| <b>Net reinsurance contract (assets)/liabilities<br/>closing balance</b> | <b>(1 830 462)</b>                                                                  | <b>53 340</b>                      | <b>13 803 072</b>                           | <b>12 027 950</b>  |

**19.3 Reconciliations of estimates of the present value of the future cash flows (“PVFCF”) and the risk adjustment for non-financial risk (“Risk adjustment”)**

|                                                            | <b>Asset for incurred claims</b> |                |
|------------------------------------------------------------|----------------------------------|----------------|
|                                                            | <b>Risk adjustment</b>           | <b>PVFCF</b>   |
| <b>19.3.1 Retrocessionaire contract assets - 2024</b>      |                                  |                |
| <b>Opening balance</b>                                     | (324 292)                        | (738691)       |
| Cash inflows                                               | -                                | 1 108 131      |
| Insurance service expenses                                 | -                                | -              |
| Amounts recovered from reinsurers                          | -                                | (1 108 131)    |
| Change in outstanding amounts due from reinsurers          | -                                | 870 139        |
| Change in risk adjustment                                  | 63 248                           | -              |
| Insurance finance expenses                                 | (18 742)                         | (166 109)      |
| Outstanding balances transferred to LIC at expiry of cover | -                                | 375 764        |
| Currency impact                                            | 4 367                            | 24 964         |
| <b>Closing balance</b>                                     | <u>275 419</u>                   | <u>366 067</u> |

**19.3.2 Reinsurance contract liability - 2024**

|                                                            | <b>Liability for incurred claims</b> |                   |
|------------------------------------------------------------|--------------------------------------|-------------------|
|                                                            | <b>Risk adjustment</b>               | <b>PVFCF</b>      |
| <b>Opening balance</b>                                     | 1 243 753                            | 12 559 318        |
| Paid claims net of recoveries                              | -                                    | 12 670 242        |
| Change in outstanding claims + IBNR                        | -                                    | 1 014 414         |
| Change in risk adjustment                                  | 66 132                               | -                 |
| Insurance finance expenses                                 | 69 249                               | 646 309           |
| Cash outflows – claims, commissions and expenses paid      | -                                    | (12 670 242)      |
| Outstanding balances transferred to LIC at expiry of cover | -                                    | (565 464)         |
| Currency impact                                            | (16 776)                             | (132 615)         |
| <b>Closing balance</b>                                     | <u>1 362 357</u>                     | <u>13 521 962</u> |

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|                                                            | Asset for incurred claims |                |
|------------------------------------------------------------|---------------------------|----------------|
|                                                            | Risk adjustment           | PVFCF          |
| <b>19.3.3 Retrocessionaire contract assets - 2023</b>      |                           |                |
| <b>Opening balance</b>                                     | 191 433                   | 826 016        |
| Cash inflows                                               | -                         | (400 135)      |
| Insurance service expenses                                 | 127 237                   | 1 696 365      |
| Amounts recovered from reinsurers                          | -                         | 400 135        |
| Change in outstanding amounts due from reinsurers          | -                         | 1 296 229      |
| Change in risk adjustment                                  | 127 237                   | -              |
| Insurance finance expenses                                 | 10 707                    | 92 549         |
| Outstanding balances transferred to LIC at expiry of cover | -                         | (1 443 349)    |
| Currency impact                                            | (5 085)                   | (32 754)       |
| <b>Closing balance</b>                                     | <u>324 292</u>            | <u>738 691</u> |

**19.3.4 Reinsurance contract liability - 2023**

|                                                            | Liability for incurred claims |                   |
|------------------------------------------------------------|-------------------------------|-------------------|
|                                                            | Risk adjustment               | PVFCF             |
| <b>Opening balance</b>                                     | 491 778                       | 4 383 018         |
| Paid claims net of recoveries                              | -                             | 6 359 632         |
| Change in outstanding claims + IBNR                        | -                             | 7 378 769         |
| Change in risk adjustment                                  | 732 178                       | -                 |
| Insurance finance expenses                                 | 25 886                        | 254 177           |
| Cash outflows – claims, commissions and expenses paid      | -                             | (6 359 632)       |
| Outstanding balances transferred to LIC at expiry of cover | -                             | 575 497           |
| Currency impact                                            | (6 088)                       | (32 143)          |
| <b>Closing balance</b>                                     | <u>1 243 754</u>              | <u>12 559 318</u> |

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#### 20 FINANCIAL AND REINSURANCE RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk

This section provides details of the company's exposure to risk and describes the methods used by management to control risk.

The most important types of financial risk to which the Company is exposed are credit risk and liquidity risk.

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk

This section provides details of the company's exposure to risk and describes the methods used by management to control risk.

The most important types of financial risk to which the company is exposed are credit risk and liquidity risk.

#### 21 CREDIT RISK

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the trading activities as well as placement and balances with other counterparties, security deposits, staff expense advances, other receivables, prepayments, and bank balances. The board of directors has the responsibility of managing the company's credit risk. For risk management reporting purposes, the company considers and consolidates all elements of credit risk exposure.

The amount that best represent the company's maximum exposure to the credit risk as at 31 December 2024 and 31 December 2023 are made up as follows:

|                                      | <b>Gross<br/>US\$</b> | <b>ECL<br/>US\$</b> | <b>NET<br/>US\$</b> | <b>GROSS<br/>US\$</b> | <b>ECL<br/>US\$</b> | <b>NET<br/>US\$</b> |
|--------------------------------------|-----------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| Cash and cash equivalents            | 907 042               | -                   | 907 042             | 744 334               | -                   | 744 334             |
| Due from related party               | 1 148 371             | -                   | 1 148 371           | 392 505               | -                   | 392 505             |
| Sundry receivables                   | 3 513 881             | -                   | 3 513 881           | 2 488 199             | -                   | 2 488 199           |
| Deposits with financial institutions | 22 632 539            | 398 887             | 22 233 652          | 19 509 266            | (428 009)           | 19 081 250          |
| Total                                | <u>28 201 833</u>     | <u>398 887</u>      | <u>27 802 946</u>   | <u>23 134 303</u>     | <u>(428 009)</u>    | <u>22 706 294</u>   |

**Impairment approach**

The expected credit loss for each asset was determined by estimating the probability of default, loss given default and the exposure at default. The probability of default for each of the assets was determined using the following approaches:

***Low risk financial assets***

- Reference to external credit ratings published by Standards & Poor. The default rates based on the tier of the banks was used for cash and bank deposits.
- For unrated banks in the same tier as a rated bank, a similar rating has been applied to banks in the same tier. For example, Standards & Poor has given a B+ rating to a Bank – all other unrated banks in the same tier have been rated as B+.
- For Government T-bills, Standards & Poor B+ Sovereign grade was used to determine the default rate based on Zimbabwe's rating obtained from S&P.
- The government's bond rating was taken as the maximum rating for all other financial institutions.
- The loss given default was derived from the Moody's analytical global LGD tables for banking institutions.

***Reinsurance receivables***

Analysis of historical ageing of premium receivables, with the assumption that receivables that are outstanding for over two years are defaulted. The assumed the minimum default rate for receivables is 0.1%. The historic default rates are determined based on the movements between March 2019 and December 2023.

The loss given default was derived from the Moody's analytical global LGD tables for insurance counterparties.

***Sundry and other receivables***

No impairment was assessed for the sundry receivables as they relate mostly to intercompany balances with WAICA Reinsurance Corporation PLC with insignificantly low risk of default.

## **22 LIQUIDITY RISK**

Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations from its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

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| <b>All figures are in United States Dollars<br/>2024</b> | <b>Due on<br/>demand<br/>US\$</b> | <b>Up to<br/>1 month<br/>US\$</b> | <b>1-3<br/>months<br/>US\$</b> | <b>3-12<br/>months<br/>US\$</b> | <b>1-5<br/>years<br/>US\$</b> | <b>US\$</b> |
|----------------------------------------------------------|-----------------------------------|-----------------------------------|--------------------------------|---------------------------------|-------------------------------|-------------|
| Liabilities                                              | -                                 | -                                 | -                              | -                               | -                             | -           |
| Other payables                                           | -                                 | -                                 | -                              | 588 561                         | -                             | 588 561     |
| Sundry payables                                          | -                                 | -                                 | -                              | -                               | -                             | -           |
| Total                                                    | -                                 | -                                 | -                              | 588 561                         | -                             | 588 561     |

**All figures are in United States Dollars  
2023**

|                 |   |   |   |         |   |         |
|-----------------|---|---|---|---------|---|---------|
| Liabilities     | - | - | - | -       | - | -       |
| Other payables  | - | - | - | 532 444 | - | 532 444 |
| Sundry payables | - | - | - | -       | - | -       |
| Total           | - | - | - | 532 444 | - | 532 444 |

The fair values of financial assets and financial liabilities approximate the carrying amounts as shown in the statement of financial position.

| <b>All figures are in United States Dollars<br/>2024</b> | <b>Other<br/>liabilities<br/>US\$</b> | <b>Loans<br/>receivables<br/>US\$</b> | <b>Total carrying<br/>value<br/>US\$</b> | <b>Fair<br/>value<br/>US\$</b> |
|----------------------------------------------------------|---------------------------------------|---------------------------------------|------------------------------------------|--------------------------------|
| Due from related parties                                 | -                                     | 1 148 371                             | 1 148 371                                | 1 148 371                      |
| Other receivables                                        | -                                     | 3 513 881                             | 3 513 881                                | 3 513 881                      |
| Investments                                              | -                                     | 22 233 652                            | 22 233 652                               | 22 233 652                     |
| Cash and bank balances                                   | -                                     | 907 042                               | 907 042                                  | 907 042                        |
|                                                          | -                                     | 27 802 946                            | 27 802 946                               | 27 802 946                     |
| Financial liabilities                                    | -                                     | 588 561                               | -                                        | -                              |
|                                                          | -                                     | 588 561                               | -                                        | -                              |

**All figures are in United States Dollars  
2023**

|                          |   |            |            |            |
|--------------------------|---|------------|------------|------------|
| Due from related parties | - | 392 505    | 392 505    | 392 505    |
| Other receivables        | - | 2 488 199  | 2 488 199  | 2 488 199  |
| Investments              | - | 19 081 257 | 19 081 257 | 19 081 257 |
| Cash and bank balances   | - | 744 334    | 744 334    | 744 334    |
|                          | - | 22 706 295 | 22 706 295 | 22 706 295 |
| Financial liabilities    | - | -          | -          | -          |
| Other liabilities        | - | 532 444    | -          | -          |
|                          | - | 532 444    | -          | -          |

## WAICA REINSURANCE (PRIVATE) LIMITED

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#### 23 CAPITAL MANAGEMENT

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

- to comply with the capital requirements as set out in the Insurance Act.
- to comply with regulatory solvency requirements as set out in the Insurance Act.
- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns to shareholders.
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Insurance Act Chapter 24:07 requires each reinsurance company to hold a minimum level of paid up capital determined as the higher of the following for general business:

- USD\$2 000 000; or
- Risk based capital determined by the Authority from time to time; or

The Insurance and Pension Commission (IPEC) being the regulator on Insurance companies introduced the Zimbabwe Integrated Capital and Risk Programme (ZICARP) framework of measuring solvency based capital. During the year ended 31 December 2024, the company had the following:

#### Overall capital requirement under ZICARP

|                      | Current situation<br>US\$ | ZICARP<br>US\$ |
|----------------------|---------------------------|----------------|
| SCR                  | -                         | 7 721 042      |
| MCR                  | 2 000 000                 | 3 474 469      |
| Technical provisions | 22 117 928                | 23 204 867     |
| Risk margin          | -                         | 1 086 938      |

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. Under the ZICARP framework, the following highlights the Solvency & operational risk.

#### Calculation of overall solvency capital requirement under ZICARP

|                  | US\$      |
|------------------|-----------|
| SCR              | 7 721 042 |
| BSCR             | 6 718 798 |
| Operational risk | 1 002 244 |

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This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including reinsurance whether this is effective.

## **24 REINSURANCE RISK**

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

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

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

The Company minimizes its exposure by purchasing retrocession protection from credible counter parties.

The tables below provide disclosure of the concentration of reinsurance exposure by the main classes of business in which the Company operates.

Concentration of reinsurance exposure by the main classes of business in which the Company operates (gross and net of retrocession):

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#### **25 CONTINGENT LIABILITIES**

The Company has no legal matters either for or against pending in any courts.

#### **26 RELATED PARTY TRANSACTIONS**

The Company's majority owner and holding company is WAICA Reinsurance Corporation PLC, a company incorporated in Sierra Leone. The transactions are carried out at arm's length and are due on demand, non-interest bearing and unsecured.

#### **27 SUBSEQUENT EVENTS**

Events subsequent to the financial position date are disclosed only to the extent that they relate directly to the financial statements and their effect is material. There were no such events post year end to the date the financial statements were signed.

#### **28 PENSION ARRANGEMENTS**

##### **National Social Security Authority Scheme**

All employees are members of the National Social Security Authority Scheme, to which both the company and the employees contribute. Contributions by the employer are charged to the statement of profit or loss and other comprehensive income.

#### **29 TREASURY AND FINANCIAL RISK MANAGEMENT**

The main risks arising from the company's operations are currency risk, interest rate risk, market risk, credit risk, liquidity and cash flow risk.

##### **29.1 Currency risk**

This is the risk that the company is exposed to unfavourable exchange rate movements on mismatched spot or forward positions in a foreign currency deal.

The company incurs foreign currency risk when it undertakes transactions in foreign currencies. The company transacts a significant amount of its business in United States dollars, its new functional currency and that of most of its business partners. As such, exposure to currency risk is considered minimal.

##### **29.2 Interest rate risk**

This is the risk arising from the adverse movement in the value of future interest receipts or commitments resulting from movements in interest rates.

The interest rates for both interest receivable and payable from/to local financial institutions are generally synchronized.

The company finances its operations mainly through cash flows from day to day operations. The company maintains its borrowings at a minimum and undertakes new borrowings according to expected movements in interest rates.

**29.3 Market risk**

The principal amounts of all monetary assets and liabilities are fixed and not subject to market related value adjustments.

**29.4 Credit risk**

This is the risk that a counterparty to a deal or loan will default.

The company's cash resources are principally invested with financial institutions that are considered reputable. Adequate provision is made against any trade and other receivables considered doubtful.

**29.5 Liquidity and cash flow risk**

This is the risk of insufficient liquid funds being available to cover commitments.

The cash resources and bank facilities available to the company are considered adequate to meet its short-term liquidity and cash flow requirements.

**30 REINSURANCE RISK MANAGEMENT**

**30.1 Risk management objectives and policies for mitigating risk**

The risk under any one reinsurance contract is the possibility that the reinsured event occurs and the uncertainty of the amount of the resulting claim.

By the nature of a reinsurance contract, this risk is random and therefore unpredictable. For a portfolio of reinsurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of the reinsurance liabilities.

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

The following summarises the strategies and processes that are embedded in the Company's insurance risks management framework:

***Underwriting strategy***

The underwriting strategy is set out in the Company strategy document that sets out the general underwriting guidelines including profitability, rating, loss ratios etc. Adherence to the underwriting authorities is measured through monitoring of work by the departmental head.

***Retrocession strategy***

The Company retrocedes all business in excess of its underwriting capacity as determined by the statement of financial position size. The Company utilises facultative and treaty reinsurance programmes with reputable retrocessioners.

***Terms and conditions of reinsurance contracts***

The terms and conditions of reinsurance contracts that are underwritten by the Company that have a material effect on the amount, timing and uncertainty of future cash flows arising from reinsurance contracts are set out below:

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- a) The premium must be paid to the insurer before cover commences;
- b) The Company shall not be liable under the contract for any claims which are notified after the expiry of three months from the date of loss; and
- c) Both parties to the contract shall give 30 days' notice of cancellation of the policy.

The Underwriting division underwrites small to large business from companies. Personal division provides insurance to the general public in their personal capacities. The following perils are covered under the different types of business:

- Fire – fire, storm, explosions, riot, malicious and earthquake;
- Accident – all risks of accidental loss or damage to property;
- Personal Accident – death, permanent disablement, total disablement and medical expenses;
- Motor – private and commercial (comprehensive full third-party fire and theft, full third party);
- Engineering – accidental physical loss or damage to machinery on an all risks basis;
- Marine – loss or damage to cargo in transit or vessel;
- Liability – Legal liability following death or injury to third parties or damage to third party property; and
- Bonds and Guarantees – Guarantees that contractual obligations will be met in case of default.

**Insurance risk concentration**

As at the reporting date, the Company's reinsurance risk concentration, measured on the basis of the gross premium income contribution of each risk class to the total gross premium, was as follows:

The risk on any policy will vary according to many factors such as type of occupation, safety measures in place, age of policyholder etc. Calculating a premium commensurate with the risk for these policies will be subjective and hence risky. The risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, rating and retrocession.

**30.2 Risk Concentration**

|             |             |             | <b>Insurance Revenue</b> |             |
|-------------|-------------|-------------|--------------------------|-------------|
|             | <b>2024</b> | <b>2023</b> | <b>2024</b>              | <b>2023</b> |
|             | <b>%</b>    | <b>%</b>    | <b>\$</b>                | <b>\$</b>   |
| Accident    | 18          | 15          | 8 167 500                | 5 316 680   |
| Agriculture | 2           | 4           | 1 039 026                | 1 455 229   |
| Aviation    | 0           | 1           | 76 547                   | 288 763     |
| Engineering | 7           | 8           | 3 215 470                | 2 898 429   |
| Financial   | 1           | 3           | 489 259                  | 890 767     |
| Life        | 0           | 0           | 58 415                   | 82 057      |
| Marine      | 1           | 2           | 539 612                  | 651 575     |
| Motor       | 1           | 2           | 590 283                  | 561 326     |
| Oil and gas | 0           | 0           | 646                      | 647         |
| Percuniary  | 2           | 2           | 845 306                  | 799 424     |
| Property    | 67          | 63          | 29 813 384               | 22 365 992  |
| Totals      | 100%        | 100%        | 44 682 354               | 35 310 889  |