APA INSURANCE

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

Insuring Happiness

TABLE OF CONTENTS

What is happiness?

Happiness comes easily when you know that you and your loved ones are covered from life's uncertainties.

APA, Insuring Happiness

Vision

We put smiles on the faces of
our stakeholders.

Mission

We are the region's most respected group
creating and protecting wealth.

COMPANY INFORMATION

DIRECTORS
Eva Nagawa Mukasa (Chairlady)
Ashok Shah *
Pratul Shah**
Sandeep Verma***

**British*
***Kenyan*
****Indian*

SENIOR MANAGEMENT
S. Verma*** - *Chief Executive Officer*
G. Mwangi - *Head of Operations*
D. Kateyenge - *Head of Claims*
B. Kithuka - *Head of Underwriting*
G.Lukenge - *Head of Finance*

SECRETARY
Equatorial Secretaries and Registrars Limited
Plot 37, Yusuf Lule Road
PO Box 24544
Kampala, Uganda

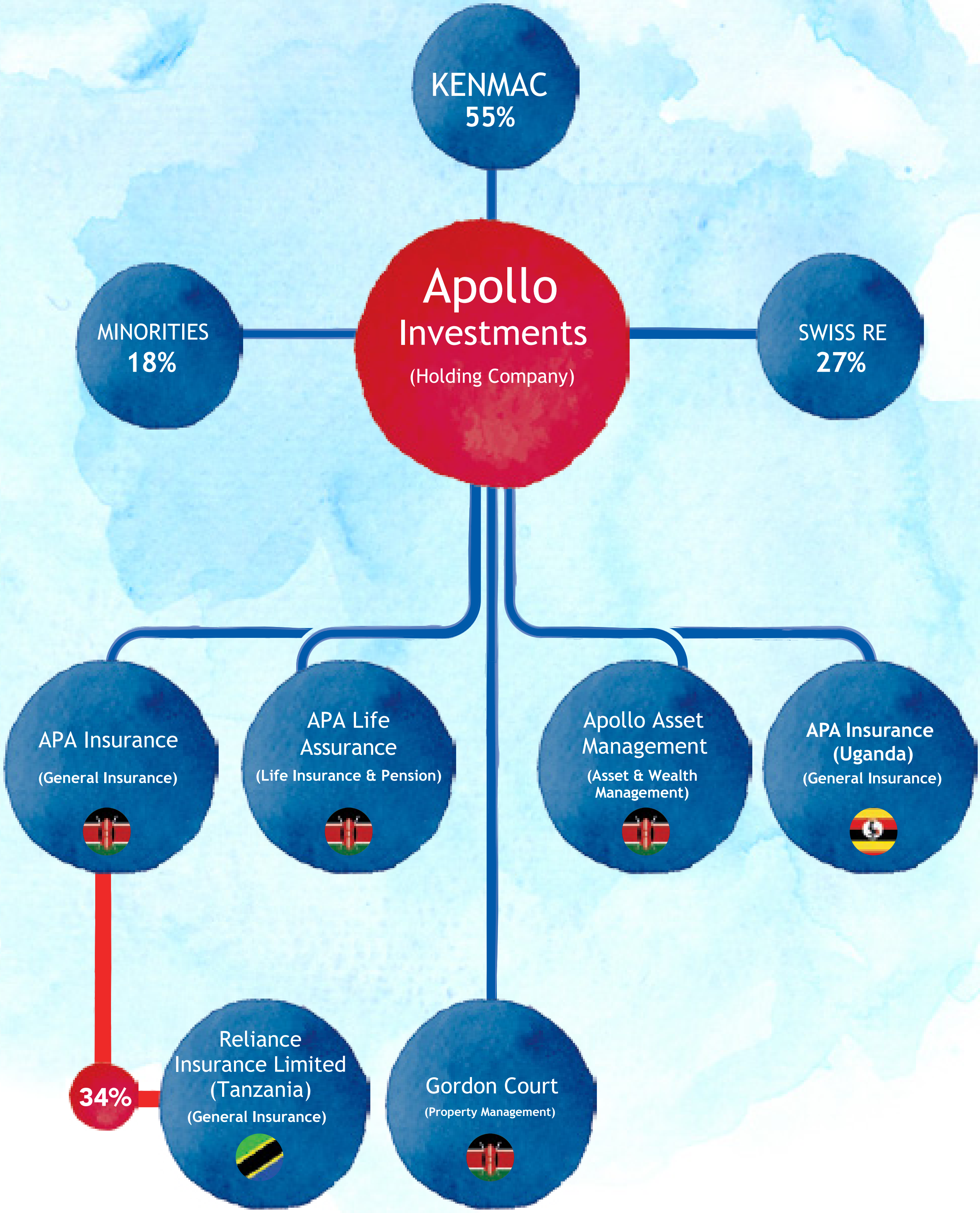
REGISTERED OFFICE
AHA Towers
5th Floor, 7 Lourdel Road, Nakasero
P O Box 7651
Kampala, Uganda

PRINCIPAL BANKERS
KCB Bank Uganda Limited
P O Box 7399
Kampala, Uganda

Barclays Bank of Uganda Limited
P O Box 7101
Kampala, Uganda

AUDITORS
Deloitte (Uganda) Limited
Certified Public Accountant of Uganda
3rd Floor Rwenzori House
Plot 1 Lumumba Avenue
P O Box 10314
Kampala, Uganda

GROUP STRUCTURE



BOARD OF DIRECTORS

1


2


3


4


1 **Eva Nagawa Mukasa -** (Chairlady)

2 **Ashok Shah -** Director

3 **Pratul Shah -** Director

4 **Sandeep Verma** - Director/CEO

SENIOR MANAGEMENT

1


2


3


4


1 Barbra Kithuka - Head of Underwriting

2 David Kateyenge - Head of Claims

3 Godfrey Lukenge - Head of Finance

4 Gerald Mwangi - Head of Operations

CHAIRLADY STATEMENT

On behalf of the Board of Directors, I am pleased to present to you Annual Report and Financial Statements for the year ended 31 December 2017.

In 2017, APA Uganda recorded strong performance with a growth of top line and bottom line. The top line grew by 14% to Ugx 15.07. Pre Tax profit grew to Ugx 1.5Billion supported by strong underwriting results of Ugx 1.1Billion

The excellent results were achieved in the backdrop of a very challenging year for the economy and insurance sector, slowdown in economic growth and reduction in government investments .The market witnessed stiff competition and inadequate risk pricing under some classes of business. Extended credit terms and challenges in premium collection continued to affect the industry in 2017.

Total assets grew by 17% from Ugx 24Billion to Ugx 28Billion, and total shareholders fund increased from Ugx 6Billion to Ugx 7Billion. Investments returns reduced as interest rates in the money market dropped to an average of 9% in the year.

Economy

The economy continues to show recovery signs in FY 2017/18 and is estimated to grow by approximately 5% driven by industrial activity. The economy growth is projected to grow by 6% in the medium and long-term, supported by accommodative monetary policy, improvement in public investment management and improvement in the global economy. The shilling averaged 3642 per US Dollar and is expected to remain stable in the short run.

Insurance industry

The insurance industry grew by approximately 12% in 2017. The major driver of the growth was Medical Insurance premiums. The year witnessed mergers and acquisition in the insurance non-life segment and with proposed implementation of Risk Based capital under the New Insurance Act, the industry is likely to witness more acquisition and mergers.

The introduction of Banc assurance guidelines and provisions of the proposed Act is expected to increase the penetration of insurance and also address the critical issues of premium collection through "cash and carry model''.

The development in the energy sector is expected to accelerate the industrial activity. The Uganda Insurers Association has benchmarked insurance penetration of 3% from the current 1% through a 10 year market growth and development plan. This is expected to be achieved through aggressive insurance awareness campaign, technology utilisation and capacity building.

Dividends

The board of directors has not recommended dividend in order to strengthen capital base.

Board and Senior Management

The composition of the Board and the senior management remained the same during the year except the exit of Head of Claims who resigned to pursue other interests.

Appreciation

On behalf of the Board, I wish to thank our clients, insurance intermediaries, reinsurers, business partners, suppliers, service providers, shareholders and the regulatory authorities for the business and support.

I appreciate management and staff for their loyalty, dedication and hard work during the year.

Finally, to my fellow directors, I thank you for your continued support and advice which has enabled us succeed in a challenging year.

Mrs Eva Mukasa
Chairlady
31st March 2018

CEO'S STATEMENT

The financial year, 2017 was a challenging year in terms of the business operating environment and the company achieved a positive performance, driven by a strong growth across all channels of business

The company maintained a growth above the average Industry growth in 2017. The Geographical spread of the company across multiple locations and the activisation of intermediary channels contributed to this growth.

The company maintained a balanced portfolio, with the Non-Motor premiums contributing 67% of the Gross Written Premiums. The growth over 2016, in the Property segment was 25% followed by a growth of 15% in the Motor and Miscellaneous segments of business respectively.

The company maintained an equitable distribution model with the Broker Channel Contributing 50% of the premiums followed by the agency contribution of 34%.

The Growth in the business was supported by a favourable claim ratio of 33% during the year 2017. This marked a reduction of 13% over the claim ratio in 2016. The Company continued to practise a prudent underwriting policy.

The management expense ratio improved from 28% in 2016 to 26% at the end of the financial year 2017 and the combined ratio improved to 87% from 98% in 2016.

The overall profitability improved in 2017 and the pre-tax profits grew to 1.5 Billion UGX.

The company took steps to improve efficiency through effective implementation of Processes and Technology.

There was an active participation of the employees in the four CSR activities conducted during the year and provided a suitable platform to project and enhance the Company's image.

Going forward the company intends to increase its Geographical foot print across Uganda and consolidate the gains achieved in 2017 through a calibrated strategic frame work and implementation of the Industry best practices. The company aims to invest extensively in the training of its employee in order to harness the available talent and encourage employee self-development.

On behalf of the Company, I would like to express my appreciation to the employees for their contribution and also acknowledge the support of the stakeholder's during the year.

I wish to thank the Board of Director's for the support and guidance during the year

The Growth in the business was supported by a favourable claim ratio of 33% during the year 2017

Mr. Sandeep Verma
Chief Executive Officer
31st March 2018

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the company.

Incorporation

The company is incorporated in Uganda under the Ugandan Companies Act as a private company limited by shares, and is domiciled in Uganda.

Principal activities

The principal activity of the company is the transaction of general insurance business. The company was first licensed by the Insurance Regulatory Authority on 25th February 2009.

Results	2017 Ushs '000	2016 Ushs '000
Profit before taxation	1,575,157	670,122
Tax (charge)	(560,812)	(217,134)
Profit for the year	**1,014,345**	**452,988**

Dividends

The directors do not recommend payment of a dividend for the year (2016: Nil).

Auditors

The auditors Deloitte Certified Public Accountants, have expressed their willingness to continue in office in accordance with section 167 (2) of the Ugandan Companies Act.

Directors

The current board of directors are shown on page 6.

Approval of the financial statements

The financial statements were approved by the Board of Directors on 2 March 2018.

By order of the Board

Secretary
7 March 2018

DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of directors' responsibilities

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the Companies Act of Uganda and the Ugandan Insurance Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Under the Ugandan Companies Act, the Directors are required to prepare financial statements for each year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for that year. It also requires the Directors to ensure the Company keeps proper accounting records that disclose with reasonable accuracy the financial position of the Company.

The directors accept responsibility for the financial statements set out on pages 16 to 60 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Ugandan Companies Act and Insurance Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit for the year ended 31 December 2017. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern for the next twelve months from the date of this statement.

Approval of the Financial Statements

The financial statements, as indicated above, were approved by the Board of Directors on 2 March 2018 and were signed on its behalf by:

Chairlady	**Director**
Eva Mukasa	**Sandeep Verma**

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF APA INSURANCE (UGANDA) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of APA Insurance (Uganda) Limited Company (the Company), as set out on page 9 to 45 which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Company at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Ugandan Companies Act 2012 and the Ugandan Insurance Act Cap 213.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibility 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 Institute of Certified Public Accountants of Uganda Code of ethics (ICPAU Code of Ethics), and other ethical requirements that are relevant to our audit of the financial statements in Uganda. The ICPAU code is consistent with the International Ethics Standards Board for Accountants Code for Ethics for Professional Accountants (Part A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance technical provisions As required by the Insurance Act Cap 213 critical estimates are made by the directors in determining the reserves for unexpired claims incurred but not reported, claims handling reserve expenses, and outstanding claims. The calculation of the above technical provisions involves significant judgments given the size of the liability and inherent uncertainty in estimating the future payment of claims incurred. The valuation of outstanding claims relies on the quality of the underlying data. It involves complex and subjective judgments about future events both internal and external to the business for which small changes in assumptions can result in material impacts to the estimate. The company's appointed external actuary calculates the liabilities as discussed in notes; 23, 24 and 25 As at 31 December 2017, incurred but not reported reserves were UShs 714.9 million (2016; UShs 962.2 million), claims reported and claims handling expenses totalled UShs 5.481 billion (2016; UShs 7.381 billion), net provision for unearned premium was UShs 2.845 billion (2016; UShs 3.736 billion) and the re-insurer's share of insurance contract liabilities was UShs 6 billion (2016; UShs 5.2 billion). The technical provisions were considered a key audit matter because of significant judgements and estimates involved.	**Valuation of insurance technical provisions** Our audit procedures involved, amongst others: • Evaluating the design and implementation and testing the operating effectiveness of key actuarial controls, including key data reconciliations and the director's review of the estimates. In the context of our audit materiality, we were satisfied with the adequacy of the data used in the actuarial estimates. In order to challenge the directors methodologies and assumptions, with particular focus on the high risk areas , we; • Evaluated whether APA Insurance (Uganda) Limited's actuarial methodologies were consistent with those of the industry and with prior years. We assessed the experience and competence of the entity's actuary and completeness of the data used. • Assessed key actuarial assumptions including claims ratios, severity of claims and frequency expected. We challenged these by involvement of our internal actuaries and compared their results with the directors' estimates. Our own in-house actuarial specialists were involved to help understand and evaluate the entity's practices and estimates. We also assessed the work and findings of external actuarial experts engaged by management to corroborate our own findings. The disclosure pertaining to the technical liabilities were found to be appropriate and comprehensive in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF APA INSURANCE (UGANDA) LIMITED

Responsibilities of directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Ugandan Companies Act 2012 and the Ugandan Insurance Act and for such internal control as the directors determines 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, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF APA INSURANCE (UGANDA) LIMITED

Responsibilities of directors for the financial statements (Continued)
Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

Report on Other Legal and Regulatory Requirements

The Ugandan Companies Act 2012 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

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

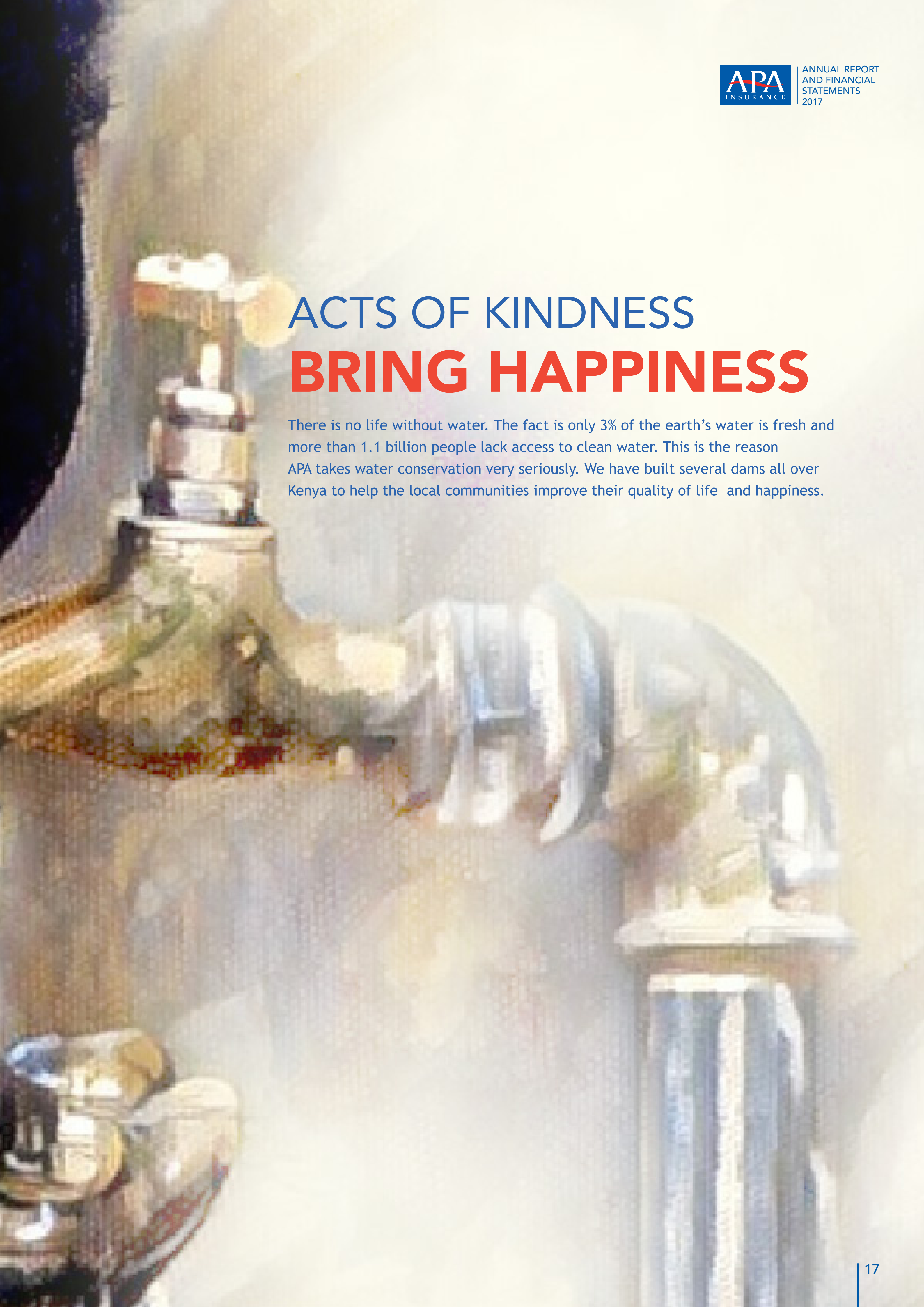
The engagement partner responsible for the audit resulting in this independent auditor`s report is Norbert Kagoro, Practicing Certificate Number P0053.

Certified Public Accountant of Uganda
3 April 2018
Kampala

Norbert Kagoro
Partner

APA MOTOR INSURANCE

Your car doesn't just give you freedom to move around, it helps you create lots of happy memories. Insure your car against accident and theft to keep making great memories.



ACTS OF KINDNESS
BRING HAPPINESS

There is no life without water. The fact is only 3% of the earth's water is fresh and more than 1.1 billion people lack access to clean water. This is the reason APA takes water conservation very seriously. We have built several dams all over Kenya to help the local communities improve their quality of life and happiness.

APA WHERE GIVING BACK MATTERS

Overview

At APA APOLLO we understand that we have a responsibility to our society and we have made Corporate Social Responsibility (CSR) an integral part of our business culture. To underline our deep commitment to making a difference in people's lives, we are guided by an existing policy and we commit to a reasonable budgetary allocation each year to CSR initiatives.

We play a role in connecting people with each other, with other communities and key community services. The operation of our services touches on all members of the community with the potential to impact positively on their quality of life. We also operate from a significant number of properties and have responsibility to those living and working nearby as well as being a significant employer; directly employing over 400 staff.

Our relationships with the local communities we serve are therefore very important to us and are an essential part in the growth of our business. When developing our products and processes, we have a role to play in improving services for the community as a whole and not just our individual customers.

Our objective remains to support sustainable projects that uplift the standards of communities that we partner with for support.

The group's corporate social responsibility programs focus on four key pillars:

1. Sustainable clean water supply to communities
2. Empowering the youth
3. Education and health activities
4. Environment conservation.

Cleaning the community

Kyebando is a local community in Kampala that has been having challenges in regards to sanitation and wastage disposal for the residents. The marked areas for garbage collection after our initial site visit were overrun and overflowing, waste was being dumped in an unhygienic manner and this exposed the children as they played and also the adults as they passed by the large dumps of waste.

We partnered with the local authority in the area and scheduled for a clean up day which we have partnered also with the community members.

APA organized for garbage removal van with some garbage removal assistants and together with the team we got to cleaning up the neighborhood dump area.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Ushs '000	2016 Ushs '000
Gross written premium		**15,073,190**	**13,224,909**
Gross movement in unearned premium		(566,722)	1,228,887
Gross earned premium	5	14,506,468	14,453,796
Less reinsurance premium ceded		(5,949,919)	(4,125,855)
Net earned premium		**8,556,549**	**10,327,941**
Investment income	6	631,459	809,281
Commissions earned		1,857,226	898,046
Other income	7	1,432	122,546
Fair value gain on quoted investments		(2,250)	(3,500)
Total income		**11,044,416**	**12,154,314**
Gross claims incurred		4,283,611	5,651,841
Less reinsurance share of claims incurred		(1,505,754)	(873,164)
Net incurred claims	8	**2,777,857**	**4,778,677**
Premium levy		148,480	140,935
Operating and other expenses	9	4,242,453	3,948,303
Provision for bad debts / (Write back)		(173,533)	117,834
Commission expenses		2,474,001	2,498,443
Total expenses		**9,469,259**	**11,484,192**
Profit before taxation		1,575,157	670,122
Income tax (charge)	11 (a)	(560,812)	(217,134)
Net profit for the year		**1,014,345**	**452,988**
Other comprehensive income		-	-
Total comprehensive income for the year		**1,014,345**	**452,988**
Basic and diluted earnings per share - Ushs	12	**25.36**	**11.32**

The accounting policies and notes set out on pages 24 to 57 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016
		Ushs '000	Ushs '000
Assets			
Property and equipment	13	745,886	966,248
Investment in equity shares	14	60,000	62,250
Receivables arising from reinsurance arrangements		5,740,924	4,244,620
Receivables arising from direct insurance arrangements	31	4,845,350	3,621,894
Reinsurers' share of insurance liabilities and reserves	15	6,072,518	5,196,532
Deferred acquisition costs	16	375,441	547,945
Amounts due from related parties	30(a)	63,986	4,873
Other receivables	17	353,605	218,943
Statutory deposits	18	594,994	493,148
Government securities	19	4,759,020	2,498,994
Deposits with financial institutions	20	2,315,311	4,230,869
Deferred tax asset	11(d)	847,285	825,295
Tax recoverable	11(c)	-	103,987
Cash and bank balances	27	895,604	608,332
Total assets		**27,669,924**	**23,623,930**
Equity			
Share capital	21	4,000,000	4,000,000
Contingency reserve	22 (a)	1,904,603	1,603,139
Capital base growth fund	22 (b)	129,352	78,635
Accumulated profits		954,440	292,276
Total equity		**6,988,395**	**5,974,050**
Liabilities			
Insurance contract liabilities	23	5,481,190	7,381,325
Unearned premium reserve	25	6,227,431	5,660,709
Payables arising from reinsurance arrangements		5,234,271	2,236,135
Other payables	32	3,560,928	2,371,711
Tax payable	11(c)	177,709	-
Total liabilities		**20,681,529**	**17,649,880**
Total equity and liabilities		**27,669,924**	**23,623,930**

The financial statements on pages 20 to 57 were approved by the Board of Directors on 2 March 2018 and signed on its behalf by:

Chairlady
Eva Mukasa

Director
Sandeep Verma

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Capital base growth fund	Contingency reserve	Accumulated (losses)/ earnings	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
At 1 January 2016	4,000,000	55,986	1,338,641	261,076	**5,521,062**
Transfer to contingency reserve	-	-	264,498	(264,498)	-
Transfer to capital base growth fund	-	22,649	-	(22,649)	-
Total comprehensive income for the year	-	-	-	452,988	**452,988**
At 31 December 2016	**4,000,000**	**78,635**	**1,603,139**	**292,276**	**5,974,050**
At 1 January 2017	4,000,000	78,635	1,603,139	292,276	**5,974,050**
Transfer to contingency reserve	-	-	301,464	(301,464)	-
Transfer to capital base growth fund	-	50,717	-	(50,717)	-
Total comprehensive income for the year	-	-	-	1,014,345	**1,014,345**
At 31 December 2017	**4,000,000**	**129,352**	**1,904,603**	**954,440**	**6,988,395**

The accounting policies and notes set out on pages 25 to 60 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Ushs '000	2016 Ushs'000
Cash flow from operating activities			
Net cash generated from operations	26	1,761,193	340,914
Corporation tax paid		(215,547)	(171,695)
Withholding tax paid		(85,559)	(97,959)
Net cash from operating activities		**1,460,088**	**71,260**
Cash flow used in investing activities			
Purchase of property and equipment		(118,849)	(172,398)
Increase / (decrease) in government securities maturing after 90 days		(2,811,015)	232,004
Increase / (decrease) in fixed deposits maturing after 90 days		1,757,048	81,621
Net cash used in investing activities		**(1,172,816)**	**141,227**
Net decrease in cash and cash equivalent		**287,272**	**212,487**
Movement in cash and cash equivalents:			
At 1 January		608,332	395,845
Net increase in cash and cash equivalents		287,272	212,487
At 31 December	27	**895,604**	**608,332**

The accounting policies and notes set out on pages 25 to 60 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. Reporting entity

APA Insurance (Uganda) Limited is incorporated in Uganda under the Ugandan Companies Act. The Company is licensed to transact general insurance business as defined by the Insurance Act (CAP 213). The Company is wholly owned by Apollo Investments limited incorporated in Kenya.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The financial statements are prepared under the historical cost convention, as modified by the carrying of investment property and available-for-sale investments at fair value, impaired assets at their recoverable amounts, and actuarially determined liabilities at their present value. The financial statements are presented in Uganda Shillings (Ushs), rounded to the nearest thousand.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

b) Application of new and revised international financial reporting standards (IFRS's)

Section 1A: Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2017

The amendments generally require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring retrospective application.

- Amendments to IAS 7 disclosure initiative;
- Amendments to IAS 12 Recognition of Deferred Tax Assets for unrealised losses; and
- Amendments to IFRS 12 included in Annual Improvements to IFRS Standards 2014 – 2016 cycle.

Amendments to IAS 7 disclosure initiate (effective for annual periods beginning on or after 1 January 2017)

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The amendments apply prospectively. Entities are not required to present comparative information for earlier periods when they first apply the amendments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(b) Application of new and revised international financial reporting standards (IFRS's) (continued)

Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017)

The amendments clarify the following:

1. Unrealised losses on a debt instrument measured at fair value for which the tax base remains at cost given rise a deductible temporary difference, irrespective of whether the debt instrument's holders expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
3. The estimate of probable future taxable profit may include the recover of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this;
4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future table profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively.

Amendments to IFRS 12 included in the 2014 – 2016 annual improvements cycle (effective for annual periods beginning on or after 1 January 2017)

The 2014 – 2016 annual improvements cycle includes amendments to an number of IFRSs, one of thich is effective for annual periods beginning on or after 1 January 2017. See section 1B below for a summary of the other amendments included in this package that are not yet effective.

Standard	Subject of amendment	Details
IFRS 12 Disclosure of interests in other entities	Clarification of the scope of the Standard	IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments apply retrospectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(b) Application of new and revised international financial reporting standards (IFRS's) (continued)

Section 1B: New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2017

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2017*:

- IFRS 9 financial instruments
- IFRS 15 revenue from contracts with customers and the related clarifications;
- IFRS 16 leases;
- Amendments to IFRS 2 classification and measurement of share based payment transactions;
- Amendments to IFRS 10 and IAS 28 sale or contribution of Assets between an Investor and its associate or Joint Venture;
- Amendments to IAS 40 transfers of investment property;
- Annual improvements to IFRS 2014 -2016 cycle; and
- IFRS 22 foreign currency transactions and advance consideration

*The IASB has also issued Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts', which is effective for annual periods beginning on or after 1 January 2018.

IFRS 9 Financial Instruments (as revised in 2014) (effective for annual periods beginning on or after 1 January 2018)

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9has been reduced, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value under IFRS 9. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost (net of any write down for impairment), unless the asset is designated at fair value though profit or loss (FVTPL) under the fair value option.

- Debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of a principal and interest on the principal amount outstanding must be measured at FVTOCL, unless the asset is designated at FVTPL under the fair value option.

- All other debt instruments must be measured at FVTPL.

- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held for trading, nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(b) Application of new and revised international financial reporting standards (IFRS's) (continued)

Phase 1: Classification and measurement of financial assets and financial liabilities

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk or that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment of financial assets

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness is no longer required. For more disclosure requirements about an entity's risk management activities have been traduced.

The work on macro hedging by the IASB is still at a preliminary stage – a discussion paper was issued in April 2014 together preliminary views and direction from constituents with a comment period which ended in October 2014. The project is still under analysis at the time of writing.

Transitional provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 at the same time, except for those relating to:

1. The presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and

2. Hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

IFRS 9 contains specific transitional provisions for i) classification and measurement of financial assets; ii) impairment of financial assets; and iii) hedge accounting. Please see IFRS 9 for details.

The Directors of the Company anticipate that the application of IFRS 9 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company performs a detailed review.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(b) Application of new and revised international financial reporting standards (IFRS's) (continued)

Transitional provisions (continued)

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

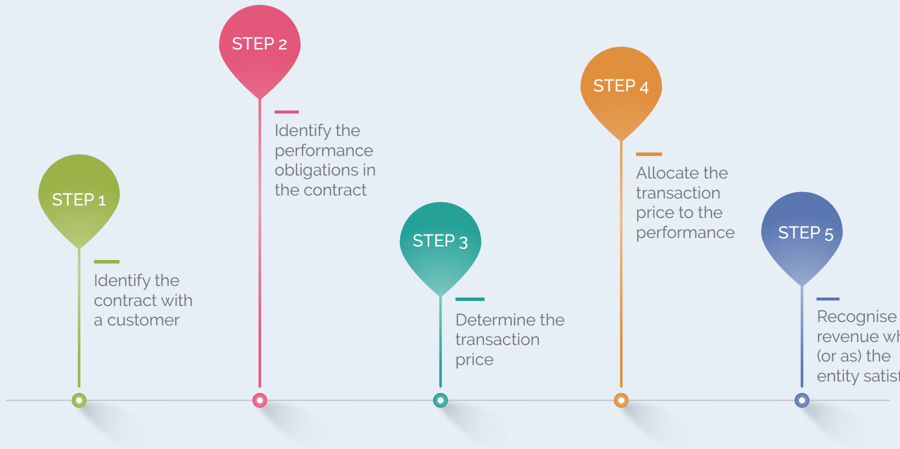
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 Revenue;
- IAS 11 Construction Contracts;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC 13 Revue-Barter Transactions involving advertising services

As suggested by the title of the new Revenue Standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 (or IFRS 9 if it is early adopted).

As mentioned above, the new Revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new Revenue Standard introduces a 5 step approach to revenue recognition and measurement:



Far more prescriptive guidance has been introduced by the new Revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.

- Whether the transaction process allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IA 18 , the new Standard does not include separate guidance for 'sale of goods' and 'provision of services'' rather' the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods ' or 'provision of services'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(b) Application of new and revised international financial reporting standards (IFRS's) (continued)

Transitional provisions (continued)

- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversals in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- When costs incurred to obtain a contact and costs to fulfil a contract can be recognised as an asset. In April 2016, the IASB issued clarifications to IFRS 15 in response to feedback received by the IASB/FASB Joint Transition Resource Group for Revenue Recognition, which was formed to address potential issues associated with the implementation of IFRS 15 and the US GAAP equivalent, ASC topic 606. The Clarification to IFRS 15 clarified the following areas:

- Identify performance obligations; by providing illustrative factors for consideration in assessing whether the promised goods or services are distinct.

- Principal versus agent considerations; by clarifying that an entity should assess whether it is a principal or agent for each distinct good or service promised to the customer, and by amending and reframing the indicators to assess whether an entity is a principal or agent; and

- Licensing application guidance: in determining whether the license grants customers a right to use the underlying intellectual property ("IP") (which would result in point in time revenue recognition) or a right to access the IP (which would result in revenue recognition over time), an entity is required to determine whether (i) its ongoing activities are expected to significantly change the form or the functionality of the IP or (ii) the ability to the customer to obtain benefit from the IP is substantially derived from or dependent upon those activities.

Many entities across different industries will likely be affected by IFRS (at least to a certain extent). In some cases, the changes may be substantial and may require changes to the existing IT systems and internal controls entities should consider the nature and extent of these changes.

for additional information, please refer to the Deloitte publications IFRS in focus and IFRS industry insights which highlight the practical implications of IFTRS 15 to various industries. These publications can be downloaded at http://www.iasplus.com/en/tag-types/global . More information regarding the Clarifications to IFRS 15 can be found on the Deloitte IFRS in Focus publication at http://www.iasplus.com/en/publications/global/ifrs-in-focus/2016/ifrs-15-clarifications.

IFRS 15, together with the clarifications there to issued in April 2016, is effective for reporting periods beginning on or after 1 January 2018 with early application permitted. Entities can choose to apply the Standard retrospectively or to use a modified transition approach, which is to apply the standard retrospectively only to contracts that are not completed contracts at the date of initial application (for example, 1 January 2018 for an entity with a 31 December year-end). The clarifications to IFRS also introduces additional practical expedients for entities transition to IFRS 15 on (i) contracts modifications that occurred prior to the beginning of the earliest period presented and (ii) contracts that were completed at the beginning of the earliest period presented.

The Directors are still in the process of assessing the full impact of the application of IFRS 15 on the company financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the Directors complete the detailed review. As a result the above preliminary assessment is subject to change. The Directors do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(b) Application of new and revised international financial reporting standards (IFRS's) (continued)

Transitional provisions (continued)

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019).

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease standard and interpretations upon its effective date:

- IAS 17 leases;
- IFRIC 4 determining whether an arrangement contains a lease;
- SIC-15 operating leases – incentives; and
- SIC -27 evaluating the substance of transactions involving the legal form of a lease.

Identification of a lease

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service transactions on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has:

a) The right to obtain substantially all of the economic benefits from the use of an identified asset, and
b) The right to direct the use of that asset.

The standard provides detailed guidance to determine whether those conditions are met, including instances where the supplier has substantive substitution rights, and where the relevant decisions about how and for what purpose the asset is used are predetermined.

Lessee accounting

IFRS 16 introduces significant changes to leases accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recorgnise a riht – of – use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases if low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and had a lease tern at commencement date of 12 months or less) and leases if low value assets, the lessee should recorgnise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

Lessor accounting

In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease either as an operating lease or a finance lease.

In addition, IFRS 16 also provides guidance on the accounting for sale and leaseback transactions. Extensive disclosure are also required by the new Standard.

The application of these amendments is not expected to result in any impact on the financial performance or financial positon of the company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(b) Application of new and revised international financial reporting standards (IFRS's) (continued)

Lessor accounting (continued)

Due to the prominence of leasing transactions in the economy, many entities across different industries will be affected by IFRS 16. In some cases the changes may be substantial and may require changes to the existing IT systems and internal controls. Entities should consider the nature and extent of these changes.

For additional information, please refer to the Deloitte publications IFRS in Focus and IFRS Industry Insights which highlights the practical implications of IFRS 16 to various industries. These publications can be downloaded at http://www.lasplus.com/en/tag-types/globalnewsletters/ifrs-industry-insights .

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. A lessee can apply IFRS 16 either by a full retrospective approach of a modified retrospective approach. If the latter approach is selected, an entity is not required to restate the comparative information and the cumulative effect of initially applying IFRS 16 must be presented to opening retained earnings (or other component of equity as appropriate)

The application of these amendments is not expected to result in any impact on the financial performance or financial positon of the company.

Amendments to IFRS 2 Classification and Management of Share-based Payment Transactions

(Effective for manual periods beginning on after 1 January 2018)

The amendments clarify the following:

1. In estimating the fair value of cash-settled share-based payment, the accounting for the effects pf vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulations requires an entity to withhold a specified number of equity instruments equals to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a net settlement feature such an arrangement should be classified as equity-settled in its entirely, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

   i. The original liability is derecognised

   ii. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

   iii. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply.

The application of these amendments is not expected to result in any impact on the financial performance or financial positon of the company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(b) Application of new and revised international financial reporting standards (IFRS's) (continued)

Amendments of IFRS 10 and IAS 28 Sale or Contribution of Assets between an investor and its Associate or Joint Venture

(Effective for annual periods beginning on or after a date to be determined)

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture IAS 28 and IFRS 10 are amended, as follows:

IAS 28 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interest in the associate or joint venture.
- Gains and losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.
- Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the measurement or investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

In December 2015, the IASB postponed the effective date amendment indefinitely pending the outcome of its research project on the equity method of accounting. Earlier application of these amendments is still permitted.

The application of these amendments is not expected to result in any impact on the financial performance or financial positon of the company.

Amendments to IAS 40 Transfers Investment Property
(Effective for annual periods beginning on or after 1 January 2018)

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet the definition of investment property supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties.)

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The application of these amendments is not expected to result in any impact on the financial performance or financial positon of the company.

Annual improvements to IFRS 2014 0 2016 Cycle
(Effective for annual periods beginning on or after 1 January 2018)

The Annual Improvements include amendments to a number of IFRSs, which have been summarised below. The package also includes amendments to IFRS 12 Disclosure of interests in Other Entities, which is effective for annual periods beginning on or after 1 January 2017 (see section IA above for details)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(b) Application of new and revised international financial reporting standards (IFRS's) (continued)

Standards	Subject of amendment	Details
IFRS 1 First-time Adoption of International Financial Reporting Standards	Deletion of short -term exemptions for first-time adopters	The amendments delete certain short-term exemptions in IFRS 1 because the reporting period to which the exemptions applied have already passed. As such, these exemptions are no longer applicable.

The application of these amendments is not expected to result in any impact on the financial performance or financial positon of the company.

Standards	Subject of amendment	Details
IAS 28 Investments in Associates and Joint Ventures	Measuring an associate or joint venture at fair value	The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint venture at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or joint venture. The amendments apply retrospectively with earlier application permitted.

IFRIC 22 Foreign Currency Transactions and Advance Consideration (Effective for annual periods beginning on or after 1 January 2018)

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for the that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue)

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provision apply to prospective application

The application of these amendments is not expected to result in any impact on the financial performance or financial positon of the company.

(b) Income recognition

Premium income is recognised on assumption of risks, and includes estimates of premium due but not yet received less an allowance for unearned premium. Unearned premium represent the proportion of the premium written in periods up to the accounting date that relate to the unexpired terms of policies in force at the statement of financial position date, and is calculated on the 1/365 method on written premium less reinsurance premium ceded. This is a change from the 1/24 method used in prior year. The Directors are of the opinion that the use of the 1/365 method provides a more accurate way of deferring unearned premiums.

Commissions receivable are recognised as income in the period in which they are earned.

Investment income is stated net of investment expenses. Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(c) Claims incurred

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

(d) Commissions payable and deferred acquisition costs

A proportion of commission payable is deferred and amortised over the period in which the related premiums are earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

(e) Property and equipment

All items of property and equipment are initially recorded at cost. Subsequently, property and equipment is stated at historical cost less accumulated depreciation and/or accumulated impairment losses, if any.
Depreciation is calculated on other property and equipment on the straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Furniture, fixtures and fittings and office equipment	8 years
Motor vehicles	4 years
Computer equipment	3 years
Intangible Assets	3 years

Assets' residual values and their estimated useful lives are reviewed at each statement of financial position date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it iswritten down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts. Upon disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

(f) Financial assets

The company classifies its financial assets into the following categories; financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets.
The classification adopted for a particular investment depends on the purpose for which the investment was acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

i) Financial assets at fair values through profit or loss ("FVTPL")

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial asset in which there is evidence of short term profit-taking or if so designated by management.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(f) Financial assets (continued)

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the company intends to sell in the short term or those that it has designated as at fair value through profit or loss or available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables – that the company's management has the positive intention and ability to hold to maturity.

iv) Available-for-sale financial assets

This classification represents financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity.

v) Recognition of financial assets

Financial assets are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risk and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are dealt with in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired, at which time the cumulative gain or loss previously recognizes in equity is recognized in the income statement.

vi) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash receipts (including all fees, transaction costs and premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

vii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment for receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(f) Financial assets (continued)

vii) impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

viii) Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(g) Financial liabilities and equity instruments issued by the company

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Classification as debt or equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and company overdrafts. Company overdrafts are included in current liabilities in the statement of financial position.

(i) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Uganda Shillings at rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Uganda Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the statement of comprehensive income in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(j) Accounting for leases

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the company as a lessee are classified as finance leases. All other leases are classified as operating leases. Payments made under operating leases are charged to income on the straight-line basis over the term of the lease.

(k) Employee entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the statement of financial position date. The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

(l) Income tax

Tax expense / (income) comprise of current tax and deferred tax. Tax is recognised as an expense / (income) and included in the statement of comprehensive income, except to the extent that the tax arises from a transaction which is recognised directly in equity.

Current tax is computed in accordance with the Ugandan income tax laws applicable to insurance companies.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the statement of financial position date are used to determine deferred tax.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

(m) Retirement benefit obligations

The company contributes to the statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions to this scheme are determined by local statute and are currently at 10% of the gross pay for every employee per month. The company's obligations to these schemes are charged to the statement of comprehensive income as they fall due.

(n) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed in order to ensure the adequacy

of the contract liabilities net of related deferred acquisition costs and deferred policyholders' participation liability or asset. To perform these tests, the entity uses the chain ladder technique to estimate the ultimate costs of claims and IBNR provision. The weighted average of past claim development is projected into the future. The projection is based on the ratios of cumulative past claims, usually paid or incurred, for successive years of development. The technique requires the earliest year of origin to be fully run-off or at least that the final outcome for that year can be estimated with confidence. If appropriate, the method can be applied to past claims data that have been explicitly adjusted for past inflation.

Any identified deficiency is charged to the income statement, initially by respectively writing off deferred acquisition costs and subsequently by establishing a liability adequacy test provision for losses arising from the liability adequacy test for any amount in excess of the Insurance contract liabilities.

(o) Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the year in which the dividends are approved by the shareholders.

(p) Comparatives

Comparative figures for the previous year are given alongside the figures for the current period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (continued)

(q) Contingency reserve

The contingency reserve is set up under Section 47(2) (c) of the Insurance Statute 1996. The reserve is provided for at the greater of 2% of the gross premium income and 15% of net profit each year effective from 1996, and is required to accumulate until it reaches the greater of either minimum paid-up capital or fifty per cent of the net premium written.

(r) Capital base growth fund

The capital base reserve is set up as a requirement under the Insurance Act, CAP 213, under which every insurer should transfer from its profits every year, before any dividend is declared and after tax provision, 5% of its profits, which will subsequently be transferred to the paid up capital.

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a). Critical judgments in applying the entity's accounting policies

The key areas of judgment in applying the entity's accounting policies are dealt with as follows:

i. The ultimate liability arising from claims made under insurance contracts

The main assumption underlying techniques applied in the estimation of this liability is that a company's past claims experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

(b). Key sources of estimation uncertainty

The disclosures below summarise the way the company manages key risks:

ii. Impairment losses

At each statement of financial position date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

iii. Property and equipment

Critical estimates are made by the Company's management, in determining depreciation rates for property and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. Risk Management Objectives And Policies

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

4.1 Insurance risk

The risk under any one insurance contract arises from the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of 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 insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

4.2 Financial risk

The company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. It manages these positions with an Asset Liability Management (ALM) framework that has been developed to achieve investment returns in excess of obligations under insurance contracts.

The company produces regular reports at portfolio and asset and liability class level that are circulated to the company's key management personnel. The principal technique of the company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The company's ALM is also integrated with the management of the financial risks associated with the company's other financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The company does not use hedge accounting.

The notes below explain how financial risks are managed using the categories utilised in the company's ALM framework.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4.2 Financial risk (Continued)

Short-term insurance contracts

The company engages in short term insurance contracts and funds the insurance liabilities with a portfolio of equity and debt securities exposed to market risk. During the year, the company increased the portion of financial assets invested in debt securities to mitigate the impact of the volatility of equity prices experienced in recent years. An analysis of the company's financial assets and its short term insurance liabilities is presented below;

Short-term insurance contracts

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually noninterest bearing. However, due to the time value of money and the impact of interest rates on the level of bodily injury incurred by the company's policyholders (where a reduction of interest rate would normally produce a higher insurance liability), the company matches the cash flows of assets and liabilities in this portfolio by estimating their mean duration.

The mean duration of liabilities is calculated using historical claims data to determine the expected settlement pattern for claims arising from the insurance contracts in force at the statement of financial position date (both incurred claims and future claims arising from the unexpired risks at the statement of financial position date). The mean durations are:

	2017	2016
	Years	Years
Net short term insurance liabilities - life risk	0.2	0.2
Net short term insurance liabilities - property risk	2.0	2.0
Net short term insurance liabilities - casualty risk	5.0	5.0
Financial assets (excluding equity securities)	3.0	3.0

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the company's ALM framework for management of short term insurance contracts as of 31 December 2017:

	2017	2016
	Ushs '000	Ushs '000
Financial assets		
Statutory deposits	594,994	493,148
Investment in quoted company	10,000	12,250
Investment in unquoted company	50,000	50,000
Loans and receivables from insurance and reinsurance contracts	10,586,274	7,866,515
Government securities	4,759,020	2,498,994
Deposits with financial institutions	2,315,311	4,230,869
Other receivables	353,605	218,943
Cash and bank balances	895,604	608,332
Total	**19,564,808**	**15,979,050**
Short - term insurance liabilities:		
Insurance contracts	5,481,190	7,381,325
Less assets arising from reinsurance contracts	(5,740,924)	(4,244,620)
Payables arising from reinsurance arrangements	5,234,271	2,236,135
Other payables	3,560,928	2,371,711
Total	**8,535,464**	**7,744,551**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	0-1 year	2016	0-1 year
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Financial assets:				
Receivables arising from reinsurance arrangements	5,740,924	5,740,924	4,244,620	4,244,620
Investment in unquoted company	50,000	-	50,000	-
Investment in quoted company	10,000	-	12,250	-
Receivables arising from direct insurance arrangements	4,845,350	4,845,350	3,621,894	3,621,894
Other receivables	353,605	353,605	218,943	218,943
Government securities	4,759,020	4,759,020	2,498,994	2,498,994
Statutory deposits	594,994	-	493,148	-
Deposits with financial institutions	2,315,311	2,315,311	4,230,869	4,230,869
Cash and cash equivalents	895,604	895,604	608,332	608,332
Total	**19,564,808**	**18,909,814**	**15,979,050**	**15,423,652**
Short term insurance liabilities:				
Insurance contracts	5,481,190	5,481,190	7,381,325	7,381,325
Payables arising from reinsurance arrangements	5,234,271	5,234,271	2,236,135	2,236,135
Other payables	3,560,928	3,560,928	2,371,711	2,371,711
Total	**14,276,380**	**14,276,388**	**11,989,171**	**11,989,171**
Difference in contractual cash flows	**5,288,419**	**4,633,425**	**3,989,879**	**3,434,481**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4 Risk management objectives and policies (continued)

4.2 Financial risk (continued)

(a) Market risk

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 5 percentage points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the company's overall exposure to interest rate sensitivities included in the company's ALM framework and its impact in the company's profit or loss by business.

An increase percentage points in interest yields would result in additional profit for the period of 2017: Ushs 333 million (2016: Ushs 203 Million).

(ii) Equity price risk

The company's exposure to equity securities price risk as at year end is not material to the financial statements.

(iii) Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The company primarily transacts in Uganda Shilling and its assets and liabilities are denominated in the same currency. The company is therefore not exposed to currency risk.

(b) Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are:

- reinsurers' share of insurance liabilities and reserves;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;

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

Reinsurance is used to manage insurance risk. This does not, however, discharge the company's liability as primary insurer. If a reinsurer fails to pay a claim, the company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalisation of annual contract.

In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4 Risk management objectives and policies (continued)

4.2 Financial risk (Continued)

(b) Credit risk

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

The amount that best represents the Company's maximum exposure to credit risk as at 31 December 2017 is made up as follows:

	Fully performing Ushs '000	Past due but not impaired Ushs '000	Impaired Ushs '000	Total Ushs '000
As at 31 December 2017				
Receivables from insurance and reinsurance contracts	12,048,717	1,437,909	2,900,354	**10,586,272**
As at 31 December 2016				
Receivables from insurance and reinsurance contracts	8,215,886	2,096,322	2,445,693	**7,866,515**

The customers under the fully performing category of receivables under insurance and reinsurance contracts are paying their debts as they continue trading.

Direct Insurance Receivables 2017

Description	Current Ushs '000	30-60 Days Ushs '000	60-120 Days Ushs '000	121-1 year Ushs '000	Over 1 Year Ushs '000	Total Ushs '000
Net Premium	1,115,820	1,188,041	1,380,511	3,036,718	1,024,613	**7,745,702**
Impaired	-	-	-	(1,875,741)	(1,024,613)	**(2,900,354)**
Net carrying amount	**1,115,820**	**1,188,041**	**1,380,511**	**1,160,977**		**4,845,348**

Direct Insurance Receivables 2016

Description	Current Ushs '000	30-60 Days Ushs '000	60-120 Days Ushs '000	121-1 year Ushs '000	Over 1 Year Ushs '000	Total Ushs '000
Net Premium	521,892	714,756	977,785	2,956,076	897,137	**6,067,587**
Impaired	-	-	-	(1,548,556)	(897,137)	**(2,445,693)**
Net carrying amount	**521,892**	**714,756**	**977,785**	**1,407,520**	-	**3,621,894**

(c) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the company is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand.

The table below provides a contractual maturity analysis of the company's financial liabilities:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

5 Risk management objectives and policies (continued)

4.2 Capital risk management

	2017				2016			
	On Demand	3 - 12 months	**Over 1 Year**	**Total 2017**	On Demand	3 - 12 months	Over 1 year	**Total 2016**
	Ushs '000	Ushs '000	Ushs '000	**Ushs '000**	Ushs '000	Ushs '000	Ushs '000	**Ushs '000**
Held to maturity investments	847,239	5,573,523	653,569	7,074,331	3,930,435	2,799,428	-	6,729,863
Receivables arising from direct insurance arrangements	4,845,348	-		4,845,348	3,621,894	-	-	3,621,894
Receivables arising from reinsurance arrangements	5,740,924	-		5,740,924	4,244,620	-	-	4,244,620
Other receivables	353,606	-		353,606	218,943	-	-	218,943
Statutory deposits	594,994	-		594,994	493,148	-	-	493,148
Cash and bank balances	895,604	-		895,604	608,332	-	-	608,332
Total	**13,277,716**	**5,573,523**	**653,569**	**19,504,807**	**13,117,372**	**2,799,428**	**-**	**15,916,800**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

(c) Liquidity risk (continued)

The company maintains an efficient capital structure consistent with the company's risk profile and the regulatory and market requirements of its business.

The company's objectives in managing its capital are:

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

An important aspect of the company's overall capital management process is the setting of a target risk-adjusted rate of return which is aligned to performance objectives and ensures that the company is focused on the creation of value for shareholders.

The company has a number of sources of capital available to it and seeks to optimise its equity/debt structure in order to ensure that it can consistently maximise returns to shareholders. The company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The company manages as capital all items that are eligible to be treated as such for regulatory purposes.

The company is regulated by uganda's insurance commission and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The company manages capital in accordance with these rules and has embedded in its alm framework the necessary tests to ensure continuous and full compliance with such regulations. The company has complied with all externally imposed capital requirements throughout the year.

The ugandan insurance statute, (1996) requires that each insurance company's total admitted assets should exceed the total admitted liabilities by an amount above 15% of net premium.

For purposes of computation of market value in accordance with the ugandan insurance statute (1996), computer equipment of not more than two years and 100% or all premiums which are no more than 90 days have been considered.

The insurance act, cap 213, sec 44 specifies that in the case of non-life insurance business, the admitted assets of the insurer shall exceed the greater of the admitted liabilities of an insurer by a minimum of fifteen percent of the premium income, net of reinsurance sessions. The solvency analysis is shown below;

	2017		2016	
	Market Value	**Book Value**	**Market Value**	**Book Value**
	Ushs '000	**Ushs '000**	**Ushs '000**	**Ushs '000**
Total admitted assets	20,747,849	20,747,849	20,958,697	20,958,697
Total admitted liabilities	18,962,247	18,962,247	19,249,005	19,249,005
Total net assets	1,785,380	1,785,380	1,709,692	1,709,692
Capital resources required on a regulatory basis	**1,149,841**	**1,149,841**	**1,407,453**	**1,407,453**
Solvency Value	**635,539**	**635,539**	**302,239**	**302,239**

The company complied with solvency margin requirements as required by Ugandan Insurance Statute.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4 Risk management objectives and policies (continued)

4.3 Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether inputs used in the valuation techniques of financial instruments are observable or unobservable. Financial instruments are grouped into 3 levels based on the degree to which fair value data/input is observable.

i) Level 1 – those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed debt and equity instruments traded on active markets.

ii) Level 2 – those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from sources of input parameters like LIBOR yield curve or contemporary credit risk like Reuters.

iii) Level 3 – those derived from valuation techniques that include inputs that are based on significant unobservable data.

The company had the following financial assets measured at fair value at 31 December 2017.

At 31 December 2017	Level 1	Level 2	Level 3	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Available-for-sale financial assets				
Quoted equity investments	10,000	-	-	10,000
UnQuoted equity investments	-	-	50,000	50,000
Total assets	10,000	-	50,000	60,000

Level 3 Investments are carried at cost. (2016: cost). An impairment test was done at period end and found them not to be impaired.

At 31 December 2016	Level 1	Level 2	Level 3	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Available-for-sale financial assets				
Quoted equity investments	12,250	-	-	12,250
Unquoted equity investments	-	-	50,000	50,000
	12,250	-	50,000	62,250
Total assets	12,250	-	-	12,250

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

5 Gross earned premium

The company underwrites general insurance business only. This has been analysed into several sub-classes of business based on the nature of the assumed risks as shown below:

	2017 Ushs '000	2016 Ushs '000
Motor	4,610,032	4,358,217
Fire	2,878,548	2,635,648
Marine	1,419,050	1,880,047
Personal accident	577,705	483,734
Engineering	888,001	1,259,584
Theft	1,664,270	1,795,173
Workmen's compensation	1,144,936	664,399
Goods In Transit	732,588	668,506
Liability	265,995	286,308
Others	325,345	422,181
	14,506,469	**14,453,796**

6 Investment income

	2017 Ushs '000	2016 Ushs '000
Fixed deposits	158,540	309,389
Government securities	449,113	493,218
Others	23,806	6,674
	631,459	**809,281**

7 Other income

	2017 Ushs '000	2016 Ushs '000
Unrealised foreign exchange gain	603	149,644
Realised foreign exchange gain	829	(27,098)
	1,432	**122,546**

8 Claims incurred

	2017 Ushs '000 Gross	2017 Ushs '000 Reinsurance	2017 Ushs '000 Net
Motor	2,170,744	434,071	1,736,673
Fire	365,738	149,406	216,332
Marine	739,441	576,759	162,682
Personal accident	(20,200)	(11,085)	(9,116)
Engineering	281,404	193,911	87,492
Theft	830,136	189,560	640,576
Workmen's compensation	63,088	12,805	50,283
Others	(146,738)	(39,674)	(107,065)
	4,283,613	**1,505,753**	**2,777,857**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

8 Claims incurred (continued)

	2016 Ushs '000 Gross	2016 Ushs '000 Reinsurance	2016 Ushs '000 Net
Motor	3,018,625	299,822	2718,803
Fire	321,637	85,994	235,642
Marine	626,607	294,942	331,666
Personal accident	35,308	(72,243)	107,551
Engineering	480,384	285,995	194,389
Theft	708,995	(71,489)	780,484
Workmen's compensation	420,114	50,080	370,035
Others	40,171	63	40,107
	5,651,841	**873,164**	**4,778,677**

9 Operating and other expenses

	2017 Ushs '000	2016 Ushs '000
Staff costs (note 10)	2,017,005	1,790,453
Auditors' remuneration	51,670	40,100
Depreciation (note 13)	339,210	321,291
Rent	391,485	353,280
Repairs and maintenance	7,319	7,679
Telephone	71,626	49,308
Stationery	113,002	97,353
Marketing and advertising	385,707	472,460
Professional fees	102,491	41,682
Travelling and accommodation	163,260	134,473
Insurance	148,292	123,320
Information technology	62,855	98,572
Motor vehicle	29,642	20,449
Licences and permits	59,870	79,442
Postage and delivery	12,297	5,023
Others	286,720	313,418
	4,242,451	**3,948,303**

10 Staff costs

	2017 Ushs '000	2016 Ushs '000
Salaries and wages	1,732,847	1,577,989
Social security benefit costs	173,608	156,735
Training	34,047	33,973
Staff welfare	76,504	64,633
Recruitment	-	21,641
Outstanding leave Expense	-	(64,518)
	2,017,006	**1,790,453**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

11 Taxation

	2017 Ushs '000	2016 Ushs'000
(a) Taxation charge		
Corporation tax	497,243	184,858
Deferred tax	(21,990)	(65,683)
Withholding tax on government securities	85,559	97,959
	560,812	**217,134**

(b) Reconciliation of taxation charge to accounting profit

Tax charge on profit for the year before tax differs from theoritical amount that would arise using the basic rate as follow;

	2017 Ushs '000	2016 Ushs'000
Profit before taxation	1,575,157	670,122
Tax calculated at tax rate of 30%	472,547	201,037
Withholding tax on government securities	85,559	-
Tax effect of income not tax deductible and non-deductible expenses	2,706	16,097
Taxation charge	**560,812**	**217,134**

(c) Corporate tax (recoverable)/payable		
At 1 January	(103,987)	(117,150)
Tax paid in the year	(301,106)	(269,654)
Tax charge for the year	582,802	282,817
At 31 December	**177,709**	**(103,987)**

(d) Deferred taxation

Deferred tax is calculated on all temporary differences under the statement of financial position liability method using the applicable tax rate of 30%. The deferred tax asset comprises:

	2017 Ushs '000	2016 Ushs'000
Unrealised exchange gains	(181)	(105,453)
Accelerated capital allowances	(22,640)	(41,205)
Provision for bad debts	870,106	971,953
Net deferred tax asset	**847,285**	**825,295**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

11 Taxation

	2017	2016
	Ushs '000	Ushs'000
(e) Movement on the deferred tax asset is as follows:		
At 1 January	825,295	759,612
Statement of comprehensive income - credit	21,990	65,683
At 31 December	**847,285**	**825,295**

12 Earnings per share

The calculation of earnings per share has been based on the following; profit attributed to ordinary shareholders and weighted average number of shares

	2017 Ushs '000	2016 Ushs '000
Net profit for the year	**1,014,345**	**452,988**
Weighted average number of ordinary shares:		
	Numbers	Numbers
	'000	'000
At 1 January	40,000	40,000
At 31 December	40,000	40,000
	Ushs.	Ushs.
Basic earnings per share (Ushs)	25.36	11.32

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

13. Property and equipment

Cost	Furniture & Fittings	Computers	Motor Vehicles	Computers Software	Total
As Jan 2016	**707,779**	**134,384**	**33,000**	**578,970**	**1,454,133**
Additions	74,085	55,941	42,373	-	**172,398**
At 31 December 2016	**781,864**	**190,325**	**75,373**	**578,970**	**1,626,531**
As Jan 2017	**781,864**	**190,325**	**75,373**	**578,970**	**1,626,531**
Additions	54,297	18,055	30,000	16,498	**118,849**
At 31 December 2017	**836,161**	**208,380**	**105,373**	**595,468**	**1,745,380**
Depreciation					
As Jan 2016	104,680	109,504	28,315	96,494	**338,994**
Charge for the year	92,675	24,210	11,435	192,971	**321,291**
At 31 Dec 2016	**197,355**	**133,714**	**39,750**	**289,465**	**660,284**
As Jan 2017	197,356	133,714	39,750	289,465	**660,284**
Charge for the year	102,288	31,541	11,531	193,850	**339,210**
At 31 Dec 2017	**299,644**	**165,255**	**51,280**	**483,315**	**999,494**
Net book value					
At 31 December 2017	**536,517**	**43,124**	**54,093**	**112,153**	**745,886**
At 31 December 2016	**584,508**	**56,611**	**35,623**	**289,505**	**966,248**

14 Investments

	2017 Ushs ‘000	2016 Ushs ‘000
Investment in quoted company	10,000	12,250
Investment in unquoted company	50,000	50,000
	60,000	**62,250**

The investment in quoted company relates to purchase of 25,000 shares in UMEME Company Limited. The investment in unquoted company relates to purchase of 50 shares in the Uganda Reinsurance Company Limited of Ushs 1,000 each.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

15 Reinsurances' share of insurance liabilities and reserves

	2017 Ushs '000	2016 Ushs '000
Reinsurers' share of:		
- unearned premiums (note 25)	3,381,440	1,924,300
- notified claims outstanding (note 24)	2,339,518	2,845,419
- Incurred but not reported (note 24)	351,560	426,813
Total	**6,072,518**	**5,196,532**

Amounts due from reinsurers in respect of claims already paid by the company on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the statement of financial position. Movements in the above reinsurance assets are shown in notes 24 and 25.

16 Deferred acquisition costs

	2017 Ushs '000	2016 Ushs '000
At 1 January	547,945	726,308
Amortisation for the year	(547,945)	(726,308)
Additions	375,441	547,945
At 31 December	**375,441**	**547,945**

17 Other receivables

Staff loans and advances	184,532	96,175
Sundry deposits and prepayments	20,446	34,421
Others	148,627	88,347
Total	**353,605**	**218,943**

18 Statutory deposits

Statutory deposits	594,994	493,148

The Company maintains a statutory deposit with Bank of Uganda in line with the requirements of Section 7(1) of the Ugandan Insurance Act Cap 213. The deposit made is considered part of the assets in respect of the Capital of the insurer and is invested by the Central Bank in short term investments and securities. Interest and all income accruing from this deposit is payable to the insurer. The deposit can be made available if the insurer suffers a substantial loss arising from liability to claimants and the loss is such that it cannot be met from the available resources in the event of closure or winding up of the insurance business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

19 Government securities

	2017 Ushs '000	2016 Ushs '000
Held to maturity		
Treasury bills	4,105,452	2,498,994
Treasury bonds	653,569	-
Total	4,759,021	2,498,994
Maturing:		
Within 90 days	1,042,954	1,361,852
After 90 days but within a year	3,062,498	1,137,142
After 1 year	653,569	-
Total	**4,759,020**	**2,498,994**

The weighted average effective rate on government securities for the year ended 31 December 2017 is 15% (2016: 14%).

20 Deposits with financial institutions

	2017 Ushs '000	2016 Ushs '000
Fixed deposits	2,315,311	4,230,869
Deposits maturing:		
On call deposits	-	568,154
Within 90 days	589,063	2,000,429
After 90 days but within a year	1,726,248	1,662,286
	2,315,311	**4,230,869**

All the fixed deposits are with local financial institutions. The weighted average effective interest rate of the deposits is 2017:13% (2016:14%).

	2017 Ushs '000	2016 Ushs '000
21. Authorised, issued and fully paid		
At the beginning of the year	4,000,000	4,000,000
At year end (40,000,000 ordinary shares of Ushs 100 each)	4,000,000	4,000,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

22 Movement in contingency reserves and capital base growth fund

(a) Contingency reserve

	2017 Ushs '000	2016 Ushs '000
At 1 January	1,603,139	1,338,641
Increase in the year	301,464	264,498
At 31 December	**1,904,603**	**1,603,139**

Section 47(2c) of the Insurance Act requires an annual transfer to contingency reserves equal to 2% of the gross premiums written or 15% of the net profit whichever is greater, until the reserve accumulates to the minimum paid up capital or 50% of the net premiums written in the current year, whichever is greater.

(b) Capital base growth fund

	2017 Ushs '000	2016 Ushs '000
At 1 January	78,635	55,986
Increase in the year	50,717	22,649
At 31 December	**129,352**	**78,635**

Capital reserve

As required by Section 6(4) of the Insurance Act, the annual transfer to capital reserves is equal to 5% of the net profit.

23 Insurance contract liabilities

	2017	2016
Short term non – life insurance contracts	Ushs '000	Ushs'000
- claims reported and claims handling expenses	4,766,252	6,418,543
- provision for claims incurred but not reported	714,938	962,782
Total	**5,481,190**	**7,381,325**

24 Movements in insurance contract liabilities and reinsurance assets

		2017			2016	
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
At 1 January:						
Notified claims	4,765,697	2,339,518	2,426,179	6,418,543	2,845,419	3,573,124
Incurred but not reported	715,493	351,560	363,933	962,782	426,813	535,969
Total at 31 December	**5,481,190**	**2,691,078**	**2,790,112**	7,381,325	3,272,232	4,109,093

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

25 Provision for unearned premium

The provision for unearned premium represents the liability for short term business contracts where the company's obligations have not expired at the year end. The unexpired risk provision relates to insurance contracts for which the company expects to pay claims in excess of the related unearned premiums provision. Movements in the reserves are shown below:

		2017			2016	
	Gross Ushs '000	Reinsurance Ushs '000	Net Ushs '000	Gross Ushs '000	Reinsurance Ushs '000	Net Ushs '000
At 1 January	5,660,709	1,924,300	3,736,409	6,626,640	1,945,309	4,681,331
Increase / (decrease) in the year	566,722	1,457,140	(890,945)	(965,931)	(21,009)	(944,922)
At 31 December	**6,227,431**	**3,381,440**	**2,845,464**	**5,660,709**	**1,924,300**	**3,736,409**

26 Cash generated from operations

	2017 Ushs '000	2016 Ushs '000
Reconciliation of profit before tax to cash generated from operations;		
Profit before taxation	1,575,157	670,122
Adjustments for:		
Investment income	607,653	(803,726)
Depreciation (note 9)	339,210	321,291
Fair Value gain on investment in quoted company	2,250	3,500
Changes in:		
- technical provisions	(2,209,401)	(947,137)
- reinsurance and other payables	2,691,050	654,118
- trade and other receivables	(1,244,726)	442,746
Cash (used in)/generated from operations	**1,761,193**	**340,914**

27 Cash and cash equivalents

Cash and bank balances	895,604	608,332
	895,604	**608,332**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

28 Contingent liabilities

In common with the insurance industry in general, the company is subject to litigation arising in the normal course of insurance business. The directors are of the opinion that any outstanding litigation in this respect will not have a material effect on the financial position or profits of the company.

29. Commitments

Operating lease commitments	2017 Ushs '000	2016 Ushs'000
The future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	391,485	353,280
Later than 1 year and not later than 5 years	1,174,454	1,059,839

30. Related party balances and transactions

The company is wholly owned by Apollo Investments limited, a company incorporated in Kenya. Apollo Investments limited also wholly owns APA Insurance Ltd, APA Life Assurance Ltd, Gordon Court Ltd, Apollo Asset Management Co.Ltd and 34% share holding in Reliance Insurance Tanzania Ltd.

	2017 Ushs '000	2016 Ushs '000
(a) Amounts due from:		
APA Insurance Limited	63,986	4,873
(b) Directors emoluments		
Directors' fees	14,760	18,916

31. Receivables from direct insurance arrangements

	2017	2016
Premiums net of commissions due from intermediaries	7,745,704	6,067,587
Less provision for doubtful debts	(2,900,354)	(2,445,693)
	4,845,350	**3,621,894**

32. Other payables

	2017	2016
NSSF payable	21,467	21,316
Training Levy	15,488	13,950
Stamp duty payable	17,800	13,895
Premium tax payable	71,703	36,824
VAT payable	3,125,452	1,799,677
WHT payable	33,211	53,701
PAYE Payable	44,855	44,845
Other Payable	230,952	387,503
Total	**3,560,928**	**2,371,711**

33. Subsequent events

Other than those matters already accounted for or disclosed in the financial statements, there are no events subsequent to the yearend which may have an impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Engineer-ing	Fire Domestic	Fire Industrial	Liability	Marine & Transit	Motor Private	Motor Commer-cial	Personal Accident	Theft	WCA	Medical	Misc.	Total 2017	Total 2016
	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000
Gross premium written	1,020,740	81,225	3,042,149	258,001	2,255,586	1,803,231	3,089,970	589,371	1,684,375	923,321	35,151	290,070	15,073,190	13,224,909
Change in UPR	(9,180)	4,202	63,618	31,911	91,636	165,159	190,205	52,842	180,048	65,004	11,954	43,546	890,945	944,922
Change in earned premium	**1,011,560**	**85,427**	**3,105,767**	**289,912**	**2,347,222**	**1,968,390**	**3,280,175**	**642,213**	**1,864,423**	**988,325**	**47,105**	**333,616**	**15,964,135**	**14,169,831**
Less Reinsurance payable	740,129	42,391	2,158,382	110,397	1,040,970	775,880	1,243,851	237,213	630,776	357,130	12,554	57,913	7,407,586	3,841,891
Net earned premiums	**271,431**	**43,036**	**947,385**	**179,515**	**1,306,252**	**1,192,510**	**2,036,324**	**405,000**	**1,233,647**	**631,195**	**34,551**	**275,703**	**8,556,549**	**10,327,941**
Gross claims paid	393,744	17,435	388,989	1,821	1,240,484	858,302	2,094,413	27,889	683,836	447,716	-	25,104	6,179,733	6,216,055
Change in outstanding claims	40,802	6,110	(180,141)	31,398	395,133	(148,984)	620,109	29,361	(280,874)	307,338	50,000	63,611	933,863	564,991
Less reinsurance recoverable	265,450	4,380	359,743	(4,833)	682,669	269,970	474,947	7,644	324,134	90,095	(9,750)	3,564	2,468,012	2,002,368
Net claims Incurred	**87,492**	**6,945**	**209,387**	**(24,744)**	**162,682**	**737,316**	**999,357**	**(9,116)**	**640,576**	**50,283**	**(40,250)**	**(42,071)**	**2,777,857**	**4,778,677**
Commission receivable	(487,889)	(5,309)	(829,783)	(14,011)	(205,848)	(63,396)	(135,383)	(24,754)	(36,360)	(50,143)	(421)	(3,929)	(1,857,226)	(898,046)
Commission payable	225,193	14,073	674,074	50,607	363,381	195,875	315,367	101,547	298,044	173,136	7,949	54,756	2,474,002	2,498,443
Expenses of management	274,378	21,834	817,740	69,351	606,308	484,714	830,594	158,425	452,766	248,192	9,449	77,972	4,051,723	3,767,946
Total Expenses and commissions	**99,174**	**37,543**	**871,418**	**81,203**	**926,523**	**1,354,509**	**2,009,935**	**226,102**	**1,355,026**	**421,468**	**(23,273)**	**86,728**	**7,446,357**	**10,147,021**
Underwriting profit/(loss)	**172,257**	**5,493**	**75,967**	**98,312**	**379,729**	**(162,000)**	**26,389**	**178,898**	**(121,378)**	**207,727**	**57,824**	**188,975**	**1,110,192**	**180,920**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Engineering	Fire Domestic	Fire Industrial	Liability	Marine & Transit	Motor Private	Motor Commercial	Personal Accident	Theft	WCA	Medical	Misc.	Total 2016	Total 2015
	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000	Ush'000
Gross premium written	1,033,386	68,822	2,438,826	279,782	2,015,838	1,594,771	2,670,974	469,056	1,611,817	733,694	41,773	266,170	**13,224,90**	**15,037,136**
Change in UPR	40,995	504	(4,582)	1,911	442,583	(11,314)	279,185	12,553	171,108	(46,759)	8,574	50,161	**944,919**	**(1,370,294)**
Change in earned premium	**1,074,381**	**69,326**	**2,434,244**	**281,693**	**2,458,421**	**1,583,457**	**2,950,159**	**481,609**	**1,782,925**	**686,935**	**50,347**	**316,331**	**14,169,828**	**13,666,842**
Less Reinsurance payable	770,365	21,580	1,490,238	34,854	560,030	208,989	494,522	33,843	127,088	76,192	2,836	21,350	**3,841,887**	**4,218,030**
Net earned premiums	**304,016**	**47,746**	**944,006**	**246,839**	**1,898,391**	**1,374,468**	**2,455,637**	**447,766**	**1,655,837**	**610,743**	**47,511**	**294,981**	**10,327,941**	**9,448,812**
Gross claims paid	268,031	3,883	1,071,881	280	611,230	967,293	1,726,969	197,039	941,945	418,480	-	9,799	**6,216,830**	**8,718,674**
Change in outstanding claims	(212,353)	(10,042)	764,170	645	(15,377)	32,562	(356,924)	161,731	232,950	(1,634)	-	(30,737)	**564,991**	**482,031**
Less reinsurance recoverable	(138,711)	(20,084)	1,614,334	(4,625)	264,187	(7,263)	(341,640)	291,469	394,411	46,809	(40,243)	(55,500)	**2,003,144**	**4,255,143**
Net claims Incurred	**194,389**	**13,925**	**221,717**	**5,550**	**331,666**	**1,007,118**	**1,711,685**	**67,301**	**780,484**	**370,037**	**40,243**	**34,562**	**4,778,677**	**4,945,562**
Commission receivable	(289,210)	(1,939)	(426,920)	(2,995)	(141,055)	(4,177)	(25,054)	(1,643)	(661)	(2,534)	(4)	(1,854)	**(898,046)**	**(1,087,196)**
Commission payable	291,227	12,419	644,425	53,436	417,520	174,205	303,438	83,722	304,009	121,811	10,158	82,073	**2,498,443**	**2,280,518**
Expenses of management	294,425	19,607	694,854	79,713	574,337	454,370	760,994	133,639	459,227	209,036	11,910	75,835	**3,767,947**	**3,059,944**
Total Expenses and commissions	**490,831**	**44,012**	**1,134,076**	**135,704**	**1,182,468**	**1,631,516**	**2,751,063**	**283,019**	**1,543,059**	**698,350**	**62,307**	**190,616**	**10,147,021**	**9,198,828**
Underwriting profit/(loss)	**(186,815)**	**3,734**	**(190,070)**	**111,135**	**715,923**	**(257,048)**	**(295,426)**	**164,747**	**112,778**	**(87,607)**	**(14,796)**	**104,365**	**180,920**	**249,984**

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