

ANNUAL FINANCIAL STATEMENTS



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CHAIRMAN'S REMARKS

The Ugandan economy was rebased which led to an increase of 11.6% to 208 Trillion Shillings and this resulted into a decline of the insurance penetration to 0.77% despite the double-digit growth of the insurance industry gross written premium.

The central bank rate dropped to 9% to stimulate economic growth and price stability which resulted into increased lending activity which positively impacted our credit life business.

The inflation was also stable with a fourth quarter closing at headline 3.6% and core 3.0% and this resulted into reduced pressure to the wallet the policyholders keeping policy lapses within an acceptable range. The Ugandan shilling remained strong against all major currencies gaining 1.3% against the US Dollar.



Enoch Rukidi
Chairman

14.8 Bn in
CLAIM
payments
to clients



During the year, our business delivered a great result with 375% growth in profit after tax to 3.31 Billion Shillings as well as a 133% growth in Net Assets to 13.5 Billion Shillings. Our clients shared in the 43% growth in claims to the tune of 14.8 Billion Shillings earmarking our relevance as a major life insurance player in Uganda.

13.8 Bn
Net
Assets



This was attributed to our steady and sustainable growth due to the high-performance culture of our staff which in addition to other factors has enabled us to remain a top performer in the life insurance market.

3.3 Bn
Profit
After Tax



During 2019, we embarked on the journey to effectively move towards achieving the IFRS 17 standard as set out by the International Accounting Standards Board (IASB).

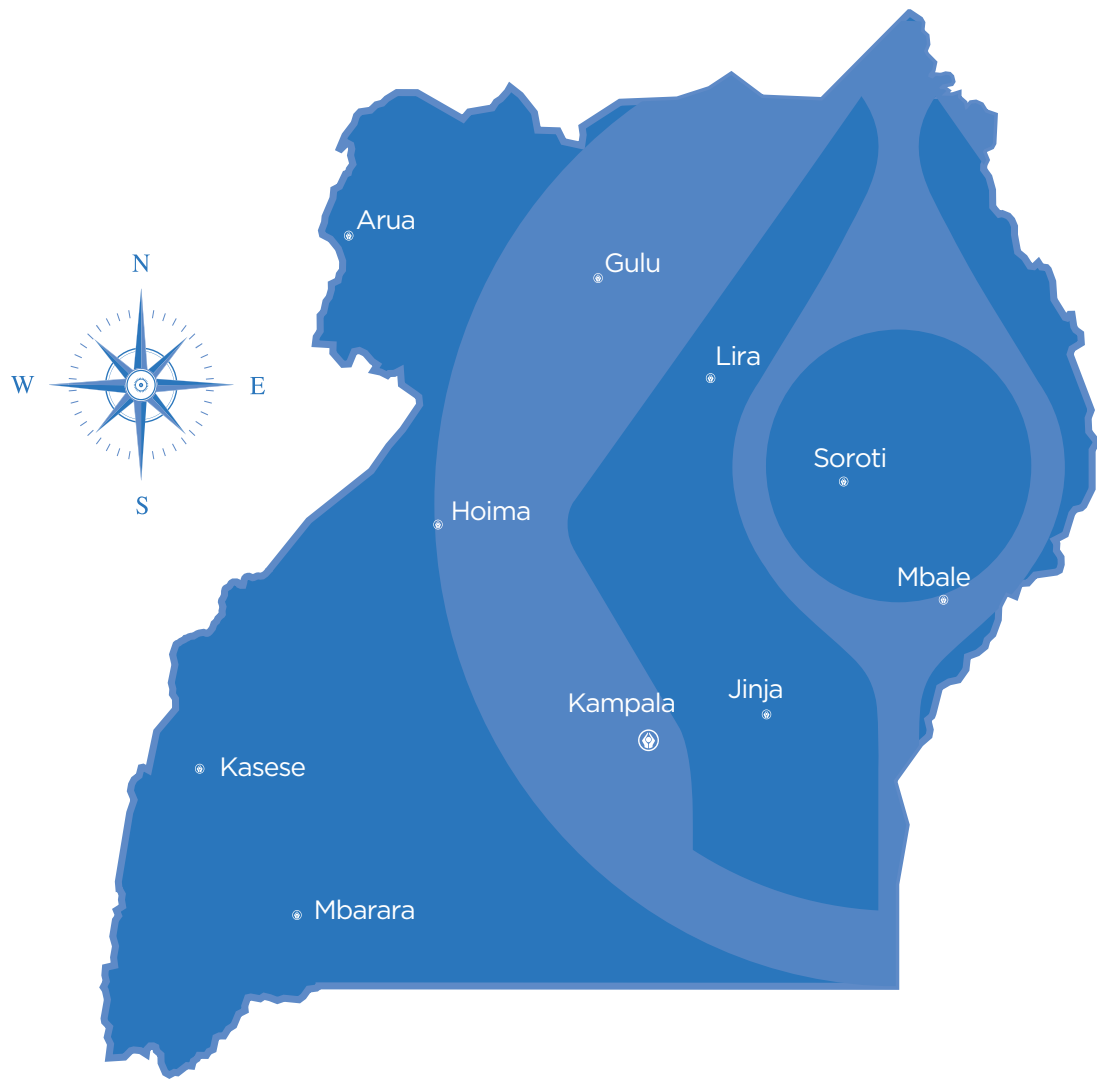
As we commemorate our 10 years in Uganda, we remain focused on our vision of remaining the leading life insurance provider in Uganda with over 80,000 retail clients in Uganda.



**Our steady and sustainable growth
is attributed to the
high performance culture of our staff.**



OUR BRANCHES



THE EXECUTIVE MANAGEMENT



Nicholas Lutakome
Ag. CEO



Anthony Kirimi
CFO



Doreen Asasira
G.M. HR



Muhammad Kivumbi
GM Operations



Evarist Byarugaba
GM Retail



Martin Mutyaba
GM Corporate



Israel Mubiru
Risk & Compliance



Brian Yawe
Manager ICT

COMPANY INFORMATION

Enoch Rukidi*	Chairman
Warren Bruce ***	
Moses Mutuli**	
Hannington Karuhanga*	Appointed 21 October 2019
John Lintari**	Chief Executive Officer (Resigned March 2020)
Jennifer Katagyira Lubaale*	

Ugandan **Kenyan *South African*

COMPANY SECRETARY

Kyagaba & Otatiina Advocates
3rd Floor, UEDCL Towers
Plot 37, Nakasero Road
P. O. Box 24790
Kampala, Uganda

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Plot 15, Princess Anne Drive, Bugolobi
P. O. Box 25495
Kampala, Uganda

LEGAL ADVISERS

Kyagaba & Otatiina Advocates
3rd Floor, UEDCL Towers
Plot 37, Nakasero Road
P. O. Box 24790
Kampala, Uganda

BANKERS

Standard Chartered Bank Uganda Limited
Plot 5, Speke Road
P.O. Box 7111, Kampala

ABSA Bank Uganda
Plot 5, Hannington Road
P.O. Box 7101, Kampala

DFCU Bank Limited
Plot 26, Kyadondo Road
P.O. Box 70, Kampala

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants
Ernst & Young House
Plot 18, Clement Hill Road
Kampala.

STATUTORY ACTUARY

Edwin Splinter - Sanlam Group, South Africa.

DIRECTORS' REPORT

for the year ended 31 December 2019

The Directors present their report together with the audited financial statements for the year ended 31 December 2019, which discloses the state of affairs of Sanlam Life Insurance (Uganda) Limited ("the Company")

1. INCORPORATION AND PRINCIPAL ACTIVITY

Sanlam Life Insurance (Uganda) Limited was incorporated on 03 November 2009 as a private limited liability company.

The principal activity of the company is to provide various classes of long-term insurance business as defined in the Insurance Act (Cap 213) including the re-insurance of any such business. The company also obtained approval from the Insurance Regulatory Authority of Uganda to provide a medical product, Sancare Medical Insurance.

2. RESULTS

The company reported a net profit of Ushs 3,310 million (2018: Ushs 882 million) which has been offset against the accumulated losses.

3. DIVIDENDS

The directors do not recommend the payment of a dividend in 2019 (2018: Nil).

4. RESERVES

Contingency reserve

Under section 5 (b) of the Insurance Regulations, 2002, the company is required to annually credit an amount equal to 1 percent of premiums to contingency reserves.

An amount of Ushs 398 million (2018: Ushs 311 million) has been transferred to the contingency reserve to comply with Section 5 (b) of the Insurance Regulations, 2002.

Capital reserve

The Insurance laws and regulations require the company to transfer from its profits for the year, before any dividend is declared and after provision

has been made for taxation, a sum of 5 percent of the profits to capital reserves to facilitate capital base growth.

An amount of Ushs 165.5 million (2018: Ush 91.2 million) has been transferred to the capital reserve to comply with insurance laws and regulations.

5. STATUTORY REQUIREMENTS

Share capital

Under Section 37 of the Insurance Act, 2017, the Company is required to have a minimum paid up capital of Ushs 3,000 million (Three billion Uganda shillings). This requirement has been met by the Company at 31 December 2019 and 31 December 2018.

Issued and paid up share capital

The issued and paid up share capital is Ushs 21,714 million (2018: 21,714 million) which is divided into 21,714 (2018: 21,714) ordinary shares of Ushs 1,000,000 each.

Statutory deposit

Security deposits with Bank of Uganda (the Central Bank)

Under the Ugandan Insurance laws and regulations, the Company is required to make and maintain a security deposit with the Bank of Uganda of at least 10% of the prescribed paid-up capital. The Company has fulfilled this requirement by making a deposit of Ushs 3,020 million (2018: Ushs 2,698 million) with the Bank of Uganda.

6. FINANCIAL RISK MANAGEMENT AND OBJECTIVE

The Company's activities expose it to a variety of financial risks, including underwriting risk, 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 minimize potential adverse effects on its financial performance and position.

The Company's risk management policies include the use of underwriting guidelines and capacity limits, reinsurance planning, 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 maximize return within an acceptable level of interest rate risk.

7. RELATED PARTY TRANSACTIONS

Transactions with related parties during the year were in the normal course of business. Details of transactions and balances with related parties are included in note 22 to the financial statements.

8. SOLVENCY

The Directors consider the Company's solvency position on the Statement of Financial Position as set on these financial statements to be satisfactory based on the fact that the Company's solvency margin at 31 December 2019, and as at 31 December 2018, exceeded the minimum requirements of the Insurance Act, 2017.

9. EMPLOYEE WELFARE

The Company's employment terms are reviewed annually to ensure that they meet statutory and market conditions. The Company has a medical scheme that caters for medical needs of employees and their immediate dependents.

In order to improve the motivation of employees, the Company provides training and holds regular meetings with employees to elicit their views on the promotion of customer service and working conditions.

10. DIRECTORS

The directors who held office during the year up to the date of this report are set out on page 1.

11. AUDITORS

In accordance with Section 108 of the Insurance Act, 2017, an insurance company's auditors are required to rotate upon completion of audit for a continuous period of four years.

The auditors, Ernst & Young, being eligible for reappointment, have expressed willingness to continue in office in accordance with section 167 (2) of the Companies Act, 2012 of Uganda and the Insurance Act, 2017.

By Order of the Board



Secretary

Date: 30th March 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 December 2019

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, 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 director's responsibilities include: designing implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatements whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. They are also responsible for safe guarding the assets of the company.

Under the Companies Act of Uganda, 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, 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 Ugandan Insurance Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit for the year ended 31 December 2019. 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 30th March 2020 and were signed on its behalf by:



Director



Director

Date: 30th March 2020

REPORT OF THE INDEPENDENT AUDITORS

to the members of Sanlam Life Insurance Uganda Limited

Opinion

We have audited the financial statements of Sanlam Life Insurance Uganda Limited (“the Company”) set out on pages 11 to 67, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, 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 and other explanatory information.

In our opinion the accompanying financial statements present fairly in all material respects, the financial position of Sanlam Life Insurance Uganda Limited as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the Ugandan Companies Act and the Ugandan Insurance Act.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the **Auditors’ Responsibilities for the Audit of the Financial Statements section** of our report. We are independent of the Company in accordance with the International Federation of Accountants’ Code of Ethics for Professional Accountants (IFAC code) and other independence requirements applicable to performing audits

of Sanlam Life Insurance Uganda Limited. We have fulfilled our other ethical responsibilities in accordance with the IFAC Code, and in accordance with other ethical requirements applicable to performing the audit of Sanlam Life Insurance Uganda Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
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<p>Insurance contract liabilities</p> <p>As stated in note 27, Insurance Contract Liabilities amounted to Ushs 22,441 million (2018: 14,373 million). The life business policy liabilities and income recognition for the period is determined by actuarial valuations which are done by the Company’s designated actuarial expert.</p> <p>The determination of insurance contract liabilities requires significant judgment in the determination of policyholders’ benefits that represent the estimated future benefit liability for traditional life insurance policies and include the value of accumulated declared bonuses or interest that have vested to the policy holders.</p> <p>The reserves for life benefits for participating traditional life insurance policies are calculated using a gross level premium valuation method.</p> <p>The calculation of reserves depends on the type of profit participation and is based on actuarial assumptions, such as guaranteed mortality benefits, interest rates, persistency, expenses and investment return, plus a margin for adverse deviations.</p>	<p>We reviewed the procedures/accounting policies around recognition of insurance contract liabilities and the application thereof to check that these are in compliance with IFRS.</p> <p>We tested the models used in developing these balances, reviewing management’s assumptions in light of current market conditions, industry developments and policyholder behavior, and obtaining comfort over the completeness and accuracy of underlying data used in the calculations. We examined the biometric assumptions, such as mortality and disability and additional assumptions, such as investment return in light of the current market environment, the expected development within the industry as well, as the behavior of insurers.</p> <p>The future life policyholder benefits are calculated using a discount rate. We have reviewed significant assumption changes made during the year with a focus on the interest rate used in the traditional life insurance policies. In assessing the interest rate used, we confirmed that the interest rates are supported by the anticipated economic performance of the assets backing the liability when considering any planned changes in asset strategy and reinvestment. In particular, we assessed the different components of the discount rate on a portfolio level (“individual life” and “group life”).</p> <p>We verified the consistency of the assumptions made by management with assumptions made elsewhere (for example in the determination of the market consistent embedded value (MCEV), and</p> <p>We reviewed the methodology for determining the selected discount rate, based on the above input parameters.</p>
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Other information

The directors are responsible for the other information. The other information comprises the information included in the **Annual Report and Financial Statements** but does not include the financial statements and our auditors’ report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material

misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Directors’ responsibilities for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Ugandan Companies Act, 2012 and the Insurance Act, 2017, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing,

as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting processes.

Auditor's Responsibilities for the audit of the financial statements

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

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

As required by the Ugandan Companies Act, 2012, we report to you based on our audit, that:

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

The engagement Partner on the audit resulting in this independent auditor's report is CPA Michael Kimoni - P0248.



Ernst & Young
Certified Public
Accountants of Uganda
Kampala, Uganda



Michael Kimoni
Partner

Date: 30th March 2020

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 Ushs '000	2018 Ushs '000
Gross written premiums	4	39,823,226	35,185,474
Reinsurance gross premium ceded	4	(7,227,016)	(6,769,196)
Net change in provision for unearned premium - Sancare		714,415	(293,012)
Net written premiums		33,310,625	28,123,266
Interest income using the EIR	5 (a)	3,211,325	3,086,278
Other investment income	5 (b)	303,548	194,557
Commission income		563,256	253,045
Other operating income	6	294,874	265,168
Net fair value movement on quoted shares and unquoted shares	19 & 21	47,498	81,561
Net fair value losses on debt instruments at fair value through profit or loss		657,686	(277,917)
Other income		5,078,187	3,602,692
Total income		38,388,812	31,725,958
Claims incurred and policy holders' benefits	7	(14,805,746)	(10,322,931)
Claims ceded to reinsurers		6,400,833	2,488,196
Net change in insurance contract liabilities	8	(8,068,282)	(5,329,137)
Net claims incurred		(16,473,195)	(13,163,872)
Expected credit losses on financial instruments	9 (a)	(35,945)	20,347
Operating and administrative expenses	9 (b)	(11,368,361)	(12,914,102)
Commissions expense		(5,758,547)	(4,248,202)
Finance charges on lease obligation	32	(282,855)	-
Total expenses		(17,445,708)	(17,141,957)
Total benefits, claims and other expenses		(33,918,903)	(30,305,829)
Profit before tax		4,469,909	1,420,129
Income tax charge	12 (a)	(1,160,166)	(538,251)
Net profit for the year		3,309,743	881,878
Total comprehensive income		3,309,743	881,878

STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2019

	Note	2019 Ushs '000	2018 Ushs '000
CAPITAL EMPLOYED			
Share capital	12 (a)	21,714,000	21,714,000
Share premium	12 (b)	47,000	47,000
Other reserves	12 (c)	49,250	49,250
Capital reserve	13	400,158	234,671
Contingency reserve	14	1,614,883	1,216,651
Accumulated loss		(10,344,214)	(13,090,238)
Shareholders' funds		13,481,077	10,171,334
REPRESENTED BY:			
Assets			
Property and equipment and right of use assets	15	853,505	447,449
Intangible assets	16	140,788	13,435
Right of use assets	17	1,735,497	-
Statutory deposits	18	3,019,766	2,698,244
Investment in unquoted shares	19	361,620	277,500
Debt instruments - at amortised cost	20 (a)	10,454,127	6,004,597
Debt instruments - at fair value through profit or loss	20 (b)	20,236,255	17,419,763
Investment in quoted shares	21	275,535	312,157
Reinsurance receivables	23 (a)	7,111,108	5,446,332
Deferred tax asset	33	-	425,125
Other receivables	24 (a)	1,107,197	645,173
Premium receivables	24 (b)	3,055,116	1,780,681
Deferred acquisition costs	28	863,754	1,440,767
Cash and bank balances	25	2,065,465	1,509,932
Total assets		51,279,733	38,421,155
Liabilities			
Insurance contract liabilities	26	22,441,044	14,372,762
Provision for unearned premium	29	4,692,308	4,399,998
Reinsurance payable	23 (b)	2,082,228	4,029,905
Commission payable	30	172,664	15,429
Amount due to related parties	22 (a)	2,096,535	2,060,928
Medical claims payable	31	1,130,023	1,429,269
Lease liabilities	32	2,112,068	-
Other payables	27	3,071,786	1,941,530
Total liabilities		37,798,656	28,249,821
Net assets		13,481,077	10,171,334

STATEMENT OF CHANGES IN EQUITY

	Share capital Ushs'000	Share premium Ushs'000	Contingency reserve Ushs'000	Capital reserve Ushs'000	Other reserves	Accumulated losses Ushs'000	Total Ushs'000
At 31 December 2017	18,690,000	47,000	906,089	143,437	49,250	(13,353,997)	6,481,779
Impact of adopting IFRS 9	-	-	-	-	-	(216,323)	216,323
Restated opening balance	18,690,000	47,000	906,089	143,437	49,250	(13,570,320)	6,265,456
At 1 January 2018	18,690,000	47,000	906,089	143,437	49,250	(13,570,320)	6,265,456
Issue of share capital	3,024,000	-	-	-	-	-	3,024,000
Total comprehensive income for the year	-	-	-	-	-	881,878	881,878
Transfer to capital reserve	-	-	-	91,234	-	(91,234)	-
Transfer to contingency reserve	-	-	310,562	-	-	(310,562)	-
At 31 December 2018	21,714,000	47,000	1,216,651	234,671	49,250	(13,090,238)	10,171,334
Total comprehensive income for the year	-	-	-	-	-	3,309,743	3,309,743
Transfer to capital reserve	-	-	-	165,487	-	(165,487)	-
Transfer to contingency reserve	-	-	398,232	-	-	(398,232)	-
At 31 December 2019	21,714,000	47,000	1,614,883	400,158	49,250	(10,344,214)	13,481,077

STATEMENT OF CASH FLOWS

	Note	2019 Ushs '000	2018 Ushs '000
Profit before tax		4,469,909	1,420,129
Adjustments for:			
Net change in insurance contract liabilities		8,068,282	5,329,137
Expected credit losses on bank balances		-	1,703
Expected credit losses on debt instruments		35,945	(22,050)
Fair value movements on debt instruments		56,665	277,917
Accrued Interest income		(1,039,627)	(845,978)
Interest on lease obligation		282,855	-
Depreciation of property plant and equipment	15	143,980	137,191
Amortisation of intangible assets	16	57,200	91,151
Depreciation of right of use assets	17	451,826	-
Gain on sale of property and equipment		(23,273)	(58,254)
Write-off of intangible asset		1,115	-
Change in fair value of quoted/unquoted shares		(47,498)	(81,561)
		12,457,379	6,249,385
Movement in:			
Receivables arising out of reinsurance		(1,664,776)	(5,374,599)
Reinsurance payables		(1,947,677)	3,778,238
Other receivables		(1,159,446)	516,505
Related party balances		35,607	710,430
Technical reserves		292,310	293,012
Commission payable		157,235	(19,298)
Other payables		831,010	397,463
		9,001,642	6,551,136
Cash generated from operations		9,001,642	6,551,136
Interest paid on lease obligation:		(282,855)	-
Tax paid:	12 (a)	(735,041)	(424,431)
Net cash generated from operating activities:		7,983,746	6,126,705
Investing activities			
Purchase of property and equipment	15	(556,947)	(116,030)
Purchase of intangible assets	16	(185,668)	(76,456)
Proceeds from disposal of property and equipment		30,184	106,125
Investment in government securities and deposits		(43,056,140)	(37,386,858)
Maturity of financial assets		36,679,518	28,908,335
Statutory deposits – additional investments	18	(886,159)	(690,238)
Statutory deposits – Maturities	18	622,254	362,144
Net cash used in investing activities		(7,352,958)	(8,892,978)

Financing activities

Payment of principal component of lease obligation

Shareholders' contribution

Cash flows from financing activities

(Decrease)/Increase in cash and cash equivalents

Expected credit losses on bank balances

At 1 January**At 31 December****25**

	(75,255)	-
	-	3,024,000
	(75,255)	3,024,000
	555,533	257,727
	-	(1,703)
	1,509,932	1,253,908
	2,065,465	1,509,932

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019

1. REPORTING ENTITY

Sanlam Life Insurance (Uganda) Limited is a limited liability company incorporated under the Companies Act of Uganda and domiciled in Uganda. The principal activity of the company is to carry on any class of long-term insurance business and to provide a medical insurance product, as defined in the Insurance Act, 2007 including the re-insurance of any such business. The Company is also licensed to provide a medical product, Sancare Medical Insurance.

2. BASIS OF PREPARATION

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. Except for policy holder investments, investments in quoted and unquoted shares measured at fair value through profit or loss (FVTPL), the financial statements are prepared under the historical cost convention, as modified by the carrying of 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 3.3

3. 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. Classification of contracts

A contract is classified as insurance where the company accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

b. Life insurance contract liabilities

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

Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the company.

In line with IFRS 4, the company assesses the adequacy of the recognised insurance contract liabilities using current estimates of future cash flows. If the assessment shows that the carrying amount of the insurance contract liabilities is

inadequate in the light of related future cash flows, the entire deficiency is recognised in profit or loss.

The insurance contract provisions are valued using realistic expectations of future experience, with margins for prudence and deferral of profit emergence. The provision, estimation techniques and assumptions are periodically reviewed, with changes in estimates reflected in the profit or loss as they occur. Whilst the Directors consider that the insurance contract provisions and the related reinsurance recovery are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided.

The insurance contract liabilities are determined through an actuarial valuation done on an annual basis.

Group credit liabilities

For personal loans, unearned premium reserve (UPR) is calculated as a reducing balance of the single premium received over the term of the loan. A loss ratio of 60% (2018: 80%) is then applied to the UPR. An Incurred But Not Reported (IBNR) reserve equivalent to one month of earned premium is also maintained.

Group life liabilities

This is annually renewable business with cover restricted to the period covered by premiums. For this business, the company holds an Unearned Premium Reserve (UPR), which represents the element of premiums already received where cover has not yet been provided. A loss ratio of 60% (2018: 80%) is then applied to the UPR.

Individual life liabilities

Two reserves are considered for this valuation, the unit reserve and the shillings reserve (or non-unitized reserve).

The unit reserve is the reserve held in respect of the investment account component for the investment products. It represents the total value of investment funds held in respect of policyholders and is calculated as the number of units times the unit price as at the valuation date. For the shillings reserve (or non-unitized reserve), all policies are valued on a policy-by-policy Financial Soundness Valuation (FSV) method. The shilling reserves is calculated by subtracting the present value of the future projected income to the company (predominantly premiums and investment income) from the present value of

the future projected outflow of the company (predominantly claims and expenses). The estimates of projected income and outflows are based on a set of realistic assumptions (best estimate assumptions) with an added margin for prudence. In addition, the statutory actuary may choose to strengthen these margins by applying an additional layer of what is known as discretionary margins. Thus, the valuation basis results in a larger reserve than would be required on a true best estimate basis. The degree of conservatism in the results depends on the extent of the discretionary margins.

Group Deposit Administration Liabilities

The Deposit Administration business was introduced in 2015. This is a with-profit arrangement where Sanlam Uganda is responsible for collecting contributions; investing them appropriately and managing the individual member accounts. Interest added to each account in the first three years from the date of joining the scheme is guaranteed to be 7.5% to 8% per annum. The reserve is calculated as the build-up of actual member contributions at a prudent rate of investment return, less charges and claims. An average investment return (net of management charges and withholding tax) of 8% (2018: 8.5%) was used to calculate the reserve for the December 2019 valuation.

Individual Life Liabilities:

- The unit reserve, which relates to the savings component of Dreambuilder policies is calculated as the number of units multiplied by a unit price (less a surrender penalty for inactive policies).
- A bonus stabilization reserve for the Dreambuilder product which is assessed an accumulation for past over-/ under declarations of bonuses relative to the actual investment return earned on the funds, and:
- Non-unit reserves are also calculated by projecting all future outgoes less all future income and discounting these reserving cash flows back to the valuation date.

Group Life Liabilities

- An Unearned Premium Reserve is calculated to represent the element of premiums already received where cover has not yet been provided. Upfront costs equal to the commission rate paid per scheme are then subtracted from the UPR.

- For personal loans, an Unearned Premium Reserve, an INBR equivalent to earned premiums is held. A run-down of the UPR takes into account, changes in sum assured over the loan term, therefore a reducing sum assured UPR is adopted for credit life policies where the data is available. Upfront costs equal to the actual commission rate paid per scheme are then subtracted from the UPR.
- Under the Deposit Administration business, Sanlam Uganda collects contributions and invests them. Interest is added to each account in the first three years from the date of joining the scheme, with a guaranteed rate ranging from 7.5% to 8% per annum. The total reserve held is the market value of the fund. The market value of the fund refers to the underlying assets of the deposit administration portfolio and is an accumulation of the net contributions at the actual investment returns earned, which can be positive or negative. A portion is allocated to member accounts representing the guaranteed benefit payable and is an accumulation of the net contributions at the bonus rates declared. A bonus stabilization reserve (BSR), which is the difference between the market value (the total reserve) and the book value (member accounts) is continually assessed.

Medical

Medical insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. The cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. The main assumption underlying these techniques is the company's past claims development experience.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The portion of premiums received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as an unearned premium liability.

Adjustments to the liabilities at each reporting date

are recorded in the statement of comprehensive income in 'gross change in contract liabilities'. The liability is derecognised when the contract expires, is discharged or is cancelled. Refer to Note 27 for the actuarial findings. When the present value of expected future cash flows, results in an asset, the asset is recognized on the statement of financial position.

c. Reinsurance

The company cedes insurance risk in the normal course of business.

Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards reinsurance business being reinsured. Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts. Reinsurance assets include balances due from reinsurance companies relating to the portion of the insurance liability that is recoverable from the reinsurer. Reinsurance assets are measured in accordance with the terms of the reinsurance contract.

Gains or losses on buying reinsurance are recognised in the statement of comprehensive income immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the company from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Claims are presented on a gross basis for ceded reinsurance.

Reinsurance liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

d. Revenue recognition

Premium income

Gross premiums

Gross recurring premiums on life are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Monthly premiums in respect of certain products are accounted for in accordance with the terms of their policy contracts. Cover only commences when premiums are received.

For medical insurance, written premiums comprise

the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences, and adjusted for, by recognition of the unearned premium reserve (UPR).

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. The unearned portion of accrued premiums is included within long-term policy liabilities.

Reinsurance premiums

Gross reinsurance premiums on life contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Investment income

Interest income (including income on DAP funds) is recognised in the statement of comprehensive income as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Dividend income is recognised in the statement of comprehensive income when authorised by the counterparty, and the Company has an unconditional right to receipt of the amount due.

e. Benefits, claims and expenses recognition

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims.

Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Medical claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims.

f. Share capital

Share capital is classified as equity where the company has no obligation to deliver cash or other assets to shareholders.

g. Property and equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses.

Depreciation is provided for on a straight-line basis over the useful lives of the following classes of assets:

Computer equipment	33%
Furniture, fittings and other equipment	10%
Motor vehicles	25%
Leasehold improvements	10%

The assets' residual values, and useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the statement of comprehensive income as an expense.

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

h. Financial instruments

Initial recognition

Date of recognition

Financial assets and liabilities are recognized on the date when the Company becomes a party to the contractual provisions of the instruments.

Classification and initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Financial instruments are measured at initial recognition, at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, where transaction costs are added to, or subtracted from the fair

value. When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognizes the difference between the transaction price and the fair value in the statement of comprehensive income.

In cases where the fair value is based on models for which inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

The company classifies all of its financial assets based on the (i) their business model and (ii) the instrument's contractual cash flow characteristics. Financial assets are classified at either:

- Amortised cost
- Fair value value through profit or loss
- Fair value through other comprehensive income

The company also classified financial instruments at FVTPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities are measured at amortised cost or FVTPL, when they are held for trading.

Statutory deposits, debts instruments at amortized cost, reinsurance receivables and bank balances

The Company measures statutory deposits, debt instruments at amortised cost, reinsurance receivables and bank balance at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding;

This is detailed below:

Business model test

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly assessed financial assets going forward.

SPPI test

As a second step of its classification process the Company assesses the contractual terms of the financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt and equity instruments measured at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

Or

The liabilities are part of a group of financial liabilities, which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Or

The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded

in profit or loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest in interest income or interest expense respectively using the EIR, taking into account any discount/premium and qualifying transaction cost being an integral part of the instrument. Dividend income from equity instruments is measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Debt and equity instruments measured at fair value through profit or loss (continued)

The Company has designated certain financial assets that would otherwise meet the requirements to be measured at amortized cost, as at fair value through profit or loss (FVTPL), to significantly reduce an accounting mismatch that would have arisen, since the underlying liabilities (insurance contract liabilities) are assessed by actuarial techniques based on fair valuation assumptions. The instruments include fixed deposits, treasury bills and treasury bonds that are directly attributable to policy holders.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires disposes of or terminates a business line. Financial liabilities are never reclassified.

Derecognition of financial assets and liabilities

The Bank derecognizes a financial asset, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recognized. The newly recognized instrument is classified as Stage 1 for ECL measurement purposes, unless the new instrument is deemed to be purchased/originated credit impaired. If the modification does not result in cash flows that are substantially different, the modification does not result into derecognition.

Derecognition other than for substantial modification

A financial asset is derecognized when the rights to receive cash flows from the financial asset have expired. The Company also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

A financial asset is transferred if and only if:

The Company has transferred its contractual rights to receive cash flows from the financial asset

Or

It retains the rights to cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay cash flows to one or more entities (the 'eventual recipients') when all of the following conditions are met:

The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;

The Company cannot sell or pledge the original asset other than as security to the eventual recipients

The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

The transfer only qualifies for derecognition if the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. The difference between the carrying value of the original value of the original financial liability and the consideration paid is recognized in profit or loss.

Impairment of financial assets

An allowance for expected credit losses (ECLs) is applied to all financial assets except for financial assets classified as at FVTPL and equity securities designated as at FVOCI, which are not subject to impairment assessment.

ECLs are recognized in profit or loss before a loss event has occurred, which could result in earlier recognition of credit losses compared to the IAS 39 model.

The ECL model, is forward-looking and requires that forecasts of future events and economic conditions be used when determining significant increases in credit risk and when measuring expected losses.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

Based on the above process, the Company groups its financial instruments into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When financial assets are first recognised, the Company recognises an allowance based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2. Sanlam Life Insurance Limited has included relative and absolute thresholds in the definition of significant increase in credit risk and a backstop of 30 days past due. All financial instrument that are 30 days past due are migrated to stage 2.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3: Financial assets considered credit-impaired. The Company records an allowance for the LTECLs.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Company calculates ECLs by measuring the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD The *Probability of Default* is an estimate of the likelihood of default over a given time horizon.

A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Under **stage 1**, The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

When a financial instrument has shown a significant increase in credit risk since origination (stage 2), the PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. For financial instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these financial assets. POCI assets are financial assets that are credit impaired on initial recognition. The Company only recognises the cumulative changes in lifetime ECLs since initial recognition, discounted by the credit adjusted EIR.

ECL models

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates
- Inflation rates

- Interest rates
- Exchange rates
- Domestic borrowing
- Credit to private sector

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Impairment of investments and bank balances

Investments in treasury bills, treasury bonds, investments in fixed deposits and bank balances are impaired by applied the following:

A probability of default determined from a credit rating from Fitch. A probability of default is assigned to the credit rating obtained. When a credit from Fitch is not available, Standard & Poor and Fitch are used. The loss given default is assigned at 45% based on Basel specifications.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the company.

Definition of Default

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. IFRS 9 contains a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. Under IFRS 9, the Company will consider a financial asset as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred or when contractual payments are 90 days and above past due.

Write-offs

The Company's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to profit or loss.

Hedging accounting

The company had no hedging relationships as at 1 January 2018, hence no impact on transition to IFRS 9.

Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, income tax expense and retained earnings were adjusted as necessary.

i. Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are

recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of the asset's or CGU recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

j. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position. Cash and cash equivalents are valued at amortised cost. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

k. Taxes

Current income tax

Current income tax is provided for in the statement of comprehensive income on the basis of the results included therein adjusted in accordance with the provisions of the Income Tax Act (Cap. 340).

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Revenues, expenses and assets are recognised net of the amount of Value Added Tax (VAT) except:

- Where the VAT incurred on a purchase of goods and services is not recoverable from Uganda Revenue Authority, in which case the VAT is recognized as part of the cost of the acquisition of the asset or as part of the expense for the item as applicable; and
- Receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the tax authority is included as part of receivables or payables in the statement of financial position.

l. Deferred income tax

Deferred income tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred income tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

m. Foreign currency translation

The company's financial statements are presented in Uganda Shillings (Ushs), which is also the company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the company at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the

reporting date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

n. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset. An intangible asset is derecognized upon disposal or when no further economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

o. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset

but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

p. Employee benefits

National Social Security Fund (NSSF)

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently 10% of the employees' gross salary. The company's contributions are charged to the statement of comprehensive income in the period to which they relate.

Other employee benefits

The company recognizes initially, and at each reporting period, a liability at the fair value of cash settled transactions, with changes in fair value recognized in employee benefits expenses. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The company also recognizes a medical expense for certain grades of permanent employees included in the group medical aid, paid for by the Company.

q. Deferred acquisition costs

Deferred acquisition costs relate to commission paid in advance. The company fully recognizes deferred acquisition costs upon payment and these are amortised on a monthly basis over twelve months.

r. New standards, amendments and interpretations

IFRS 16 Leases

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new standard are described below:

IFRS 16 replaces 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*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires

lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

The Company also applied the available practical expedients wherein it:

- *Used a single discount rate to a portfolio of leases with reasonably similar characteristics;*
- The company elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition;
- The company benefited from the use of hindsight for determining lease terms when considering options to extend and terminate leases;
- On transition, for leases previously accounted for as operating leases of low-value assets the company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining term;
- *Instead of performing an impairment review on the right-of-use assets at the date of initial application, the company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application;*
- *The company elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4.*

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. There was no impact on retained earnings on 1 January 2019.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was determined to be 18%.

Based on the above, as at 1 January 2019:

Right of use assets of Ushs 2,187,323,460 were recognised and presented separately in the statement of financial position.

Lease liabilities of Ushs 2,187,323,460 were recognised and presented separately in the statement of financial position.

For the year ended 31 December 2019:

The depreciation expense increased because of the depreciation of the additional assets recognized, by the recognition of the right of use asset;

The rent expense, relating to previous operating leases, decreased;

Finance costs increased relating to the interest expense on lease liabilities recognized;

The lease liabilities as a 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Reporting currency
Total operating lease commitments disclosed at 31 December 2018	687,728,000
Lease commitments not disclosed in financial statements as at 31 December 2018:	
Recognition exemptions:	
• Leases of low value assets	(70,560,000)
• Leases with remaining lease term of less than 12 months	(83,474,886)
	1,314,758,031
Discounted using incremental borrowing rate of 18%:	(329,445,486)
Operating lease liabilities	985,312,545
Extension and termination options reasonably certain to be exercised	1,202,010,915
Total lease liabilities recognised under IFRS 16 at 1 January 2019	2,187,323,460

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;

- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances;

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The standard on the basis of those considerations, did not have a significant impact on the Company.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity

is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. These amendments had no impact on the financial statements as the Company does not have interests in associates and joint ventures.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Company.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those

past transactions or events. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The amendments did not have any impact on the financial statements of the Company.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The amendments did not have any impact on the financial statements of the Company.

New and revised International Financial Reporting Standards issued but not yet effective.

At the date of authorization of these financial statements, the following standards and interpretations were in issue but not yet effective:

Pronouncements		Annual periods beginning on or after
Conceptual framework for financial reporting	<p>In March 2018, the IASBN issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework). The revised framework addresses the balance between concepts and details for the framework to be useful to the Board and the users.</p> <p>The Company will adopt the Framework on its effective date.</p>	1 January 2020
Other amendments	<p>The following pronouncements are not expected to have any impact on the financial reporting of the Company:</p> <ul style="list-style-type: none">• Definition of a Business – Amendments to IFRS 3• Definition of Material – Amendments to IAS 1 and IAS• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	<p>1 January 2020</p> <p>1 January 2020</p> <p>Postponed indefinitely</p>

IFRS 17 Insurance contracts

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model (“general model”) for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity’s financial statements. The standard is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted.

3.1 Risk management objectives and policies

The primary objective of the company’s risk and financial management framework is to protect the company’s shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees

The company’s activities expose it to a variety of risks, including insurance risk, liquidity risk, credit risk, foreign currency exchange rates and interest rates.

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

a) Insurance risk

The principal risk the company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts.

The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The company also purchases reinsurance as part of its risks mitigation programme.

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

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

The company’s underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are

in place to enforce appropriate risk selection criteria. For example, the company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the company to pursue third parties for payment of some or all costs. The company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the company.

b) Financial risks

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 and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate and currency, which are exposed to general and specific market movements.

i. Credit risk

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

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

There are no significant concentrations of credit risk within the Company. The following table summarises the company's maximum exposure to credit risk before collateral held.

	2019	2018
	Ushs '000	Ushs '000
Statutory deposit	3,019,766	2,698,244
Debt instruments – at amortised cost	10,454,127	6,004,597
Debt instruments – at fair value through profit or loss	20,236,255	17,419,763
Reinsurance receivables	7,111,108	5,446,332
Premium receivables	3,055,116	1,780,681
Other receivables	1,467,030	46,034
Bank balances	2,065,465	1,517,848
	47,408,867	34,913,499

There was no collateral held on any of the above amounts.

The ageing of premium receivables and other receivables at the reporting date has been disclosed in note 3.2.

ii. Liquidity risk

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

The company maintains cash resources to meet the majority of these claims and also maintains a level of maturing funds that may be called upon should the available cash on current account prove insufficient to meet a given claim. Re-insurers may also be called upon based on the magnitude of the claim and the applicable reinsurance arrangements.

The table below summarizes the maturity profile of the company's financial assets and liabilities based on contractual undiscounted receipts and payments.

At 31 December 2019	Up to 1 month	2 to 3 months	4 to 12 months	Over 12 months	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Assets					
Debt instruments - at amortised cost, and at FVTPL	2,390,819	2,498,071	13,030,748	30,671,065	48,590,703
Other assets	1,467,030	-	-	-	1,467,030
Premium receivables	3,055,116	-	-	-	3,055,116
Cash and bank balances	2,173,150	-	-	-	2,173,150
	9,086,115	2,498,071	13,030,748	30,671,065	55,285,999
Liabilities					
Other liabilities	1,113,565	-	-	-	1,113,565
Amounts due to related parties	-	-	2,096,535	-	2,096,535
	1,113,565	-	2,096,535	-	2,096,535
Net liquidity gap	4,781,753		2,060,928		2,720,825

At 31 December 2018	Up to 1 month	2 to 3 months	4 to 12 months	Over 12 months	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Assets					
Debt instruments - at amortised cost, and at FVTPL	2,036,985	3,477,208	7,319,890	24,284,290	37,118,373
Other assets	46,034	-	-	-	46,034
Premium receivables	1,780,681	-	-	-	1,780,681
Cash and bank balances	1,517,848	-	-	-	1,517,848
	5,381,548	3,477,208	7,319,890	24,284,290	40,462,936
Liabilities					
Other liabilities	1,238,960	-	-	-	1,238,960
Amounts due to related parties	-	-	2,060,928	-	2,060,928
	1,238,960	-	2,060,928	-	3,299,888
Net liquidity gap	4,142,588	3,477,208	5,258,962	24,284,290	37,163,048

Market risk

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

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Board sets limits on the level of exposure by currency. The company's financial assets are primarily denominated in the same currencies as its insurance contract liabilities. This mitigates the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance liabilities are expected to be settled.

The company had the following significant foreign currency positions (all amounts expressed in Uganda Shillings):

	Currency	2019 Ushs '000	2018 Ushs '000
Assets			
Cash and bank balances	USD	33,263	3,277
Liabilities			
Amounts due to related parties - SEM	ZAR	(2,096,535)	(2,060,928)
Overall net position		(2,063,272)	(2,057,651)

At 31 December 2019, if the Uganda Shilling weakened by 10% against the US Dollar and the South African Rand, with all other variables held constant, this would have an impact of Ushs 227 million on the profit for the year (2018: Ushs 206 million). This variation in profitability is measured by reference to foreign currency exposures existing at year end.

Currency	Change in Variable	31-Dec-19 Impact on profit before tax Ushs 000	31-Dec-18 Impact on profit before tax Ushs 000
USD	+ 10%	438	327
ZAR	+ 10%	334,946	206,093
USD	- 10%	(438)	(327)
ZAR	- 10%	334,946	(206,093)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At 31 December 2019, the only interest-bearing instruments that the company held were treasury bills, treasury bonds and fixed deposits with financial institutions, all of which are at fixed interest rates (2018: all instruments were at fixed rates). In respect to these assets, the company is therefore not significantly exposed to interest rate risks.

Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices, caused by factors specific to the individual financial instrument.

The Company's price risk relates to financial assets whose values fluctuate as a result of changes in market prices. The Company does not issue any participating contracts, therefore there are no insurance or reinsurance contracts that are exposed to price risk.

At 31 December 2019, the Company's exposure to price risk was through equity instruments held at fair value and listed on the Uganda Securities Exchanges.

The fair value of the listed equity instruments is directly related to the changes in the share price of the listed instruments. The table below summarizes the impact of a 10% increase/decrease of the share price of the instruments on the profit before tax and equity:

		Impact on equity	Impact on profit or loss
		2019	2019
		Ushs '000	Ushs '000
Change in share price	+10%	69,487	69,487
Change in share price	-10%	(69,487)	(69,487)

		Impact on equity	Impact on profit or loss
		2018	2018
		Ushs '000	Ushs '000
Change in share price	+10%	28,834	28,834
Change in share price	-10%	(33,165)	(33,165)

Capital management

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

- comply with the capital requirements set by the Insurance Act, 2017;
- 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
- maintain a strong capital base to support the development of its business.

The company manages its capital adequacy by employing techniques based on the Insurance Act, 2017 guidelines. The Insurance Act, 2017 requires the maintenance of the following in regard to capital management:

Share capital

Under Section 6 of the Insurance Act, 2017, an insurance company is required to have paid up capital of Ushs. 3 billion (three billion) for life (long-term) insurance business.

The company's paid up issued capital as at 31 December 2019 exceeded this requirement. The company has paid up capital of Ushs 21.71 billion (2018: 21.71 billion).

Contingency reserve

The Insurance Act, 2017 requires insurance companies to maintain a contingency capital reserve. The contingency reserve is required to cover fluctuations in securities and variations in statistical estimates. With respect to life, the contingency reserve should equal to 1 percent of the premiums. The company monitors the overall capital adequacy following the above guidelines. The company has met the above statutory requirements. Actuarial valuation was done and resulted into a surplus as per the actuarial report.

Approach to capital management

The company seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to the shareholders and policyholders.

The company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the company is equity shareholders' funds.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board. The company has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

Insurance contract liabilities excluding unearned premium reserve
Trade and other payables
Less: Cash and short - term deposits
Net payable or debt

Equity

Capital and net payable or debt

Gearing

	2019 Ushs'000	2018 Ushs'000
Insurance contract liabilities excluding unearned premium reserve	22,441,044	14,372,762
Trade and other payables	8,942,909	5,447,156
Less: Cash and short - term deposits	(2,065,465)	(1,509,932)
Net payable or debt	29,318,488	18,309,986
Equity	23,825,291	23,261,572
Capital and net payable or debt	53,143,779	41,571,558
Gearing	45%	56%

c) Fair value

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly from the market; and
- Level 3: techniques which use inputs which have a significant effect on the recorded

fair value that are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the company is the current bid price.

Instruments included in level 1 comprise primarily Uganda Securities Exchange equity instruments classified as trading securities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The tables below sets a comparison by category of the carrying amount and fair values of the Company's financial instruments.

	Level 1	Level 2	Level 3	Total Fair Value	2019 Carrying Value
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Financial Assets					
Cash and bank balances*	-	-	-	2,065,465	2,065,465
Investment in unquoted shares	-	361,620	-	361,620	361,620
Debt instruments at amortised cost*	-	-	-	10,454,127	10,454,127
Debt instruments at fair value through profit or loss	20,236,255	-	-	20,236,255	20,236,255
Investment in quoted shares	275,535	-	-	275,535	275,535
Reinsurance receivables*	-	-	-	7,111,108	7,111,108
Other receivables*	-	-	-	1,467,030	1,467,030
Premium receivables*	-	-	-	3,055,116	3,055,116
Total	21,901,407	361,620	-	45,026,256	45,026,256
Financial Liabilities**					
Commission payable	-	-	-	172,664	172,664
Amount due to related parties	-	-	-	2,096,535	2,096,535
Claims payable	-	-	-	1,130,023	1,130,023
Other payables	-	-	-	5,543,687	5,543,687
Total	-	-	-	8,942,909	8,942,909

*Due to the short-term nature of these instruments, their carrying values approximate the fair value of the instruments.

**The financial liabilities are short-term in nature, and therefore the carrying amounts approximate their fair values.

Fair value of the unquoted ordinary shares has been estimated using the net asset value of the investments. Based on the published result of the investment, the directors compute the value of the investment based on the number of shares in issue and the value per share.

The price per share of the investee as at 31 December 2019 was 2.17 million (2018: Ushs 1.85 million) The share price was derived by dividing net assets of the investee, attributable

to shareholders assessed at Ushs 28,495 million (2018: 24,252 million), by the number of shares in issues, 13,108 as at 31 December 2019 (2018: Ushs 13,108 shares).

The fair value of treasury bills and treasury bonds was obtained from published records obtained from the Central Bank (Bank of Uganda) as at 31 December 2018. The bills/ bonds are actively traded on a primary market, and are issued by the Government of Uganda, through the Central Bank.

	Level 1	Level 2	Level 3	Total Fair Value	2018 Carrying Value
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Financial Assets					
Cash and bank balances*	-	-	-	1,509,932	1,509,932
Investment in unquoted shares	-	277,500	-	277,500	277,500
Debt instruments at amortised cost*	-	-	-	6,004,597	6,004,597
Debt instruments at fair value through profit or loss	17,419,763	-	-	17,419,763	17,419,763
Investment in quoted shares	312,157	-	-	312,157	312,157
Reinsurance receivables*	-	-	-	5,446,332	5,446,332
Other receivables*	-	-	-	645,173	645,173
Premium receivables*	-	-	-	1,780,681	1,780,681
Total	17,731,920	277,500	-	33,396,135	33,396,135
Financial Liabilities**					
Commission payable	-	-	-	15,429	15,429
Amount due to related parties	-	-	-	2,060,928	2,060,928
Claims payable	-	-	-	1,429,269	1,429,269
Other payables	-	-	-	1,941,530	1,941,530
Total	-	-	-	5,447,156	5,447,156

Fair value of the unquoted ordinary shares has been estimated using the net asset value of the investments. Based on the published result of the investment, the directors compute the value of the investment based on the number of shares in issue and the value per share.

Fair value of quoted equities is derived from quoted market prices in active markets (Uganda Securities Exchange).

d) Sensitivities to insurance risk

- The following analysis shows the impact on profit before tax for reasonably possible movements in key assumptions, with all other assumptions held constant. Sensitivity information varies according to the current economic assumptions due to the impact of changes to both the intrinsic cost and time values of options.

	2019	2018
	Ushs'000	Ushs'000
<i>Change in expenses:</i>		
+10%	(1,748,780)	(1,275,857)
-10%	1,748,780	1,275,857

During the year ended 31 December 2019, actual claims were Ushs 14,806 million (2018: 10,323 million).

Concentration:

All insurance policies were issued in Uganda.

3.2 Significant accounting judgments, estimates and assumptions

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

Estimates and assumptions

The major items subject to the application of estimates, assumptions and judgments include:

Valuation of insurance contract liabilities

Classification

A contract is classified as insurance where Sanlam accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary.

Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Valuation

The sections below outline the valuation methodology for assets and liabilities: The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business is set out below. The valuation bases and methodology comply with the Insurance Act and the South African actuarial guidelines as set out in the standard of actuarial practice note SAP 104. Minimum liabilities are held based on a prospective calculation of policy liabilities, and where a retrospective basis is used, it is at least equal to the prospectively calculated liabilities. This serves as a liability adequacy test.

Assets are valued at their full balance sheet value. Assets pertaining to the Group Deposit Administration portfolio are segregated from other assets belonging to policyholders and shareholders.

Group life and group credit life business:

An unearned premium reserve is calculated. This represents the element of premiums already received where cover has not yet been provided. For group credit life business where specific policy data is not available, this is based on a straight line amortisation of the single premium received over an assumed average loan term. An incurred but not reported reserve is also held for both lines of business.

Group deposit administration business:

The total reserve held is the market value of the fund, which refers to the underlying assets of the deposit administration portfolio and is an accumulation of the net contributions at the actual investment returns earned, which can be positive or negative. It is reduced by benefit payments, terminations, charges and applicable taxes.

The total reserve is split into:

- A portion belonging to the members, referred to as the book value, which is the guaranteed benefit payable and is an accumulation of the net contributions at the bonus rates declared. The bonus rates declared would be subject to the minimum rate that has been promised to members. It is reduced by benefit payments, terminations and charges; and
- A bonus stabilization reserve (BSR), which is the difference between the market value (the total reserve) and the book value (member accounts).

Individual life business:

Individual life liabilities are valued prospectively, with negative reserves zeroised on a per-policy basis. The following reserves are held:

- The unit reserve, which relates to the savings component of Dreambuilder policies, and is calculated as the number of units multiplied by the unit price (less a surrender penalty for inactive policies);
- The bonus stabilisation reserve for the Dreambuilder product, which is an accumulation of past over-/ under-declarations of bonuses relative to the actual investment return earned on the funds; and

- The non-unit reserve, which relates to the remaining liabilities on the individual life book. Simplistically, this is calculated by projecting all future outgoes less all future income and discounting these reserving cash flows back to the valuation date.

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

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the company's own risk exposure.

The carrying value at the reporting date of life insurance contract liabilities is Ushs 22.4 billion (2018: Ushs 14.4 billion).

For medical contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

i. Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the company and the tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the

losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

Government taxes

The company is subject to income tax and various other government taxes under the Ugandan tax laws. Significant estimates and judgements are required in determining the provision for taxes on certain transactions. For these transactions, the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income statement.

ii. Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. NET PREMIUMS

Gross premiums

	2019 Ushs '000	2018 Ushs '000
Group life	5,744,218	4,750,762
Individual Life	9,977,123	7,940,830
Credit life	12,784,004	8,347,470
Medical	11,317,881	14,146,412
	39,823,226	35,185,474

Premiums ceded to reinsurers

Group life	(1,660,296)	(1,680,595)
Medical	(5,566,720)	(5,088,601)
	(7,227,016)	(6,769,196)
Change in UPR	714,415	(293,012)
Total net premiums	33,310,625	28,123,266

5. INVESTMENT INCOME

	2019 Ushs '000	2018 Ushs '000
(a) Interest income using the EIR		
Interest income on fixed deposits	175,211	255,125
Interest income on government securities	3,036,114	2,831,153
	3,211,325	3,086,278
(b) Other investment income		
Deposit administration premium funds (DAP funds) **	290,172	194,545
Dividend income	13,376	-
Bank interest	-	12
	303,548	194,557

**This is composed of interest earned on fixed deposits, and government securities.

6. OTHER OPERATING INCOME

	2019 Ushs '000	2018 Ushs '000
Gain on sale of property and equipment	23,273	58,254
Foreign exchange gains on related party balance	22,347	16,831
Other operating income***	249,254	190,083
	294,874	265,168

***Other operating income mainly relates to medical card replacement fees and bid fees.

7. GROSS POLICY HOLDERS' BENEFITS AND CLAIMS

	2019 Ushs'000	2018 Ushs'000
Group life	4,708,008	2,719,548
Individual Life	341,986	261,220
Maturities	168,842	72,431
Refunds	922,757	175,468
Surrenders	189,872	170,872
Medical	8,474,281	6,923,392
	14,805,746	10,322,931

8. NET CHANGE IN INSURANCE CONTRACT LIABILITIES

	2019 Ushs '000	2018 Ushs '000
Change in group credit Unearned Risk Reserve (URR)	7,115,740	3,482,565
Change in Incurred but Not Reported (IBNR) claims: Sancare and credit life	(21,699)	29,078
Change in group life Unearned Risk Reserve (URR)	(318,939)	880,892
Change in group life IBNR claims	236,648	142,277
Change in individual life reserve	28,774	28,749
Change in DAP reserve	1,027,758	765,576
	8,068,282	5,329,137

9. (A) EXPECTED CREDIT LOSSES ON DEBT INSTRUMENTS AT AMORTIZED COST

During the year, the Company adopted IFRS 9 and credit losses have been computed on debt instruments, held at amortized cost in accordance with IFRS 9.

The table below shows the maximum exposure to credit risk from debt instruments at amortized cost, based on the Company's credit rating system and year-end stage classification, and the impairment provision recognized at year end:

	2019				Carrying amount Ushs '000
	Stage 1 Ushs '000	Stage 2 Ushs '000	Stage 3 Ushs '000	Impairment Ushs '000	
Bank balances	1,526,313	-	-	-	1,526,313
Debt instruments at amortised cost (note 20)	10,568,245	-	-	(114,118)	10,454,127
Statutory deposits (note 18)	3,052,156	-	-	(32,390)	3,019,766
Staff debtors (note 24 (a))	147,916	-	-	-	147,916
Total	15,294,630	-	-	(146,508)	15,148,122

2018

	Stage 1	Stage 2	Stage 3	Impairment	Carrying amount
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Bank balances	1,526,313	-	-	(16,381)	1,509,932
Debt instruments at amortised cost (note 20)	6,070,254	-	-	(65,657)	6,004,597
Statutory deposits (note 18)	2,726,769	-	-	(28,525)	2,698,244
Staff debtors	46,034	-	-	-	46,034
Total	10,369,370	-	-	(110,563)	10,258,807

The movement in credit losses, during the year is further analyzed as follows:

	2019	2018
	Ushs'000	Ushs'000
At 1 January	110,563	-
Impact of adoption of IFRS 9 – day 1	-	130,910
Charge / (credit) to profit or loss	35,945	(20,347)
At 31 December 2019	146,508	110,563

The credit to profit or loss during the year is assessed as follows:

2019

	Stage 1	Stage 2	Stage 3	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Bank balances	16,381	-	-	16,381
Debt instruments at amortised cost	(48,461)	-	-	(48,461)
Statutory deposits	(3,865)	-	-	(3,865)
Total	(35,945)	-	-	(35,945)

2018

	Stage 1	Stage 2	Stage 3	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Bank balances	-	-	-	1,703
Debt instruments at amortised cost	(25,132)	-	-	(25,132)
Statutory deposits	3,082	-	-	3,082
Total	(20,347)	-	-	(20,347)

(B) OPERATING AND ADMINISTRATION EXPENSES

	2019 Ushs '000	2018 Ushs '000
Staff costs (note 9 (b).1)	4,795,243	3,426,725
Auditors' remuneration	158,731	189,192
Depreciation of property and equipment (note 15)	143,980	137,191
Depreciation of right of use assets (note 17)	451,826	-
Amortisation (note 16)	57,200	91,151
Directors' remuneration	54,720	81,959
Communication expenses	113,152	99,505
Leases not in the scope of IFRS 16	87,653	687,728
Printing and stationery	119,577	105,478
Travel	247,005	198,138
Insurance	55,518	20,381
Training levy	181,078	185,213
Investment costs	192,581	117,042
Marketing expenses	234,574	321,899
Professional and consultancy fees	203,078	354,447
Annual contribution to Insurance Regulatory Authority	524,665	505,911
Management and technical support	854,160	1,455,084
Information technology and systems related expenses	74,001	160,597
Other expenses	2,199,079	4,307,904
Bank charges	94,895	68,869
PCA service charges	-	303,542
Bad debts written off	-	1,260
Provision for premium debtors (IFRS 4)	525,645	94,886
	11,368,361	12,914,102

Investment costs

These relate to investment manager and custodial fees.

Other expenses

These are general operating expenses including expenses relating to worksite activities, maintenance and fuel for motor vehicles, maintenance of business locations (buildings) and fixed assets, courier and postage, utilities, general office expenses, and reverse Value Added Tax on management fees.

PCA service charges

Payroll Consults Africa Ltd (PCA) is an IT company that deals with various governments and departments in Africa to expertly provide cost effective, secure and reliable payroll management services. Uganda government has contracted PCA to manage all deduction requests from Financial Institutions e.g. banks, microfinance institutions, and insurance companies, hire purchase companies etc., who intend to lend and recover funds directly from the civil servants' payroll on a monthly basis.

PCA service charges relate to a 2% fee paid to Payroll Consults Africa for individual life premium collections from various government departments.

Provision for premium debtors

The company provided for doubtful debts relating to premiums and agent debt that is due for 90 days and above (2018: 90 days).

Auditor's remuneration

This relates to both internal and external audit fees. Internal audit is carried out by the parent company, Sanlam Group, in South Africa.

STAFF COSTS

	2019 Ushs'000	2018 Ushs'000
Salaries and wages	3,862,025	2,791,000
Staff welfare	338,601	392,702
Staff training and development	14,663	21,289
Staff bonus	579,954	221,734
	4,795,243	3,426,725

The company had 45 permanent staff as at 31 December 2019 (2018: 52 employees). The company also hires temporary staff and interns from time to time as need arises. Staff welfare expenses relate to costs borne by the company for the staff medical scheme. Staff bonus is a variable pay based on individual and company performance. The criteria for the bonus is set at the beginning of the year. The determination of the amount of bonus paid is based on individual performance which is assessed through a transparent and objective performance management process. The company's performance is based on annual reported results.

10. PROFIT BEFORE TAX

Profit before tax is stated after charging:

	2019 Ushs'000	2018 Ushs'000
Depreciation of property and equipment	143,980	137,191
Depreciation of right of use assets	451,826	-
Amortisation of intangible assets	57,200	91,151
Auditors' remuneration	158,731	189,192
Staff costs	4,795,243	3,426,725

11. INCOME TAX

a) Income tax charge

	2019 Shs'000	2018 Shs'000
Withholding tax paid	735,041	424,431
Deferred income tax charge	-	113,820
Write of deferred tax asset	425,125	-
Charge to profit or loss:	1,160,166	538,251

The corporation tax rate is set at 30% of the profits for the year as adjusted for tax purposes in accordance with the Income Tax Act cap 340.

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

	2019 Shs'000	2018 Shs'000
Profit before tax	4,469,909	1,420,129
Tax calculated at a tax rate of 30%	1,340,973	472,644
Tax effect on income subject to tax at 20% ¹	(8,727,394)	(240,352)
Tax effect of expenses not deductible for tax purposes ²	4,278,163	(4,086,653)
Prior year under provision	6,548,994	(6,149,651)
Unrecognised movement on carry forward losses - deferred tax	(2,705,695)	10,117,832
Derecognition of deferred tax	425,125	-
WHT on government securities	-	424,431
Income tax charge	1,160,166	538,251

¹Tax is withheld on Interest income on government securities (treasury bills and treasury bonds) at a rate of 20%. This is a final tax and cannot be claimed on the filed returns.

²Expenses not deductible or tax purposes include: provisions for unexpired insurance risk, provisions for incurred but not reported (IBNR) claims, ceded life insurance premiums, entertainment expenses, non-allowable motor vehicle expenses, fines/penalties and life insurance claims.

12. (A) SHARE CAPITAL

Authorized Share Capital

	2019 Ushs'000	2018 Ushs'000
23,305 ordinary shares of Ushs 1,000,000 each (2019: 23,305 of 1,000,000 each)	-	-
23,305 ordinary shares of Ushs 1,000,000 each (2018: 23,305 of 1,000,000 each)	23,305,000	23,305,000

Movement in authorized Share Capital

	2019 Number	2019 Ushs'000	2018 Number	2018 Ushs
At 1 January	20,305	20,305,000	20,205	20,205,000
Increase in authorised ordinary shares	-	-	3,100	3,100,000
	23,305	23,305,000	23,305	23,305,000

Ordinary shares issued and fully paid

	2019 Ushs'000	2018 Ushs'000
21,714 ordinary shares of Ushs 1,000,000 each	21,714,000	21,714,000
	21,714,000	21,714,000

As at 31 December 2019, 21,714 of the allocated shared capital had been issued, and was fully paid.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and other general meetings of the company.

(B) SHARE PREMIUM

	2019	2018
	Ushs'000	Ushs'000
Share premium	47,000	47,000
	47,000	47,000

(C) OTHER RESERVES

	2019	2018
	Ushs'000	Ushs'000
Other reserves	49,250	49,250
	49,250	49,250

This relates to excess funds received from the parent company from the purchase of shares in Sanlam Life Insurance Uganda Limited.

13. CAPITAL RESERVE

	2019	2018
	Ushs '000	Ushs '000
At 1 January	234,671	143,437
Transfer during the year	165,487	91,234
At 31 December	400,158	234,671

For life business, the capital reserve is set up under Ugandan insurance laws and regulations. Provisions for these reserves are taken at 5% of the profits after tax.

14. CONTINGENCY RESERVE

	2019	2018
	Ushs '000	Ushs '000
At 1 January	1,216,651	906,089
Transfer during the year	398,232	310,562
At 31 December	1,614,883	1,216,651

For life business, the contingency reserve is set up under Section 5 (b) of the Insurance Act Regulations, 2002. Provisions for these reserves are taken at 1% of the premiums written.

15. PROPERTY AND EQUIPMENT

	Furniture, fittings & Equipment	Computer equipment	Motor Vehicles	Leasehold Improvements	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Cost:					
At 1 January 2018	458,558	494,423	179,570	150,592	1,283,143
Additions	31,405	61,625	23,000	-	116,030
Disposals	(77,995)	(42,121)	(28,300)	(35,520)	(183,936)
At 31 December 2018	411,968	513,927	174,270	115,072	1,215,237
Additions	162,562	109,975	284,410	-	556,947
Disposals	(11,675)	(239,742)	(7,270)	-	(258,687)
At 31 December 2019	562,855	384,160	451,410	115,072	1,513,497
Depreciation:					
At 1 January 2018	191,792	393,984	142,918	37,968	766,662
Charge for the year	42,540	67,225	14,454	12,972	137,191
Disposals	(52,394)	(42,121)	(28,300)	(13,250)	(136,065)
At 31 December 2018	181,938	419,088	129,072	37,690	767,788
Charge for the year	42,108	75,084	15,265	11,523	143,980
Disposals	(8,521)	(238,794)	(4,461)	-	(251,776)
At 31 December 2019	215,525	255,378	139,876	49,213	659,992
Net book Value					
At 31 December 2019	347,330	128,782	311,534	65,859	853,505
At 31 December 2018	230,030	94,839	45,198	77,382	447,449

16. INTANGIBLE ASSETS

	2019	2018
Cost	Ushs'000	Ushs '000
At 1 January	179,674	103,218
Additions	185,668	76,456
Asset write-off	(45,327)	-
At 31 December	320,015	179,674
Amortization		
At 1 January	166,239	75,088
Charge for the year	57,200	91,151
Asset write off	(44,212)	-
At 31 December	179,227	166,239
Net book Value	140,788	13,435

The intangible assets comprise of the Pastel accounting software and People Manager Payroll system. The intangible assets are amortised over the useful life of 3 years.

17. RIGHT OF USE ASSETS

Set out below are the carrying amounts of right of use assets recognized and movements during the period:

	Right of use assets	Total
	Office space	
	Ushs '000	Ushs '000
As at 1 January 2019	-	-
Effect of adoption of IFRS 16:	2,187,323	2,187,323
At 31 December 2019	2,187,323	2,187,323
Depreciation:		
Charge for the year	451,826	451,826
At 31 December 2019	451,826	451,826
Net book Value		
At 31 December 2019	1,735,497	2,589,002

18. STATUTORY DEPOSITS

	2019 Ushs '000	2018 Ushs '000
At 1 January	2,698,244	2,325,611
Additional investment	886,159	690,238
Accrued interest	90,007	73,064
Maturities	(622,254)	(362,144)
Day 1 adjustment – expected credit losses	-	(25,443)
Charge for the year:	(32,390)	(3,082)
At 31 December	3,019,766	2,698,244

The company maintained a statutory deposit in treasury bills and bonds as required by the Insurance Act (Cap 213) for every insurer to maintain a security deposit of at least 10% of the prescribed paid up capital of the company. The deposit is part of the assets in respect of the capital of the insurer and is invested by the insurer in short term investments and securities. The deposit is only available to the insurer in case of a substantial loss arising from liabilities to claimants and the loss is such that it cannot be met from its available resources or in the event of closure or winding up of the insurance business. Interest is earned at an average coupon rate of 16% on treasury bonds. The carrying amount of statutory deposits as at 31 December 2019 approximates the fair value

19. INVESTMENT IN UNQUOTED SHARES

	2019 Ushs '000	2018 Ushs '000
At 1 January	277,500	242,299
Fair value gain	84,120	35,201
At 31 December	361,620	277,500

The company owns 150 shares valued at Ushs 2.17 million, each in Uganda Reinsurance Company Limited (2018: 150 shares of Ushs 1.85 million, each).

Fair value of the unquoted shares has been estimated using the net asset value of the investments. Based on the published results of the investment, the directors computed the value of the investment based on the number of shares and the value per share.

20. DEBT INSTRUMENTS

	2019 Ushs '000	2018 Ushs '000
a) Debt instruments – at amortised cost		
Treasury bonds	4,258,191	3,464,345
Treasury bills	5,403,684	1,484,612
Fixed deposit	906,370	1,121,297
	10,568,245	6,070,254
Expected credit losses	(114,118)	(65,657)
	10,454,127	6,004,597

	2019 Ushs '000	2018 Ushs '000
a) Debt instruments – at fair value through profit or loss		
Treasury bonds	15,792,663	12,255,049
Treasury bills	3,231,150	4,331,155
Fixed deposit	1,269,107	1,196,888
	20,292,920	17,783,092
Fair value loss – day 1	-	(85,412)
Net fair value movement charged to profit or loss	(56,665)	(277,917)
	20,236,255	17,419,763

2019

Classification	Policy holders	Share holders	Deposit admin	Sancare	Smoothed Bonus	Total Ushs '000
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	
	<i>FVTPL</i>	<i>AC</i>	<i>FVTPL</i>	<i>AC</i>	<i>FVTPL</i>	
Treasury bonds	13,100,759	4,213,658	1,561,487	-	1,077,962	19,953,866
Treasury bills	2,173,454	4,356,189	639,697	987,785	413,789	8,570,914
Fixed deposits	589,118	712,468	679,989	184,027	-	2,165,602
	15,863,331	9,282,315	2,881,173	1,171,812	1,491,751	30,690,382

2018

Classification	Policy holders	Share holders	Deposit administration	Sancare	Smoothed Bonus	Total Ushs '000
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	
	<i>FVTPL</i>	<i>AC</i>	<i>FVTPL</i>	<i>AC</i>	<i>FVTPL</i>	
Treasury bonds	9,771,228	2,866,725	1,166,377	561,446	997,115	15,362,891
Treasury bills	3,671,286	37,028	241,935	1,431,461	412,358	5,794,068
Fixed deposits	699,169	762,235	440,281	345,702	20,014	2,267,401
	14,141,683	3,665,988	1,848,593	2,338,609	1,429,487	23,424,360

AC – Amortised cost; FVTPL – Fair value through profit or loss

Under the Ugandan insurance laws and regulations, the company is required to maintain a deposit equivalent to 20% of the security (statutory) deposit with a commercial bank. The company held fixed deposits with various banks of Ushs 2.30 billion (2018: 2.29 billion) which is above the statutory requirement.

21. INVESTMENT IN QUOTED SHARES

	2019 Ushs '000	2018 Ushs '000
At 1 January	312,157	265,797
Net movement during the year	-	-
Fair value gains/(losses)	(36,622)	46,360
	275,535	312,157

At 31 December 2019, the financial assets, which measured at fair value through profit or losses were allocated as follows:

	2019 Ushs '000	2018 Ushs '000
Policyholders	231,220	286,648
Shareholders	44,315	25,509
	275,535	312,157

The above investments relate to shares purchased in various companies that are listed on the Uganda Securities Exchange (USE).

31 December 2019

	Stanbic Bank Uganda Limited Ushs '000	The New Vision Group Ushs '000	Bank of Baroda Limited Ushs '000	Dfcu Bank Limited Ushs '000	Umeme Limited Ushs '000	Total Ushs '000
Policy holders						
At 1 January	3,720	5,761	17,500	236,467	23,200	286,648
Sale of shares	-	-	(17,500)	-	-	(17,500)
Fair value changes	(204)	(253)	-	(49,700)	12,229	(37,928)
At 31 December	3,516	5,508	-	186,767	35,429	231,220
Shareholders						
At 1 January	2,480	1,356	8,400	10,073	3,200	25,509
Sale of shares	-	-	(8,400)	-	-	(8,400)
Fair value changes	(136)	(56)	-	(2,117)	29,515	27,206
At 31 December	2,344	1,300	-	7,956	32,715	44,315

31 December 2018

	Stanbic Bank Uganda Limited	The New Vision Group	Bank of Baroda Limited	Dfcu Bank Limited	Umeme Limited	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Policy holders						
At 1 January	3,270	8,755	14,125	187,304	29,000	242,454
Fair value changes	450	(2,994)	3,375	49,163	(5,800)	44,194
At 31 December	3,720	5,761	17,500	236,467	23,200	286,648
Shareholders						
At 1 January	2,180	2,060	6,780	8,323	4,000	23,343
Fair value changes	300	(704)	1,620	1,750	(800)	2,166
At 31 December	2,421	1,356	8,400	10,073	3,200	25,509

The trading prices at the last date of trading for the years ended 31 December 2019 and 2018 were as follows:

Share price

	Stanbic Bank Uganda Limited	The New Vision Group	Bank of Baroda Limited	dfcu Bank Limited	Umeme Limited
	Ushs	Ushs	Ushs	Ushs	Ushs
31-Dec-19	26.09	320	125	645	233
31-Dec-18	31.00	339	140	823	320

22. RELATED PARTY TRANSACTIONS

i) The following are the key related parties:

Name	Nature of relationship 2019	Nature of relationship 2018
Sanlam Emerging Markets Limited	98.6% shareholder	98.6% shareholder
Hannington Karuhanga	1.4% share holder	1.4% share holder
Sanlam Kenya Limited	Common ownership	Common ownership
Sanlam General Insurance Uganda Limited	Common ownership	Common ownership
Sanlam Investments East Africa Limited	Common ownership	Common ownership
Sanlam Limited	Ultimate holding company	Ultimate holding company

ii) Balances with related parties

The following were the balances with related parties at 31 December.

a) Amounts due to related parties

Sanlam Emerging Markets Limited

2019	2018
Ushs '000	Ushs '000
2,096,535	2,060,928
2,096,535	2,060,928

b) Other related party transactions

Sanlam Investments East Africa Limited

Sanlam General Insurance Uganda Limited

2019	2018
Ushs '000	Ushs '000
120,909	31,501
71,671	20,380
192,580	51,881

Other related party transactions related to premium paid to Sanlam General Insurance Uganda Limited relating to insurance of assets, and group personal accident and investment fees paid to Sanlam Investments East Africa Limited for managing T-bills, T-bonds and fixed deposits of Sanlam Life Insurance Uganda Limited

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables.

For the year ended 31 December 2018, the company has not recorded any impairment of receivables relating to amounts owed by related parties (2017: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

i) Key management compensation

Directors' fees

Salaries and short-term employee benefits

Performance bonus

2019	2018
Ushs '000	Ushs '000
23,248	81,958
910,089	782,525
295,950	233,809
1,229,287	1,098,292

ii) Management fees

Actuarial fees

Product development costs

Bancassurance fees

Training and technical support

2019	2018
Ushs '000	Ushs '000
60,650	389,453
823	77,907
5,560	1,975
787,126	985,749
854,159	1,455,084

Management fees are charged by the parent company (Sanlam Emerging Markets Limited).

23. REINSURANCE BALANCES

a) Reinsurance receivables

	2019 Ushs '000	2018 Ushs '000
At 1 January	5,446,332	71,733
Receivable arising during the year	6,488,029	8,520,048
Net change in unearned reinsurance premium reserve	1,277,430	-
Net of against liabilities	(5,791,251)	-
Payments received during the year	(309,432)	(3,145,449)
At 31 December	7,111,108	5,446,332

The above re-insurance receivables relates to the medical business.

(b) Reinsurance payable

At 1 January	4,029,905	251,667
Reinsurance ceded during the year	5,802,899	2,932,915
Claims ceded to reinsurers	(5,791,251)	(2,488,196)
Profit commission receivable from reinsurers	1,640,724	4,860,126
Less: Payments made during the year	(3,600,049)	(1,526,607)
At 31 December	2,082,228	4,029,905

The above re-insurance payable relates to both the medical business and the life business.

24. A) OTHER RECEIVABLES

Staff advances	147,916	46,034
Withholding tax recoverable	-	10,191
Prepayments	390,309	374,612
	538,225	430,837
Other receivables	568,972	215,596
Direct write offs - agent debtors	-	(1,260)
	1,107,197	645,173

The movement in provision for bad and doubtful debts (other receivables) is analysed below:

	2019 Ushs'000	2018 Ushs'000
At 1 January	1,260	268,713
Recoveries	(1,260)	(267,453)
Impairment provision during the year	-	-
At 31 December	-	1,260

B) PREMIUM RECEIVABLES

	2019 Ushs'000	2018 Ushs'000
Gross premium receivables	3,599,429	2,556,345
Provision for bad and doubtful debts	(544,313)	(775,664)
Net carrying value	3,055,116	1,780,681

The movement in provision for bad and doubtful debts (premium receivables) is analysed below:

		2019 Ushs'000	2018 Ushs'000
At 1 January	7	775,756	1,017,849
Movement in provision during the year		(231,443)	(242,093)
At 31 January		544,313	775,756

Rights arising from insurance contracts are excluded from the scope of IFRS 9, therefore premium receivables have been impaired in accordance with the company's policies.

25. CASH AND CASH EQUIVALENTS

	2019 Ushs '000	2018 Ushs '000
Bank	2,064,700	1,517,848
Cash at hand	765	8,464
Cash in Transit	-	-
	2,065,465	1,526,312
Impairment - expected credit losses	-	(16,380)
	2,065,465	1,509,932

The Company holds no collateral in respect to the bank balances. Bank balances are short-term deposits made for varying periods depending on the cash requirements of the Company and earn interest at the applicable market deposit rates. Cash and cash equivalents for the purpose of the statement of cash flows include the above cash and bank balances. Of the total credit losses, Ushs 14,678 arose on 1 January 2019 and has been charged directly to equity.

26. INSURANCE CONTRACT LIABILITIES

	2019 Ushs'000	2018 Ushs'000
Reserves		
Group credit Unearned Risk Reserve (URR)	1,682,093	8,034,543
Incurred but Not Reported (IBNR) claims: credit life	384,008	405,706
Group life Unearned Risk Reserve (URR)	13,268,095	2,001,031
Group life IBNR claims	631,299	394,651
Dream builder unit reserve	1,095,696	1,066,923
Individual life reserve	2,488,246	606,059
Deposit Administrative Reserve	2,891,607	1,863,849
Actuarial reserve for the year	21,441,044	14,372,762

The Company determines its liabilities on the insurance contracts based on assumptions in relation to average loan duration for the credit life business, reserving loss ratios for the group and credit life business, average investment return for the Deposit Administration business and unit maintenance and acquisition costs for individual life unit expenses.

The liabilities are determined on the advice of the consulting actuary and actuarial valuations are carried out on an annual basis.

The latest actuarial valuation of the insurance contract liabilities was carried out as at 31 December 2018 by Edwin Splinter, an actuary with Sanlam Group (South Africa) using the net Premium Valuation method. This method is generally accepted in the actuarial industry as an appropriate method to place a realistic value on the liabilities of a life insurance company. The expected future cash flows are determined using best estimate assumptions with allowance for provision of risk margin for adverse deviation from the expected experience, and with due regard to significant recent experience.

By setting appropriate assumptions this method determines liabilities which are consistent with the value of assets included in the accounts.

The more significant valuation assumptions are summarised below;

- Average loan duration – The average loan term was assumed to be 36 months for all loan facilities in accordance with the schemes experience that that has shown that loans are foreclosed in an average period not exceeding 2 years.
- Reserving loss ratios – A loss ratio of 80% was applied to the UPR for Group Credit and Group Life policies to cater for the policy handling charges like commission expense and overhead acquisition costs.
- Average investment return – An average investment return (net of management charges and withholding tax) of 7.5%-8% was used to calculate the Group Deposit Administration reserve for the December 2019 valuation.
- Unit maintenance and acquisition costs. The unit maintenance cost and unit acquisition cost assumptions were set using the actual year to date administration expenses as well as the actual file size and new business volumes as at 31 December 2019. This is consistent with experience in similar countries.

As at 31 December 2019, an internal review was carried out by the actuarial team which sits in South Africa.

27. OTHER PAYABLES

	2019	2018
	Ushs '000	Ushs '000
Accrued expenses	80,448	374,888
Bonus payable	652,221	354,730
Provision for long term incentives	573,641	578,527
Supplier control account	100,931	54,794
Withholding tax payable (WHT)	406,467	100,006
Value added tax payable (VAT)	-	24,037
Others	1,258,078	454,548
	3,071,786	1,941,530

Other liabilities are non-interest bearing and are normally settled on 30-60 days terms.

28. DEFERRED ACQUISITION COSTS

	2019 Ushs '000	2018 Ushs '000
At 1 January	1,440,767	1,192,933
Increase/(decrease) arising from current year commissions:	(577,013)	247,834
At 31 December	863,754	1,440,767

Deferred acquisition costs relate to advance commission payments made to agents and their leaders.

29. PROVISION FOR UNEARNED PREMIUM

	2019 Ushs '000	2018 Ushs '000
Provision for un earned premium	4,692,308	4,106,986
Increase in provision	-	293,012
	4,692,308	4,399,998

This relates to premiums for the medical business (Sancare) for which insurance cover has not yet been provided to the clients. It relates to medical policies running beyond the reporting period.

30. COMMISSION PAYABLE

	2019 Ushs '000	2018 Ushs '000
Commission payable	172,664	15,429
	172,664	15,429

31. CLAIMS PAYABLE-MEDICAL

	2019 Ushs '000	2018 Ushs '000
Claims payable	1,130,023	1,429,269
	1,130,023	1,429,269

32. LEASE LIABILITIES

The movements in lease liabilities are as shown below:

	2019 Ushs '000	2018 Ushs '000
As at 1 January 2019	-	-
On adoption of IFRS 9	2,187,323	-
Accretion of interest	282,855	-
Payments	(358,110)	-
As at 31 December 2019	2,112,068	-

33. DEFERRED TAX

Deferred tax is calculated on all temporary differences under the statement of financial position liability method using a principal rate of 30%.

The movement in the deferred tax asset at 31 December 2019 is attributable to the following items:

	2019 Shs '000	2017 Shs '000
At start of year	(425,125)	(538,945)
Charge / (credit to P&L)	-	113,820
Write off of unrecoverable deferred tax asset	425,125	113,820
At end of year	-	(425,125)

On 31 December 2019, the deferred tax asset of Ushs 425 million hitherto recognized on the statement of financial position was written off due to uncertainty over its recoverability.

The unrecognized deferred tax asset as at 31 December 2019 is attributable to the following:

	01/01/2018 Shs'000	Charged/ (credited) to P/L Shs'000	31/12/2018 Shs'000
Accelerated tax depreciation	132,183	(257,107)	(124,924)
Bad debt provisions	(943,371)	399,058	(544,313)
Provision for long term incentive	(459,027)	(114,614)	(573,641)
Provision for bonus	(354,730)	(269,909)	(624,639)
Provision for staff leave	(119,502)	(86,397)	(205,899)
Unrealised forex loss	15,625	-	15,625
Fair value gain on debt instruments	(277,917)	522,083	244,166
Fair value gain on quoted/unquoted shares	589,656	183,101	772,757
Taxable differences	(1,417,083)	376,215	(1,040,868)
Net deferred tax liability/ (asset) at 30%	(425,125)	112,865	(312,260)
Tax losses carried forward:	45,358,048	(8,642,760)	36,715,288
Net deferred tax asset at 30%	(13,607,414)	2,592,828	(11,014,586)

The deferred tax asset recognized as at 31 December 2018 was attributable to the following:

	01/01/2018	Charged/ (credited) to P/L	31/12/2018
	Shs'000	Shs'000	Shs'000
Accelerated tax depreciation	166,407	(34,224)	132,183
Bad debt provisions	(1,281,898)	338,527	(943,371)
Provision for long term incentive	(350,035)	(108,992)	(459,027)
Provision for bonus	(216,641)	(138,089)	(354,730)
Provision for staff leave	(277,744)	158,242	(119,502)
Unrealised forex loss	15,625	-	15,625
Fair value gain on debt instruments	-	(277,917)	(277,917)
Fair value gain on quoted/unquoted shares	147,803	441,853	589,656
Taxable differences	(1,796,483)	379,400	(1,417,083)
Net deferred tax liability/ (asset) at 30%	(538,945)	113,820	(425,125)

Unrecognised deferred tax asset

At 31 December 2018, a deferred tax asset of Ushs 13,607 million (2017: Ushs 3,489 million) arising from cumulative tax losses was not recognised in these financial statements because the company is not certain of future taxable profits against which the temporary differences will be utilised.

31 December 2018

	01/01/2018	Unrecognised movement to P/L	31/12/2018
	Shs'000	Shs'000	Shs'000
Deferred tax asset			
Tax losses carried forward	(11,631,940)	(33,726,108)	(45,358,048)
Deferred tax asset at 30%	(3,489,582)	(10,117,832)	(13,607,414)

34. COMMITMENTS AND CONTINGENCIES

Uganda Insurance Association (representing players in the insurance industry) has appealed against the Tax Arbitration Tribunal decision that agents are employees of insurance companies and that their emoluments should be subject to the appropriate PAYE rates and not the 6% withholding tax as it had been communicated. The exposure to the Company could not be assessed since the case has not yet been concluded.

The company is also a defendant in a suit lodged by an ex-employee with a claim of Ushs 361 million, for which the Company lawyers have assessed that the Company has high chance of success in the suit and therefore, no provision has been made in the financial statements.

35. SUBSEQUENT EVENTS

The Company has evaluated the subsequent events through the date of signing these financial statements and there were no significant events to be reported during the period.

36. COUNTRY OF INCORPORATION

Sanlam Life Insurance Uganda Limited is incorporated in Uganda under the Companies Act of Uganda as a company limited by shares and domiciled in Uganda.

37. PRESENTATION CURRENCY

These financial statements are presented in Uganda shillings rounded off to the nearest thousands (UShs '000).

38. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the entity is Sanlam Limited, a company incorporated in the Republic of South Africa.

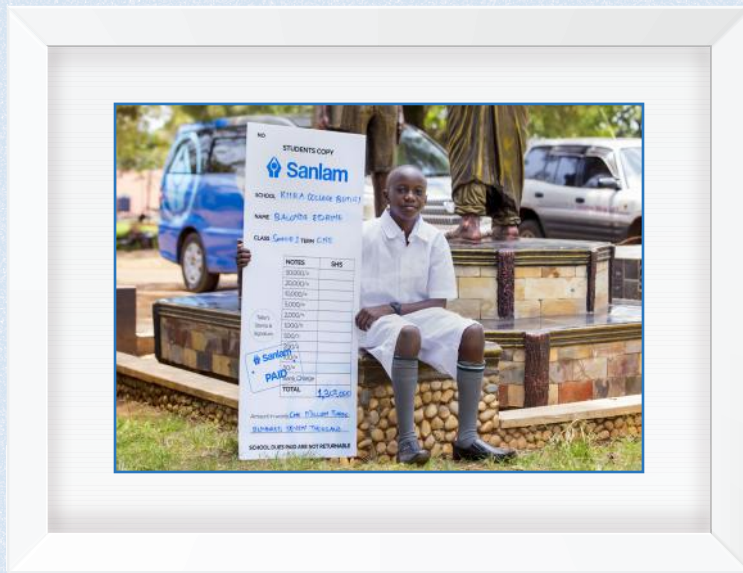
SANLAM - CORPORATE SOCIAL RESPONSIBILITY

In quarter three of 2019, we launched a scholarship campaign for the top PLE performers amongst our clients.

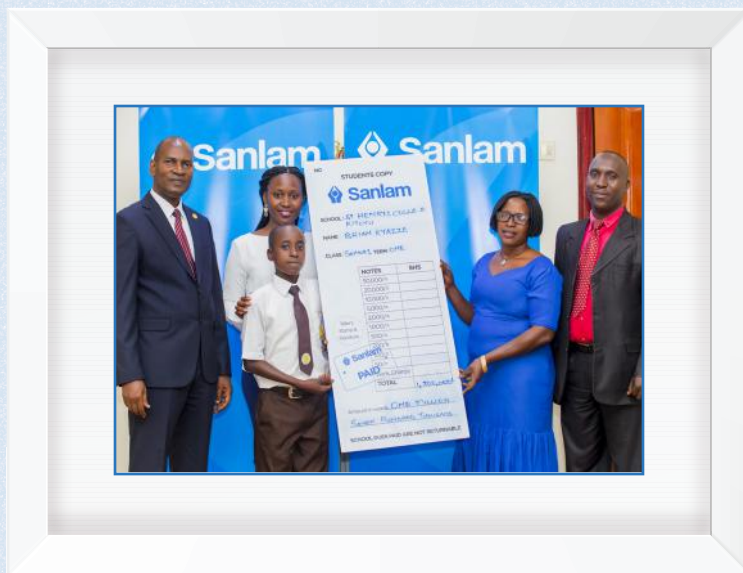
The campaign which attracted over 300 applicants who are all our individual life clients was meant to reward academic excellence as well as lifting the financial burden of school fees for our customers.

The winners are listed below

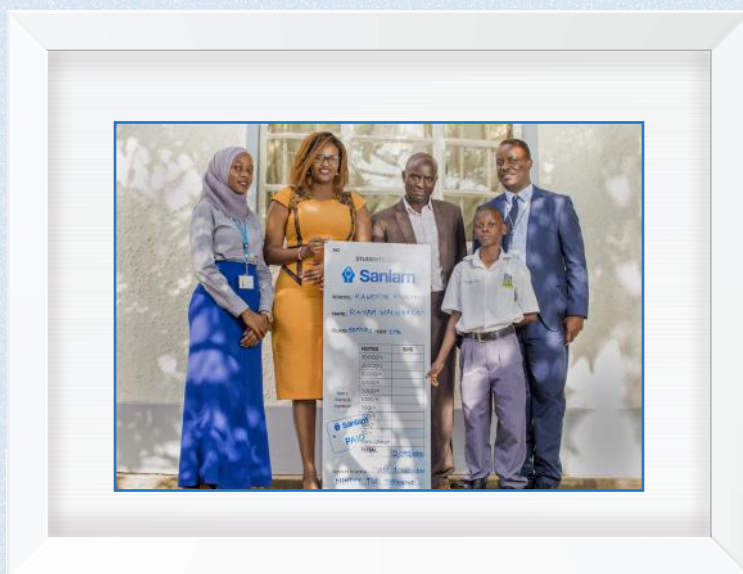
PUPIL NAME	GENDER	DREAM SCHOOL	MTC	ENG	SST	SCIE	AGG
Mwesigwa Johnson	Male	Masaka Secondary School	1	1	1	1	4
Balaba Andrew	Male	St. Marys Kisubi (SMACK)	1	1	1	2	5
Walukagga Rayan	Male	Kawempe Muslim S.S.	2	2	1	1	6
Atyang Lorna	Female	St. Mary's Kitende	1	2	2	1	6
Kyazze Brian	Male	St. Henrys Kitovu	1	2	2	1	6
Balonde Edrine Passey	Male	Kings College Buddo	1	2	2	1	6



Balonde Edrine
Kiira College Butiki



Brian Kyazze
St Henry's College Kitovu



Rayan Walukagga
Kawempe Muslim Secondary School

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