SONARWA General

SONARWA
General Insurance

ANNUAL REPORT 2023

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www.sonarwa.co.rw

Rwanda's First Insurer of Choice

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SONARWA General

CHAIRPERSON STATEMENT

Dear Stakeholders,

2023 was a year of significant achievements and continued growth for SONARWA General Insurance. As we look back to the past year, I am delighted to point out the tremendous growth we have witnessed in almost all facets of the business, with the Company demonstrating good performance.

From our key business strategic priorities, customer experience has remained the epicentre of our strategy. Activities undertaken during the year, i.e. Customer Engagement Dinner and the 'team service' themed Customer Service Week, showcased the Company's dedication to build lasting relationships with our customers. We have continued to listen to their needs and appropriately respond to their ever-evolving expectations.

Our belief is that innovation remains our driving force this year in developing new capabilities that enhance operational efficiency and deliver greater value to our clients. These efforts have positioned us strategically to navigate the future with confidence. Our investments in the development and training of our agents reaffirm our dedication to empowering the workforce and building strong company values.

The year 2024 comes with excitement about the opportunities ahead. The focus remains sustainable growth, innovation, and excellent customer service experience. We continue to invest in people, technology, and partnerships, to drive our vision of becoming the most trusted and preferred insurer in the region. My gratitude is to all our board of directors, management team, employees, customers, and partners for remaining steadfast.

Mrs. Iza Irame,

Chairperson of the Board of Directors

CEO STATEMENT

A reflection of the year 2023, leaves me proud of the progress we have made as a Company not only in financial performance but also the commitment to innovation and customer service. This year witnessed insurmountable turnaround in efficiency and service delivery that further strengthened our market presence with careful focus to our customers' needs.

The company achieved expansion nationwide, this has enhanced access to our products and efficiency in service delivery, gaining traction to a bigger market share. Our distribution channels have made it easier for customers to access our services, providing a seamless experience that reflects our commitment to accessibility.

In 2023, we reinforced our role as a responsible corporate citizen by supporting our employees and honouring the memories of our fallen colleagues through the 1994 Genocide against the Tutsi. Our investments in training and development ensures that our team remains well equipped to respond to future challenges and deliver exceptional services.

As we move into the year 2024, our focus is drawn towards sustainable growth, digital innovation, and excellence in customer service. I am confident that, with the continued dedication of our team and the trust from our stakeholders, we are poised for greater success in the year ahead. “My sincere thanks go to all our employees, partners, and customers for their undivided support and commitment.

Mr. Rees Kinyangi Lulu,
Ag. Chief Executive Officer.

OUR STORY

From 1975 to 2024, SONARWA General Insurance has charted a course of remarkable expansion and resilience. Starting with a modest 50 million Rwf in capital, under the stewardship of the UK's J.H. Minet, it blossomed into a towering figure with a capital of 1.5 billion Rwf. Our growth strategy included launching 19 branches across Rwanda, significantly broadening our network, and enhancing service accessibility. With each step, we rebranded, reshaped, and redefined insurance, committing every step to secure your peace of mind with reliability and resilience. As Rwanda's leading capitalized insurance provider, regulated by the National Bank of Rwanda, we remain dedicated to delivering exceptional value and security to our clients, ensuring they confidently navigate life's uncertainties.

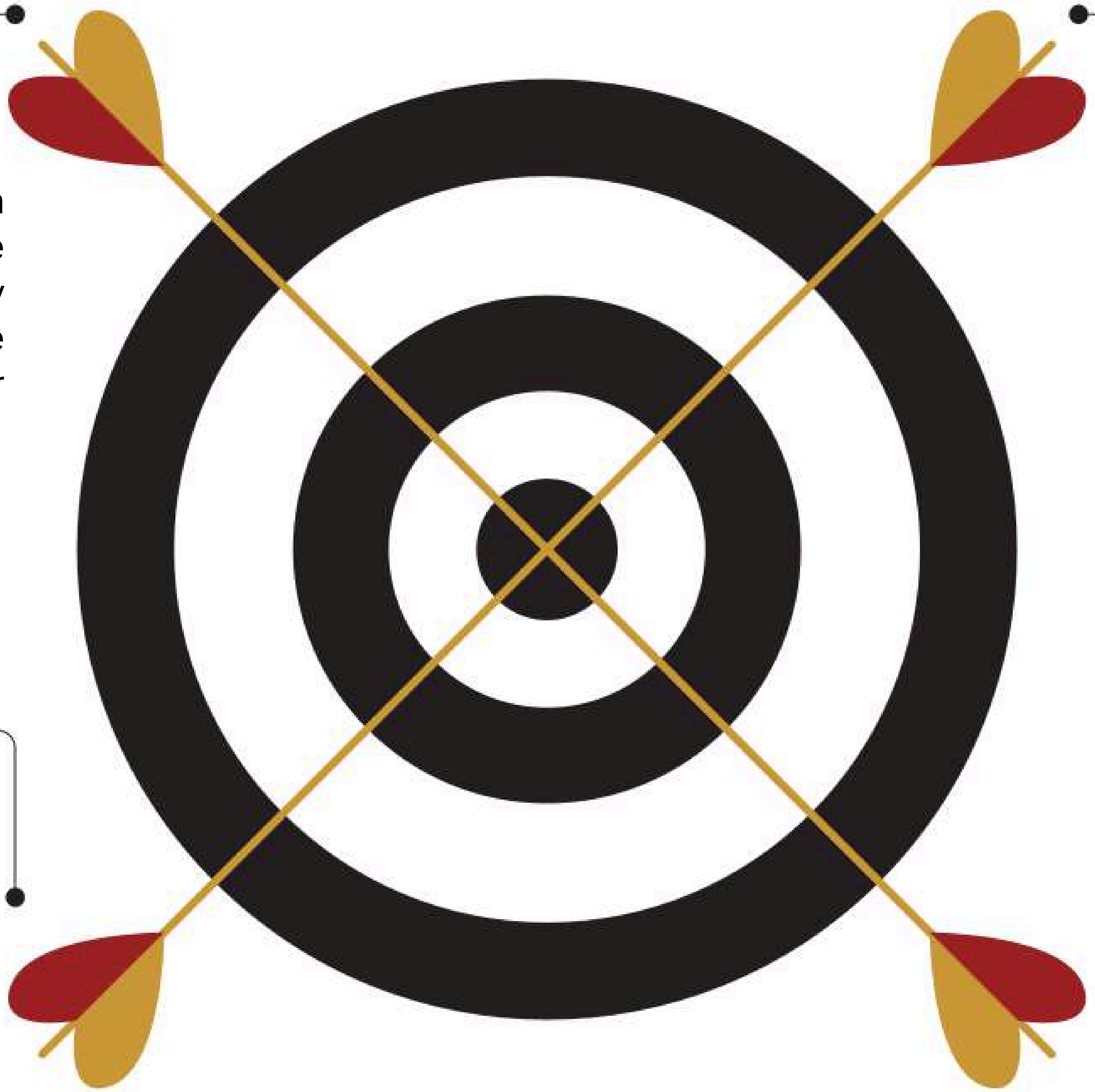
History and Key Milestones

- 1975: Founded and Pionnerd the Insurance Sector in Rwanda under the management of J.H. Minet (UK)
- 1980: Capital increase from 50M Rwf to 400M Rwf
- 1983: Capital increase to 500M Rwf; Expansion to Butare and Gisenyi
- 2011: Structural change, splitting into SONARWA General Insurance (short-term) and SONARWA Life Insurance (long-term)
- 2017: RSSB acquired an 84.67% majority share
- 2024: Capital growth of billions Rwf; Established 19 branches across Rwanda and have multiple investments in Real Estate Mainly.

VISION AND MISSION

Vision

To maintain our leading position in Rwanda and play a major role in the region as a composite insurer by providing high quality insurance products and financial services to our customers.



Values

- High quality services
- Having committed, innovative and professional staff
- Prudent underwriting principles and equitable claims settlement
- A fair return to shareholders' fund
- A responsible corporate citizenship
- Availing our services throughout Rwanda and the region

Mission

To provide clients with affordable and reliable insurance and finan- cial solutions while enhancing economic growth in Rwanda and the region through productive investment activities

Our Goal

Customer satisfaction, value for all.

SHAREHOLDER PROFILE

At SONARWA General Insurance, we simplify insurance by providing swift, reliable, and tailored solutions that meet the diverse needs of our clients across Rwanda. With a commitment to excellence, we deliver market-leading products and services that offer peace of mind and protection in an ever-changing world.

Name	Country of Origin	2023	2023
RWANDA SOCIAL SECURITY BOARD	Rwandan	79.21%	79.21%
INDUSTRIAL AND GENERAL INSURANCE Plc.	Nigerian	15.96%	15.96%
AGACIRO DEVELOPMENT FUND (AGDF)	Rwandan	1.61%	1.61%
MAGERWA LTD	Rwandan	1.61%	1.61%
Access Bank Rwanda Plc	Rwandan	1.61%	1.61 %
		Total	100%

CORPORATE GOVERNANCE

The Directors remain steadfast in implementing governance practices where substance prevails over form. The governance framework of the Company allows the Board of Directors to carry out periodic evaluations of the company's performance, enabling Directors to balance the Board's responsibility for oversight with their roles to provide strategic guidance for management's actions. The Board monitors performance using the instruments of the regular quarterly Board meetings.

SONARWA General Insurance Company Limited is committed to the highest level of corporate governance standards as set from time to time by the National Bank of Rwanda and by itself in accordance with international best practice. The Board of Directors is responsible for the longterm strategic direction for profitable growth of the Company whilst being accountable to the shareholders for compliance and maintenance of the highest corporate governance standards and business ethics.

BOARD OF DIRECTORS

At the core of our corporate governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Company. The Board monitors the Company's strategy, and performance against strategic and business plans, policies, and control systems to develop and incorporate best practices and maintain the highest standards in governance.

Iza IRAME
Chairperson

IRAME has over a decade of senior management experience in both the private and public sectors. She previously held positions as the Group Finance Manager at Horizon Group Ltd and Chief Accountant at the Office of the Prosecutor General. She earned a degree in Business Administration, specializing in Finance, from the Kigali Institute of Science, Technology, and Management (KIST) and is an affiliate of the UK Association of Chartered Certified Accountants (ACCA).

Innocent Murindabigwi
Board Member

Innocent is a seasoned finance professional currently leading the Finance & Contributions Department at the Rwanda Social Security Board (RSSB). With extensive experience in financial management and strategic planning, Innocent plays a crucial role in overseeing the financial operations and contributions management of one of Rwanda's key public institutions.

Jerry Ntare
Board Member

Jerry brings over a decade of experience in leadership roles within the finance and investment sectors. Currently serving as the Acting CEO of the Rwanda Sovereign Wealth Fund, he has been instrumental in driving operational excellence and strategic growth initiatives. Jerry holds an Executive Master's degree in Financial Industry from the Luxembourg School of Business and has previously held senior positions at Crystal Ventures Ltd and NPD-COTRACO Ltd, demonstrating his comprehensive expertise in business management, financial analysis, and procurement. His dedication to continuous improvement and innovation makes him a valued leader in the field.

Jonathan Oluwaniyi Wale
Board Member

Jonathan is an experienced finance professional with a strong background in the insurance sector. He serves as the Chief Finance Officer at National Insurance Company Holdings Limited, a role he has held since September 2011. In this capacity, he oversees the company's financial strategy, management, and reporting, driving growth and ensuring compliance with financial regulations.

Before this, he was the Chief Finance Officer at IGI GAM STAR in Gambia from October 2009 to August 2011, where he managed financial operations and led financial planning and analysis efforts to support the company's objectives. Before joining IGI GAM STAR, he was involved in the Management of Industrial General Insurance (IGI) from January 2008 to September 2009, contributing to the company's overall financial management and strategic direction.
With over a decade of experience in senior financial roles within the insurance industry, he has developed a deep understanding of economic governance, risk management, and business strategy.

Afrique Ramba
Board Member

Ramba is a distinguished investment and finance professional with a strong track record in investment banking. Currently serving as the Chief Executive Director of Future Health & Technologies Ltd, Ramba brings extensive expertise in leading high-performing teams, portfolio management, financial modeling, and risk management. His experience includes managing investment portfolios exceeding $350 million, with a focus on maximizing returns while maintaining risk tolerance. With prior roles at the Rwanda Social Security Board and BPR (part of Atlas Mara), he has demonstrated leadership in strategic financial planning and organizational growth.

COMPOSITION OF THE BOARD

Delegation and effective control The Board maintains effective control of the Company through a well-developed governance structure which includes Board committees. These committees provide in-depth focus on specific areas of board responsibility. Board Committees In line with the requirements of Regulation Nº11/2017 on corporate governance requirements for insurance business as well as the provisions of the Company's Memorandum and Articles of Association and the Board's Terms of Reference, the following Board Committees were established by the Board to ensure effective performance of its duties:

- **Audit committee:** The committee's role is to assist the board in ensuring that the financial statements are prepared in a timely and accurate manner to facilitate prompt publication of annual accounts. The Committee also helps in reviewing internal controls, including the scope of the internal audit program, and the internal audit findings, and recommends actions to be taken by management. The Committee also regularly interacts with the external auditors.
- **Risk Committee:** The role of the Committee is also to assist the Board in ensuring the quality, integrity, and reliability of the company's risk management systems. In so doing, the Committee reviews and assesses the integrity and effectiveness of the risk management system.
- **Claims and Underwriting Strategy Committee:** This is a standing committee of the Board; its role is to assist the Board in discharging its duties relating to the management of claims and underwriting by mitigating all related risks.

During the financial year ended 31 December 2023, the Board was not fully constituted as required by Regulation No. 11/2017 on corporate governance. As a result, the committees were equally not constituted.

SENIOR MANAGEMENT

Rees Kinyangi Lulu
AG. Chief Executive Officer
& Chief Finance Officer

Quinta Rwakunda
Company Secretary &
Head Legal

Charlotte Kamanzi
AG. Chief Commercial
Officer

Simon R. Munyaneza
Head of ICT

Aurore Umuhoza
Ag. Head of Human
Resources& Administration

OUR INSURANCE AT A GLANCE

Employees

75

Branches

19

Solvency Coverage Ratio

23-Dec: 311%

22-Dec: 546%

Investment Ratio

23-Dec: 39%

22-Dec: 35%

Liquidity Ratio

23-Dec: 74%

22-Dec: 57%

Claims Ratio 23-Dec: 72%

22-Dec: 68%

Management Expense Ratio

23-Dec: 69%

22-Dec: 39%

SONARWA General

THE BRANCHES

Main Branch

RSSB TOWER II , KIGALI - RWANDA

Tool-Free number : 9000

Email: infos@sonarwa.co.rw

Kigali City

1. GIPOROSO - 0788409105
2. KIMIRONKO - 0788818132
3. MAGERWA - 0788526291
4. NYABUGOGO - 0788427150
5. NYAMIRAMBO - 0782888493
6. REMERA - 0788754350
7. MUHIMA - 0788303067
8. NIBOYE - 0788438988

Southern Province

1. HUYE - 0786403832
2. MUHANGA - 0788561783

Western Province

1. RUBAVU - 0788426414
2. RUSIZI - 0788443869

Eastern Province

1. KAYONZA - 0788225587
2. RWAMAGANA - 0786662310
3. NYAMATA - 0783737496

Northern Province

1. NYAGATARE - 0787695480
2. MUSANZE - 0788228753

Product Portfolio

At Sonarwa General Insurance, we're not just your average insurance company. We're the pioneers, the trailblazers, and the innovators, setting the standard for insurance excellence in Rwanda and across the COMESA. Whether you need to protect yourself from unexpected accidents, fire, or even the perils of nature, we have a plan to fit your needs.

Sonarwa General offers a wide range of general insurance products to cater to the various insurance needs of different market segments.

Personal Insurance

Motor Insurance

- Third-party liability coverag
- Comprehensive cove
- Compensation for loss or damage to your ca
- Coverage against third-party bodily injuries and material damag
- Cover for theft and burglary

Travel Insurance

- Medical emergency and expense coverag
- Medical Transportatio
- Repatriatio
- Lost luggage indemnificatio
- Personal accident coverag
- Legal expenses

Nature Disaster Insurance

Covers damages caused by lightning, explosion, dropped articles from plane crashes, rail/road incidents, animals, landslides, earthquakes, floods, storms, and bushfires

Group Personal Accident

Provides compensation for death, permanent disablement, temporary loss of income, and medical expenses arising from accidents to corporations and institutions

Individual Personal Accident

Provides compensation for death, permanent disablement, temporary loss of income, and medical expenses arising from accidents to individuals

Business Insurance

Fire Insurance

Fire and Allied Perils Insurance for your property, furniture, fixtures, and fittings, goods held in trust and commission, and machiner

Fire Consequential Loss Insurance covers loss of profit, standing charges, additional expenditure, and wages

Marine Cargo Insurance

Cover against loss or damage to carg

Insurance against delays, ordinary leakage, and loss of weight or volum

Insurance for inherent vice or nature of the subject matte

Cover on civil commotio

Insurance on stored and cargo in transi

Insurance on salvage value and others

Goods in Transit Insurance

Cover for loss or damage to various types of goods while in transit by road, rail or any inland waterway

Computer and Electronic Equipment Insurance

Coverage for electronic equipment including computers against sudden unforeseen physical damag

Covers mechanical or electrical breakdown, faulty design, lightning and over voltage

Cover is strictly restricted to premises risks ONLY except for laptops covered worldwide

Burglary Insurance

Indemnity against loss or damage to property following forcible or violent entry or exit from insured premise

Assets such as office equipment, stock in trade, furniture fixtures and fittings are covered

Industrial All Risks Insurance

Provides comprehensive cover against Material Damage such as accidental physical loss or damage to the property insure

Provides comprehensive cover against Business Interruption like financial loss arising from business interruption or interference

Fidelity Guarantee Insurance

Under Material Damage, covers sudden and unforeseen physical loss or damage to the construction work

covers sums the insured becomes liable to pay as damages for accidental bodily injury to third parties or accidental loss/ damage to their property

Contractors All Risk Insurance

Under Material Damage, covers sudden and unforeseen physical loss or damage to the construction work

Under Third Party Liability, covers sums the insured becomes liable to pay as damages for accidental bodily injury to third parties or accidental loss/damage to their property

Professional Indemnity Insurance

Indemnifies the insured against legal liability arising from wrongful acts such as negligence, error, or omission while carrying out professional dutie

Protects the business against compensation sought by clients for errors or negligence

Directors & Officers Liability Insurance

Protects directors and officers from loss resulting from claims made against them in the discharge of their duties

Machinery Breakdown Insurance

Cover against sudden unforeseen physical or damage to the insured machiner

Covers the cost of repairing or replacing indemnifiable breakdown or losses to machiner

Assists in expediting repairs

Crop Insurance

Protection against natural disasters (drought, floods, hail, storms)
Coverage for losses due to pests and crop diseases
Financial safeguard from unexpected drops in market prices
Support for sustainable farming practices and resilience-building

Erection All Risks Insurance

Under Material Damage, covers sudden and unforeseen physical loss or damage to the erection risk

Under Third Party Liability, covers sums the insured becomes liable to pay as damages for accidental bodily injury to third parties or accidental loss/damage to their property

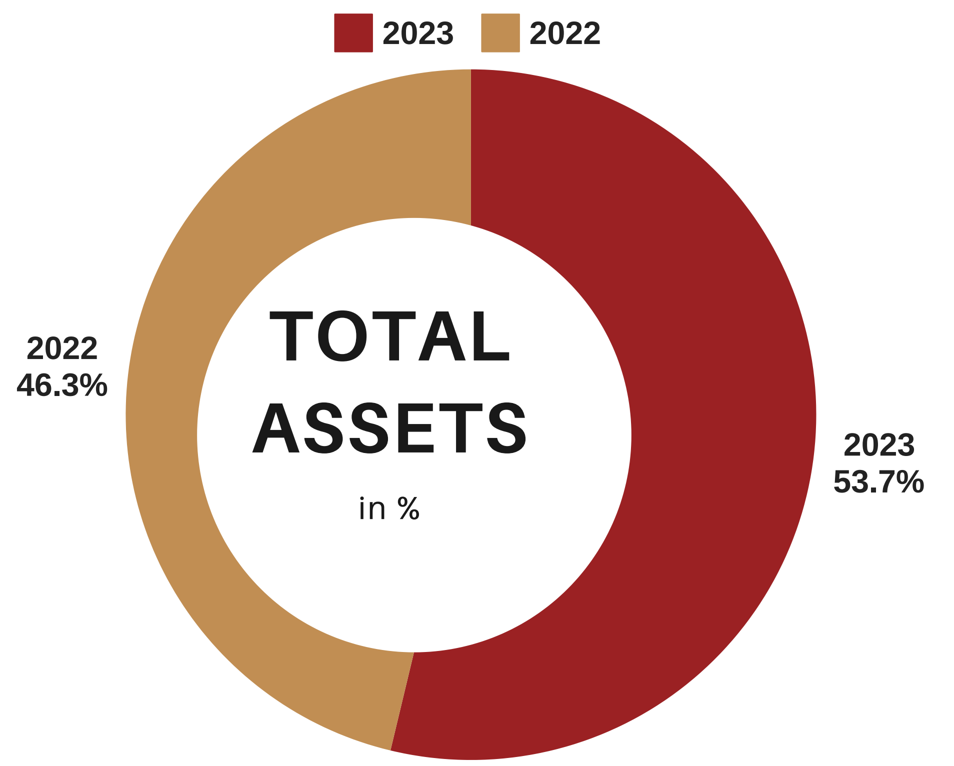
Public/Products Liability Insurance

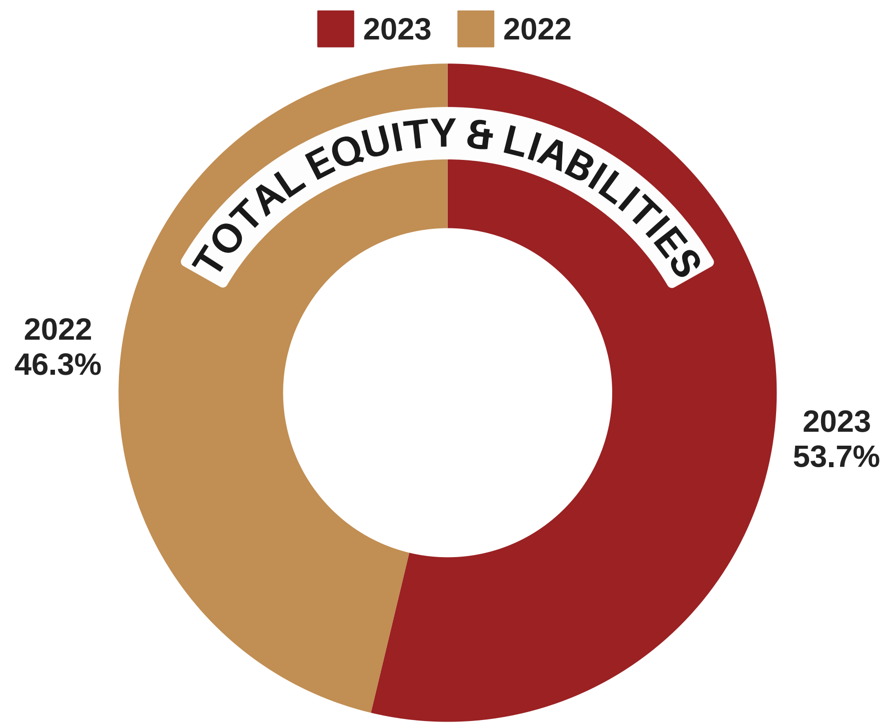
Protects against claims arising from accidental bodily injury to any person or accidental loss/damage to property

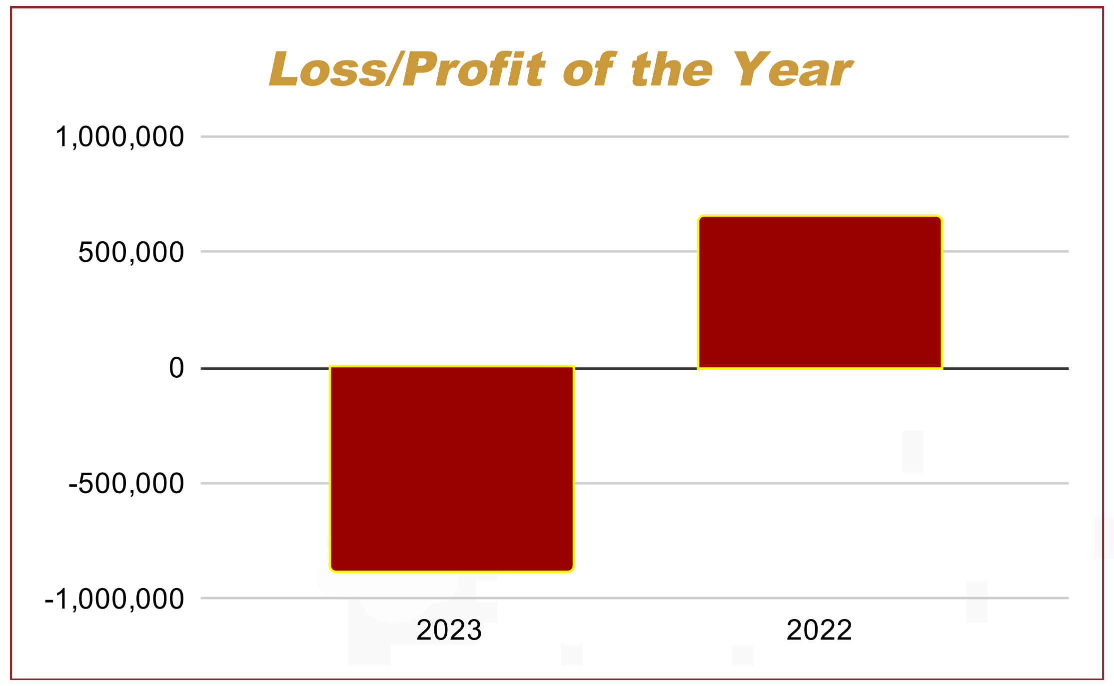
Livestock Insurance

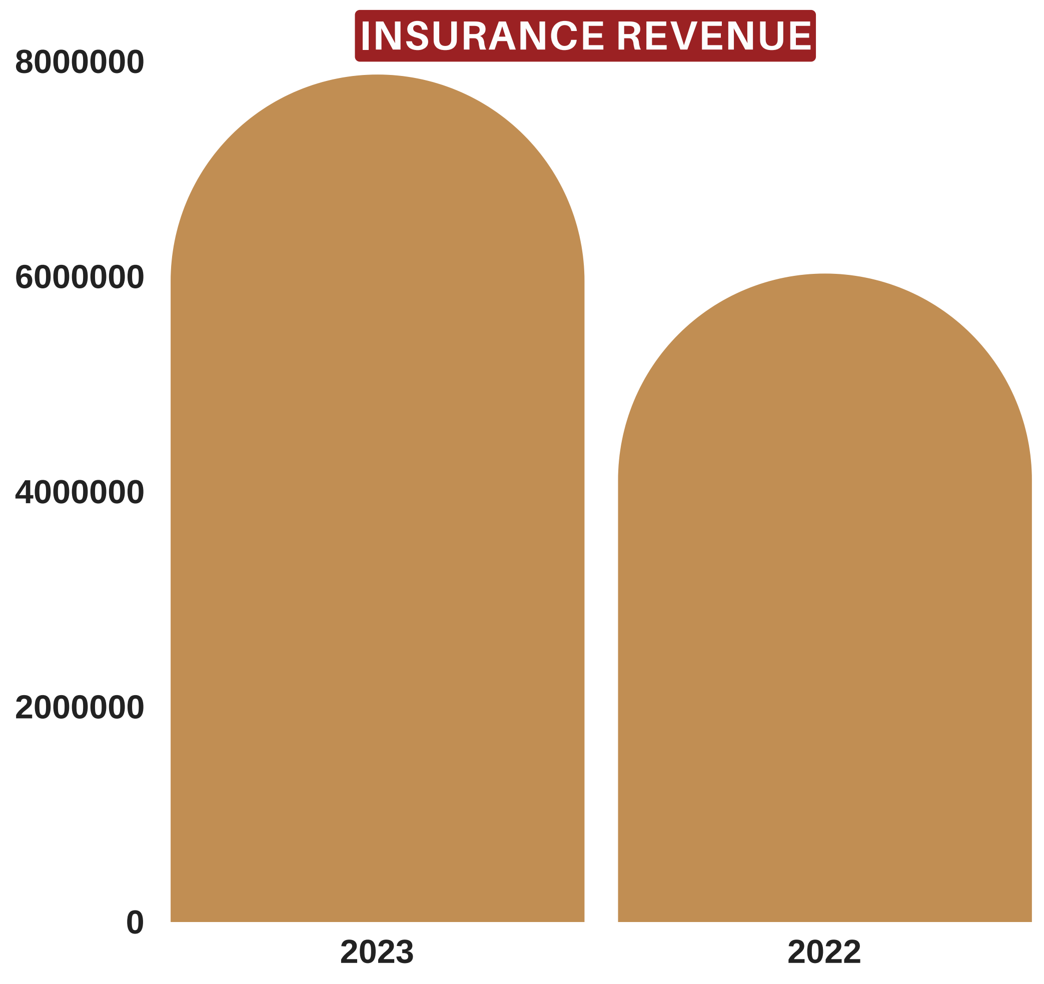
Compensation for loss due to accidental death, diseases, or natural disasters
Coverage for theft or loss of valuable livestock
Financial support for veterinary expenses and disease management

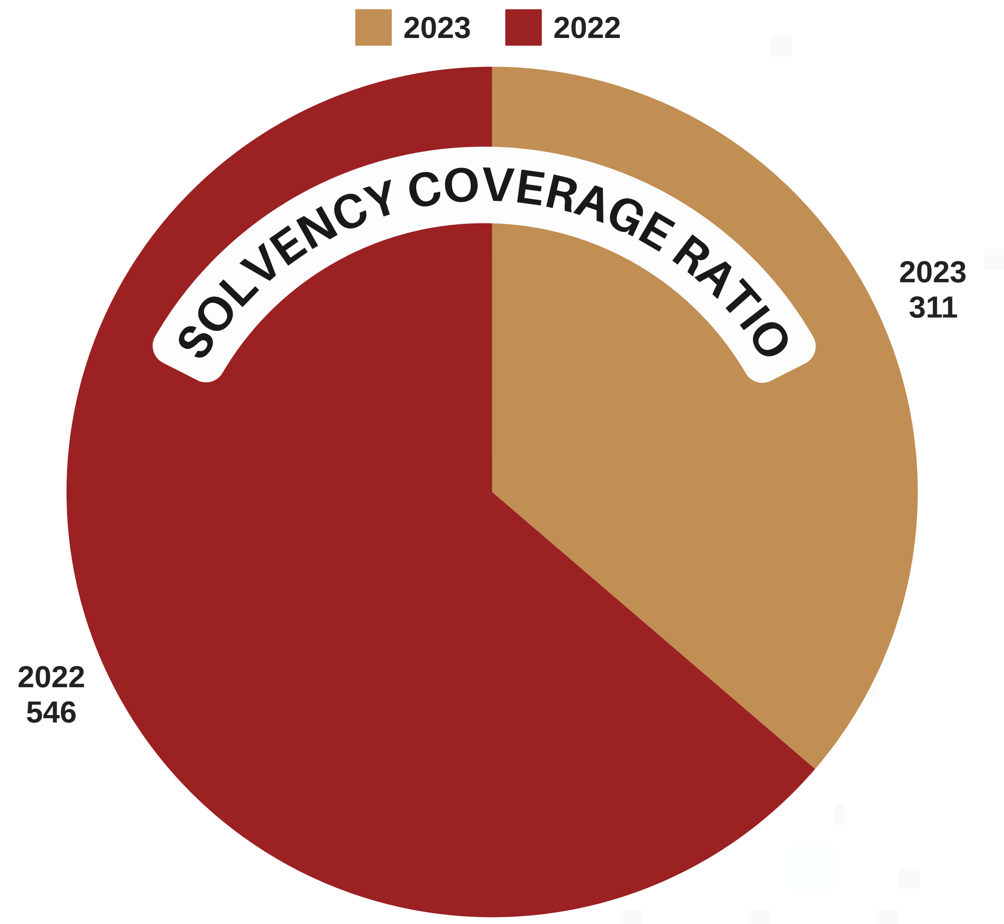
FINANCIAL HIGHLIGHTS

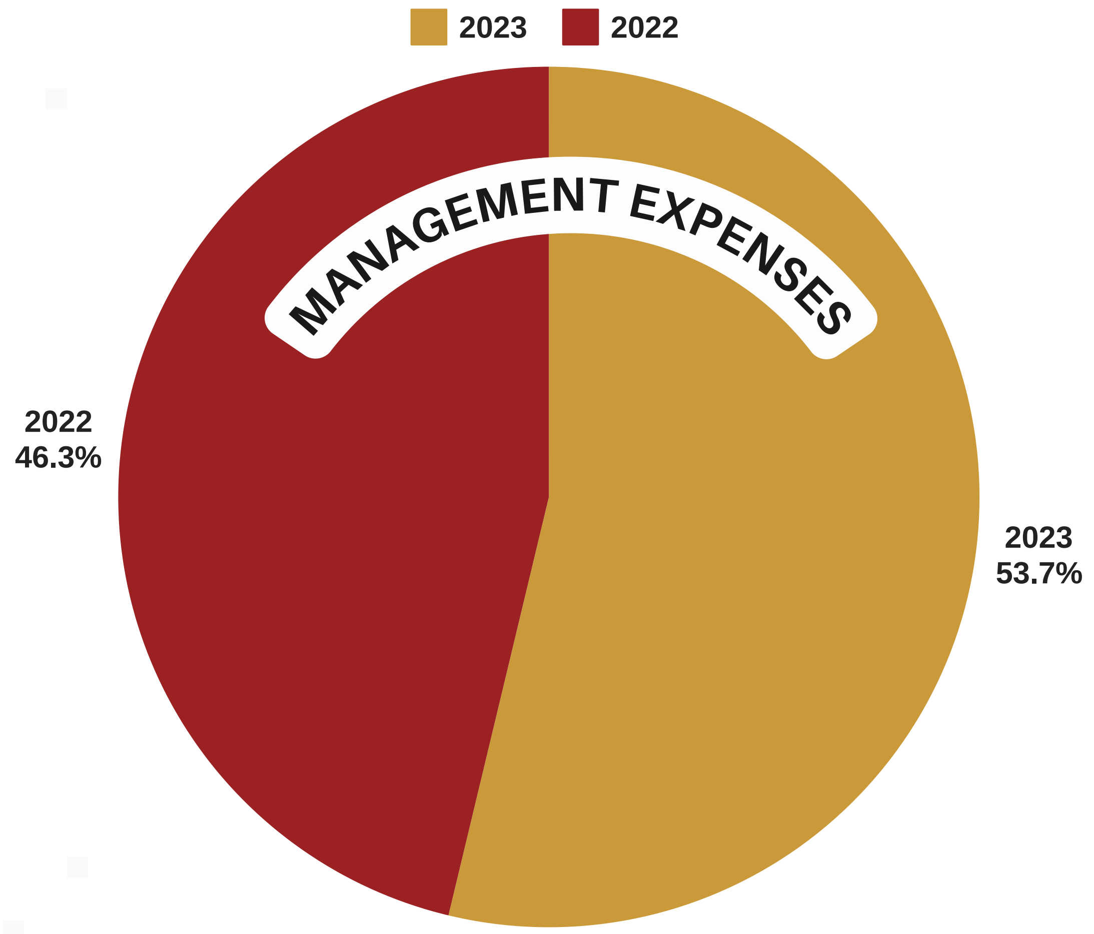


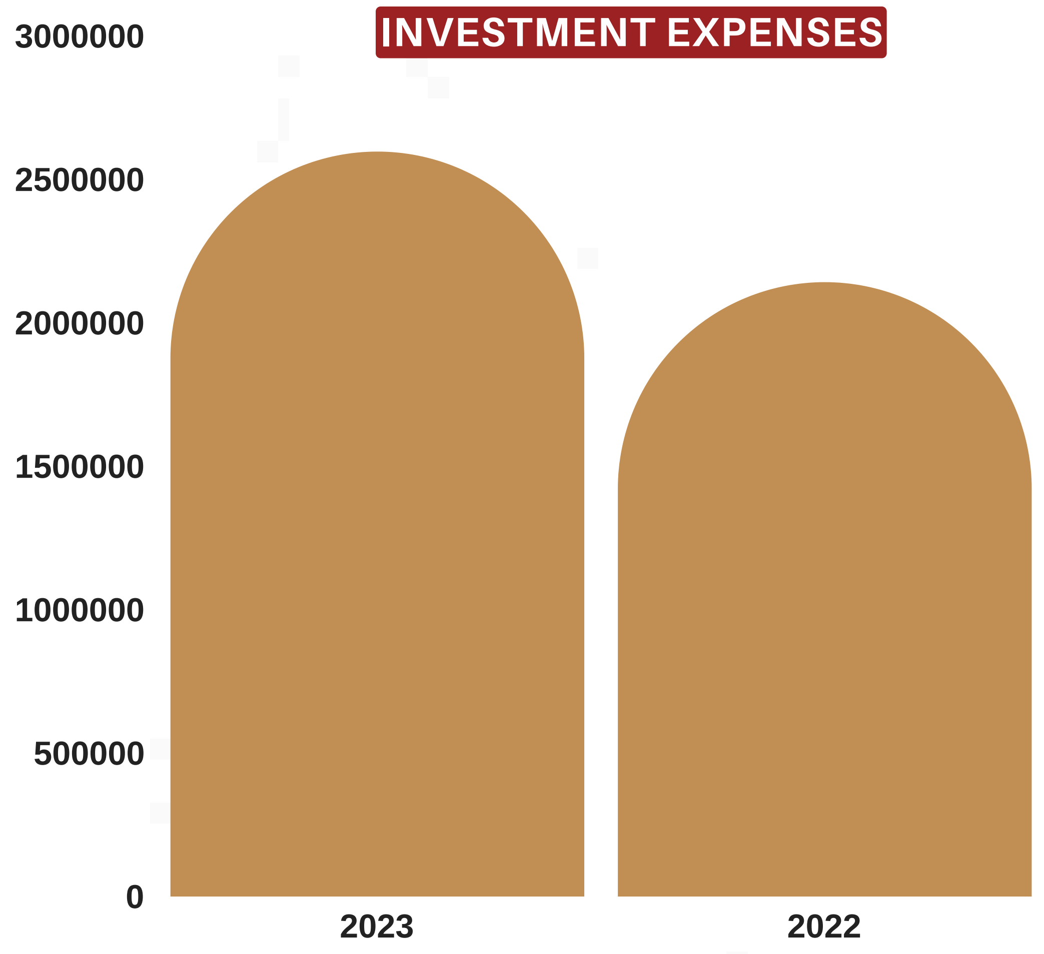












COMMUNICATION & MARKETING REPORT

At SONARWA General Insurance, exceptional customer service is at the core of who we are. We are committed to treating every customer with dignity and respect at every encounter, fostering a culture that encourages both professional and personal growth for all. Our belief in cultivating high-impact leaders—regardless of position—drives our dedication to excellence and accountability in everything we do.

This year has been filled with meaningful activities and events that reflect our unwavering commitment to delivering an outstanding customer experience. From celebrating our valued customers and staff to investing in the development of our agents and honoring the memories of those we lost, each event highlights our journey toward becoming the #InsurerOfFirstChoice.

Nationwide Agent Training Workshop in Saint Paul

In April 2023, SONARWA General Insurance launched a comprehensive training initiative for all its agents through a workshop held in Saint Paul. This event brought together agents from across the country, reaffirming our commitment to continuous professional development and excellence in service delivery.

29th Commemoration Ceremony for SONARWA Workers

On May 12, 2023, SONARWA General Insurance held the 29th commemoration ceremony for our colleagues who lost their lives during the Genocide. The day began with a solemn visit to the Kigali Memorial in Gisozi, where more than 100 SONARWA workers gathered to honor the memory of the victims.

SONARWA General

Showcasing SONARWA General Insurance at the National Trade Fairl

In 2023, SONARWA General Insurance proudly participated in the National Trade Fair, showcasing our diverse range of insurance solutions and services. Our presence at the expo allowed us to connect directly with the public, demonstrate our commitment to being the #InsurerOfFirstChoice, and share insights on how our offerings provide strategic support during critical moments.

Concluding Customer Service Week with Style

In October 2023, SONARWA General Insurance concluded Customer Service Week in a memorable style by celebrating with our valued customers and dedicated staff. The event was marked by a delightful gathering where everyone shared a drink and cake, creating a warm and inviting atmosphere that exemplified our commitment to exceptional service.

Customer Engagement Dinner at Serena Hotel

In November 2023, we hosted our esteemed customers at the Customer Engagement Dinner 2023 at the Serena Hotel. This special evening was dedicated to celebrating our customers and strengthening the bonds we have built over the years. The event reflected our commitment to delivering exceptional service and maintaining a meaningful connection with those who continue to place their trust in us.

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2023, which disclose the state of the affairs of SONARWA General Insurance Company Limited (SGICL).

Incorporation

The Company is incorporated in Rwanda under the Rwanda Companies Act as a private company limited by shares and is domiciled in Rwanda. The address and the registered office are set out in page 2.

Principal activity

The Company underwrites classes of non-life (short term) insurance risks.

Results and dividends

The loss for the year of Frw (879) million (2022: restated profit of Frw 652 million) has been added to retained earnings. The directors do not recommend payment of dividend for the year (2022: Nil).

Directors

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

Director	Title and appointment date	Status
Iza Irame	Chairperson (Appointed 27 January 2017)	Independent
Afrique Ramba*	Member (Appointed 5 January 2017	Independent
Jerry Ntare	Member (Appointed 5 May 2022)	Non-Independent
Jonathan Oluwaniyi	Member (Appointed 4 December 2022)	Non-Independent
Innocent Murindabigwi	Member (Appointed 31/03/2023)	Non-independent

*: Retirements during the period:

Director	Retirement date	Status
Afrique Ramba	Resigned on 29 July 2023	Independent

Regulatory Compliance

The Company is committed to achieving full compliance with the extant legal provisions regulating its business.

The wholesome adoption of global best practice makes it imperative to observe greater transparency, accountability and professionalism consistent with the requirements of governing regulations. The Board continually monitors regulatory compliance, and this is one of the bases for assessment of management functions.

Shareholders' responsibilities

The shareholders' role is to appoint the Board of Directors and the External Auditors. This role is extended to holding the Board accountable and responsible for efficient and effective corporate governance. The shareholding did not change during the year, and they are listed below:

Board meetings

The Board of Directors meets quarterly or as required to monitor the implementation of the Company's planned strategy, review it in conjunction with its financial performance and approves issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning. At the end of each financial year, the Board reviews itself, Board Committees, Senior Management and managing director against targets agreed at the beginning of the year.

Delegation and effective control

The Board maintains effective control of the Company through a well-developed governance structure which includes Board committees. These committees provide in-depth focus on specific areas of board responsibility.

Board committees

In line with the requirements of Regulation N°11/2017 Regulation on corporate governance requirements for insurance business as well as the provisions of the Company's Memorandum and Articles of Association and the Board's Terms of Reference, the following Board Committees were established by the Board to ensure effective performance of its duties:

Audit committee

The role of the committee is to assist the Board in ensuring that the financial statements are prepared in a timely and accurate manner to facilitate prompt publication of annual accounts. The Committee also helps in reviewing internal controls, including the scope of the internal audit program, the internal audit findings and recommends actions to be taken by management. The Committee also regularly interacts with the external auditors.

Risk Committee

The role of the Committee is also to assist the Board in ensuring quality, integrity and reliability of the Company's risk management systems. In so doing, the Committee reviews and assesses the integrity and effectiveness of the risk management system.

Claims and underwriting strategy committee

This is a standing committee of the Board; its role is to assist the Board to discharge its duties relating to management of claims and underwriting by mitigating all related risks.
During the financial year ended 31 December 2023, the Board was not fully constituted as required by Regulation No 11/2017 on corporate governance. As a result, the committees were equally not constituted.

Executive committee

Role of the committee is to develop the strategy for the company and is also expected to deal with adhoc matters which require expedient treatment by the Board. The committee reviews company's performance of all departments monthly in its role of monitoring the implementation of the company's overall strategy. Members of the executive committee as of 31 December 2023 were:

Name	Position
Rees Kinyangi	Acting Chief Executive Officer
Charlotte Kamanzi	Acting Chief Commercial Officer
Rees Kinyangi	Chief Finance Officer
Simon Munyaneza	Head of Information and Technology
Quinta Rwakunda	Head of Legal
Aurore Umuhoza	Acting Head of Human Resources

No	Shareholder	Number of shares	2023	2022
1	Rwanda Social Security Board (RSSB)	382,586,233	79.21%	79.21%
2	AGACIRO Development Fund (AGDF)	7,800,000	1.61%	1.61%
3	MAGERWA	7,800,000	1.61%	1.61%
4	Industrial and General insurance Plc	77,100,000	15.96%	15.96%
5	Access Bank Rwanda Plc	7,800,000	1.61%	1.61%
TOTAL		**483,086,233**	**100.00%**	**100.00%**

Rwanda Social Security Board (RSSB) and Agaciro Development Fund (AGDF) have paid in Frw 2,085 million and Frw 34 million respectively, during the year ended 31 December 2022, as their share of increase in the company's share capital. This however, remained unallotted at year ended 31 December 2023.

Corporate Governance Statement

The Directors remain steadfast in implementing governance practices where substance prevails over form. The governance framework of the Company allows the Board of Directors to carry out periodic evaluation of company's performance, enabling Directors to balance the Board's responsibility for oversight with their individual roles to provide strategic guidance for management's actions. The Board monitors performance using the instruments of the regular quarterly Board meetings.

The following table shows the attendance of directors at Board meetings during the year ended 31 December 2023:

Director	18 & 22 May 2023	14 July 2023	28 September 2023	10 October 2023	22 Dec 2023	Attendance %
Iza IRAME	√	√	√	√	√	100%
Afrique RAMBA	√	√	N/A	N/A	N/A	40%
Jerry NTARE	√	√	√	√	√	100%
Jonathan OLUWANIYI	√	√	√	√	√	100%
Innocent MURINDABIGWI	√	√	√	√	√	100%

The Governance framework also provides for delegation of responsibilities to Board Committees.

SONARWA General Insurance Company Limited is committed to the highest level of corporate governance standards as set from time to time by the National Bank of Rwanda and by itself in accordance with international best practice. The Board of Directors is responsible for the long-term strategic direction for profitable growth of the Company whilst being accountable to the shareholders for compliance and maintenance of the highest corporate governance standards and business ethics.

The Board of Directors

The Board is made up of 4 members. The Board is provided with full, appropriate and timely information to enable them to maintain full and effective control over the strategic, financial, operational and compliance issues of the Company. The day to day running of the business of the Company is delegated to the Managing Director but the Board is responsible for establishing and maintaining the Company's system of internal controls so that the objective of profitable and sustainable growth and shareholders values are realized. The Board also makes recommendations to the shareholders on Board succession planning and annual financial statements.

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Directors' Report - Continued

Internal control

The Board has a collective responsibility for the Company's internal controls and for reviewing their effectiveness. It relies on the Management to establish and manage these and has an internal auditor to monitor the compliance with the policies and procedures as set out by the Company. The internal auditor also reviews the controls efficacy to ensure that they are in line with best practices, and they safeguard Company's assets, transactions accurately and timely recorded and errors detected within reasonable time.

Auditor

The auditors, GPO Partners Rwanda Ltd, were appointed during the year 2023 in accordance with Regulation no 44/2022 of 02/06/2022 on accreditation requirements and other conditions for external auditors for financial institutions and have expressed willingness to continue in office.

By order of the Board
Secretary

17/09/ 2024

Qvinta RWAKUNDA

Statement of Directors' Responsibilities

The Law No. 007/2021 of 05/02/2021 governing companies as amended by Law No. 019/2023 of 30/03/2023 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Law No. 007/2021 of 05/02/2021 governing companies as amended by Law No. 019/2023 of 30/03/2023. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results.

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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Approval of the Annual Financial Statements

The financial statements on pages 13 to 88, of SONARWA General Insurance Company Limited, were approved by the Board of Directors on ....and signed on its behalf by:

....
Director

....
Director

To the Shareholders of SONARWA GENERAL INSURANCE COMPANY Limited

REPORT ON THE AUDITED FINANCIAL STATEMENTS

Opinion

We have audited the financial statements, on pages 13 to 88, of SONARWA GENERAL INSURANCE COMPANY Ltd which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other 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 material accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of Law No. 007/2021 of 05/02/2021 governing companies as amended by Law No. 019/2023 of 30 March 2023.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Institute of Certified Public Accountants of Rwanda Code of ethics (ICPAR Code of Ethics). We have fulfilled our other ethical responsibilities in accordance with the ICPAR Code of Ethics and in accordance with other ethical requirements applicable to performing audits in Rwanda. The ICPAR Code of Ethics is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Other Information

Management is responsible for the "other information". The other information comprises the information included in the Directors report and the Statement of Corporate Governance but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 other information; we are required to report that fact. We have nothing to report in this regard.

Key audit matters

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

Key audit matters - Continued

Transition to the International Financial Reporting Standard 17 Insurance Contracts (IFRS 17):

Key audit matter	Audit procedures to address the key audit matter
Starting from 1 January 2023, the Group adopted the new account-in standard IFRS 17, which significantly modified the accounting criteria for the measurement and recognition of insurance contracts. The retrospective adoption of the new accounting standard has required: • the adoption of new accounting policies by the Company and the introduction of significant changes in accounting and organisational processes and control activities; • the restatement of the balance sheet amounts related to insurance contracts at the transition date of 1 January 2022 and of the balance sheet and income statement amounts as at 31 December 2022 prepared for comparative figures; • the development of complex valuations and estimates, subjective by their very nature, for the identification, measurement and recognition of insurance contracts.	Our testing approach included among others, the following procedures: • analysing of the accounting policies adopted by • the Company in compliance with IFRS 17; • understanding the processes for the transition to IFRS 17 and the related IT environment, with particular reference to the measurement of insurance contract assets and liabilities; • analysing the process for the recognition of insurance contracts and checking, on a sample basis, the criteria used for their aggregation at the transition date; • assessing the transition models adopted, checking, on a sample basis, the appropriateness of methodologies and the reasonableness of assumptions, of the input data and parameters used to determine insurance contract assets and liabilities, at the transition date 1 January 2022; • checking, on a sample basis, the measurement models adopted, the appropriateness of methodologies and the reasonableness of the assumptions, of the input data and parameters used to determine insurance contract assets and liabilities at 31 December 2022; • assessing the appropriateness of the disclosures with respect to the impacts of the transition to the new accounting standard IFRS 17.

Key audit matters - Continued

Valuation of insurance contracts liabilities

Key audit matter	Audit procedures to address the key audit matter
Insurance contract liabilities included in note 22 of the financial statements are made of the liabilities for remaining coverage and liabilities for incurred claims. Valuation of these liabilities is considered a key audit matter for the following reasons: • The estimation of the provisions involves significant judgement given the inherent uncertainty in estimating expected future outflows in relation to claims incurred; • Liabilities for incurred claims (LICs) are represented by an estimate of fulfilment cashflows relating to insured events that have already occurred at the reporting date, adjusted for the time value of money and the effect of financial risk, and by an adjustment for non-financial risks. The estimate includes allocated and unallocated costs due to the management of claims arising from insured events that have occurred prior to the reporting date; • The valuation of these liabilities (LICs) relies on the accuracy of claims data and the assumption that future claims development will follow a similar pattern to past claims development experience • In cases of liabilities for remaining coverage on onerous contracts, calculation of loss component involves judgement in estimating fulfilment cashflows relating to the remaining coverage period of insurance contracts. • Measurement of these liabilities requires use of complex approaches and engagement of both internal and external actuarial experts.	Our audit procedures included: • Understanding the process for the measurement of liabilities for incurred claims and the related IT environment, assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; • Analysing the significant changes in liabilities for incurred claims compared to the previous year's figures and discussing the results with the relevant internal departments; • Evaluating and testing the controls around the claims reserving and settlement process; • Comparing, for a sample of claims, the amounts as recorded in the claims systems to source documents; • Comparing, for a sample of issued policies, the effective dates and amounts as recorded in the production registers to source documents; • Considering the methodology and assumptions used by Management and the Appointed External Actuary in the estimation of reserves and assessing the methodologies applied against general accepted actuarial approaches. CERTIFY TRUE COPY OF THE ORIGINAL 10 SEP 2024 Rwanda LTD

Responsibilities of the Directors for the Financial Statements

Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the reporting requirements under Law No. 007/2021 of 05/02/2021 governing companies as amended by Law No. 019/2023 of 30 March 2023 and for such internal controls as Directors determine are 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.

Directors are also responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- 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.

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

- 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.

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

Report on Other legal and regulatory requirements

Law N°007/2021 of 05/02/2021 governing companies as amended by Law No. 019/2023 of 30 March 2023 requires that in carrying out our audit, we consider and report to you on the following matters. We confirm that:

i. There are no circumstances that may create threat to our independence as auditor of the SONARWA GENERAL INSURANCE COMPANY Ltd.

ii. 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.

iii. In our opinion proper books of account have been kept by SONARWA GENERAL INSURANCE COMPANY, so far as appears from our examination of those books; and

iv. We have no relationship, interest or debt with SONARWA GENERAL INSURANCE COMPANY Ltd.

v. We have communicated to the SONARWA GENERAL INSURANCE COMPANY Ltd Board of Directors, through a separate management letter, internal control matters identified in the course of our audit including our recommendations in relation to those matters.

For GPO PARTNERS RWANDA LTD

Patrick GASHAGAZA

Partner

10/09/2024

Statement of Comprehensive Income for the year ended 31 December 2023

(in thousands of Frw)	Notes	2023	2022
Insurance revenue from contracts measured under the PAA	6	7,876,079	6,026,039
Insurance service expenses	7	(6,557,032)	(3,838,126)
Net expenses from reinsurance contracts held	8	(1,463,030)	(1,076,328)
Insurance service result		**(143,983)**	**1,111,586**
Investment income	9	2,596,583	2,141,402
Changes in fair value of financial assets	10	189,224	15,211
Impairment of receivables and other assets	11	(94,466)	(7,751)
Net investment income		**2,691,341**	**2,148,862**
Finance income/(expenses) from insurance contracts issued	12	(871,689)	(291,050)
Finance income/(expenses) from reinsurance contracts held	12	99,792	63,087
Net insurance finance expenses		**(771,897)**	**(227,964)**
Net insurance and investment result		**1,775,461**	**3,032,484**
Net other income	13	419,039	231,003
Operating expenses	14	(2,254,037)	(2,016,182)
Finance costs	15	(30,864)	(33,279)
(Loss)/profit before income tax		**(90,400)**	**1,214,026**
Income tax	16	(788,259)	(561,857)
(Loss)/profit for the year		**(878,659)**	**652,169**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Gross change in FVTOCI financial assets	20	242,834	(1,813,092)
Deferred tax on items that will not be reclassified subsequently		(71,400)	543,928
Total other comprehensive loss		**(635,825)**	**(616,995)**

The notes on pages **16 to 88** are an integral part of these financial statements.

Statement of Financial Position as at 31 December 2023

(in thousands of Frw)	Notes	2023	2022	2021 Restated*
ASSETS				
Property and equipment	17	593,985	572,227	578,629
Right of use asset	18	162,917	156,045	50,586
Investment property	19	10,886,898	9,213,651	7,934,591
Financial assets at:				
- Amortized cost		-	-	516,754
- Fair value through other comprehensive income	20	3,406,137	3,163,304	4,976,396
- Fair value through profit or loss	20	1,029,915	840,690	825,479
Insurance contract assets		-	-	28,292
Reinsurance contract assets	21	1,142,016	1,664,244	1,410,898
Current tax asset	22	-	114,235	59,356
Other receivables and prepayments	23	2,136,485	2,105,382	1,555,858
Cash and cash equivalents	24	6,807,494	4,551,727	3,108,730
Total Assets		**26,165,846**	**22,381,504**	**21,045,570**
LIABILITIES				
Insurance contract liabilities	25	10,295,363	7,144,890	7,673,089
Reinsurance Contract Liabilities	26	693,560	176,725	-
Deferred income tax liability	27	2,192,103	1,661,635	2,535,902
Other payables	28	1,153,213	1,052,655	790,504
Lease Liability	29	137,102	138,953	18,432
Current tax payable	22	195,086	-	-
Total Liabilities		**14,666,427**	**10,174,859**	**11,017,926**
EQUITY				
Ordinary share capital	30 (a)	5,200,000	5,200,000	5,200,000
Share premium	30 (a)	47,240	47,240	47,240
Revaluation reserve	30 (b)	2,382,170	2,382,170	2,382,170
Fair value reserve	30 (c)	2,039,978	1,868,543	3,137,708
Unallotted shares	30 (a)	2,119,434	2,119,434	-
Insurance reserve		376,340	376,340	376,340
Retained earnings		(665,742)	212,918	(1,115,816)
Total Equity		**11,499,420**	**12,206,645**	**10,027,642**
Total Equity & Liabilities		**26,165,846**	**22,381,504**	**21,045,570**

These financial statements were approved by the Board of Directors on.............................. and were signed on its behalf by:

....
Director

....
Director

The notes on pages **16 to 88** are an integral part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2023

(in thousands of Frw)	Notes	Share capital	Share premium	Unallocated shares	Revaluation reserve	Fair value reserve	Other Reserves Insurance Finance Reserve	Retained earnings	Total
At 1 January, 2023		5,200,000	47,240	2,119,434	2,382,170	1,868,543	376,340	212,918	**12,206,645**
Loss) for the period		-	-	-	-	-	-	(878,659)	(878,659)
Other comprehensive income for the year	**20**	-	-	-	-	171,434	-	-	171,434
Capital Disbursements		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	**171,434**	-	**(878,659)**	**(707,225)**
At 31 December, 2023		**5,200,000**	**47,240**	**2,119,434**	**2,382,170**	**2,039,977**	**376,340**	**(665,741)**	**11,499,420**
At 1 January, 2022 restated		**5,200,000**	**47,240**		**2,382,170**	**3,137,708**	-	**(439,251)**	**9,058,702**
Initial impact of IFRS 17		-	-		-	-	376,340	-	376,340
Profit for the period		-	-		-		-	652,169	652,169
Other comprehensive income for the year		-	-		-	(1,813,092)	-	-	(1,813,902)
Capital Disbursements		-	-	2,119,434	-	-	-	-	2,119,434
Deferred tax on Fair value reserve change		-	-	-	-	543,928	-	-	543,928
At 31 December, 2022		**5,200,000**	**47,240**	**2,119,434**	**2,382,170**	**1,868,543**	**376,340**	**212,918**	**12,206,645**

The notes on pages 16 to 88 are an integral part of these financial statements.

1. Entity Information

Sonarwa General Insurance Company Limited ("the Company") is a public limited company by shares registered and domiciled in Rwanda. The company's registered office is at:

RSSB Building Tower II
KN 3 Rd
P.O. Box 1035
Kigali, Rwanda

2. Accounting Policies

2.1 Basis of Preparation

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs) and in the manner required by Law no. 007/2021 of 05/02/2021 Governing Companies, and BNR Regulation No. 30 /2019 Of 16/12/2019 on Publication of financial statements and other disclosures by insurers in Rwanda.

2.2 Functional and presentation currency

These financial statements are presented in Rwandan francs, which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand (Frw '000') except when otherwise indicated.

2.3 Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) New standards, amendments and interpretations effective and adopted during the year ended 31 December 2023

The new standards and amendments during the year ended 31 December 2023, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2023 did not have a material impact on the financial statements of the company.

Standard	Description	Effective periods beginning on or after:
IAS 1 amendments	Classification of liabilities as current or non-current	1 January 2023
IAS 8 amendments	Definition of accounting estimate	1 January 2023
IAS 1 and IFRS practice statement 2	Disclosure of accounting policies	1 January 2023
IAS 12 amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
IFRS 10 and IAS 28 amendments	Sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023.
The Company has restated comparative information for 2022 applying the transitional provisions in Appendix C to IFRS 17. The nature of the changes in accounting policies are summarised in **Note 2.4.**

2. Accounting Policies (continued)

2.4 Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for (but allow for early application) for the year ended 31 December 2023

Several new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2023 and have not been applied in preparing these financial statements. The Company does not plan to early adopt these standards. These will be adopted in the period that they become mandatory.

Standard	Description	Effective periods beginning on or after:
IAS 1 amendments	Classification of liabilities as current or non-current.	1 January 2024
Amendments to IFRS 16	Lease liability in sale and lease back.	1 January 2024
Amendments to IAS 7 and IFRS 7.	Disclosures: supplier finance arrangements	1 January 2024
IAS 21 amendments	Lack of exchangeability	1 January 2025

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of SGICL in future periods except if indicated below.

2.5 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items which are measured at fair value on each reporting date.

Item	Measurement basis
Investment in equities	Fair value
Investment property	Fair value

2.6 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity.

2. Accounting Policies (continued)

2.7 Insurance Activities and Reinsurance

Summary of measurement approaches

SGICL uses different measurement approaches, depending on the type of contract, as follows:

Standard	Product classification	Measurement model
Contracts issued		
Motor	Insurance contracts	PAA
Fire	Insurance	PAA
Other	Insurance	PAA
Reinsurance contracts held		
Treaty proportional	Reinsurance contracts held	PAA
Treaty facultative	Reinsurance contracts held	PAA

SGICL has reinsurance contracts issued to compensate another entity for claims arising from one or more insurance contracts issued by that other entity.

2.7.(a) Definition and classification

Insurance contracts are contracts under which SGICL accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. SGICL uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which SGICL has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose SGICL to financial risk are classified as investment contracts, and they follow financial instruments accounting under IFRS 9.

In the normal course of business, SGICL uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

2. Accounting Policies (continued)

2.7.(b) Unit of account

SGICL manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks and are managed together. All insurance contracts within a product line represent a portfolio of contracts.

SGICL has four portfolios: 1) Motor and 2) Fire and 3) Others based on similar risks. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts). The groups are:

(i) contracts that are onerous at initial recognition.
(ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
(iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured.

Such groups are not subsequently reconsidered.

For each portfolio of contracts, SGICL determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. SGICL uses significant judgement to determine at what level of granularity SGICL has reasonable and supportable information that is sufficient to conclude that the profitability assessment will be performed at group level and the data is available.

For contracts not measured under Premium Allocation Approach (PAA), if the net present value of the fulfilment cash flows is a net cash outflow, the contract will be deemed onerous at initial recognition.

For contracts measured using the PAA, SGICL shall assume no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, SGICL assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

SGICL assesses whether there is no significant possibility of becoming onerous, based on the likelihood of changes in assumptions and by using information about estimates provided by SGICL's internal reporting. A sensitivity analysis will be used to determine the likelihood of changes in assumptions.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, SGICL aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of:

(i) contracts for which there is a net gain at initial recognition, if any.
(ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
(iii) remaining contracts in the portfolio, if any.

2.7.(b) Unit of account (continued)

SGICL recognises the following reinsurance portfolios:
- Treaty proportional
- Facultative proportional

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis since each treaty has its own unique risk profile and the data is available.

For inward reinsurance, if the net present value of the fulfilment cash flows (the best estimate cash flows and risk adjustment) as at the initial recognition date of the contract(s) is a net outflow the contract is onerous.

For outward reinsurance, if the net present value of the fulfilment cash flows is a net inflow, there is a net gain on the reinsurance contract.

Before SGICL accounts for an insurance contract based on the guidance in IFRS 17, there is analysis to determine whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that must be accounted for separately:
- cash flows relating to embedded derivatives that are required to be separated.
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

SGICL applies IFRS 17 to all remaining components of the contract. SGICL does not have any contracts that require further separation or combination of insurance contracts.

2.7.(c) Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:
- the beginning of the coverage period.
- the date when the first payment from the policyholder is due or received, if there is no due date; and
- when SGICL determines that a group of contracts becomes onerous.

SGICL's contracts contain the date when coverage is meant to start and the date when the first payment from a policyholder becomes due. SGICL uses the effective date (the date when coverage is meant to start) as the recognition date for new business. Subsequently, the renewal dates are used to recognise the new contracts. Therefore, the effective date will be used as the recognition date for SGICL's contracts under IFRS 17. The policy will only be recognised earlier than the effective date when it is onerous.

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18 SEP 2024
GPO Partners Rwanda LTD

Notes to the Financial Statements
2. Accounting Policies (continued)

2.7.(c) Recognition and derecognition (continued)

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
    - i. the beginning of the coverage period of the group; and
    - ii. the initial recognition of any underlying insurance contract.
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held.

unless SGICL enters to a reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Non-proportional reinsurance contracts held.
SGICL will consider the earlier of the following when determining the recognition date:
a. the beginning of the coverage period of the group of reinsurance contracts held
b. the date the entity recognises an onerous group of underlying insurance contracts.

Proportional reinsurance contracts held
SGICL will consider the earlier of the following when determining the recognition date:
a. when first underlying insurance contract is recognised or beginning of coverage of reinsurance contracts, whichever is the later
b. the date the entity recognises an onerous group of underlying insurance contracts

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restrictions. Composition of the groups is not reassessed in subsequent periods.

<u>Accounting for contract modification and derecognition</u>

An insurance contract is derecognised when it is:
- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified, and additional criteria discussed below are met.

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2.7.(c) Recognition and derecognition (continued)

Accounting for contract modification and derecognition (continued)

When an insurance contract is modified by SGICL following an agreement with the counterparties or due to a change in regulation(s), SGICL treats changes in cash flows caused by that modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. SGICL derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

a. if the modified terms had been included at contract inception and SGICL would have concluded that the modified contract:
    i. is not within the scope of IFRS 17.
    ii. results in different separable components.
    iii. results in a different contract boundary; or
    iv. belongs to a different group of contracts; or
b. the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

In the event of any of the above modifications to a contract, SGICL derecognises the original contract and recognise the modified contract as a new contract.

According to IFRS 17, not all contract alterations are modifications. SGICL considers its customary business practice in determining contract alterations that will lead to a modification or a derecognition.

When a new contract is required to be recognised because of modification and is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, component separation requirements and contract aggregation requirements.

When an insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, SGICL:

a. adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group.
b. adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the group) in the following manner, depending on the reason for the derecognition:
    i. if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service.
    ii. if the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party; or
    iii. if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in (1) adjusted for the premium that SGICL would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification; when recognising the new contract in this case, SGICL assumes such a hypothetical premium as actually received; and
c. adjusts the number of coverage units for the expected remaining insurance contract services, to reflect the number of coverage units removed.

When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment.
b. if the contract is transferred to a third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

2.7.(d) Measurement

2.7.(d)(i) Fulfilment cash flows

Fulfilment cash flows within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that SGICL expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

a. are based on a probability-weighted mean of the full range of possible outcomes.
b. are determined from the perspective of SGICL, provided that the estimates are consistent with observable market prices for market variables; and
c. reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation. Refer to **note 3.1**

Risk of SGICL's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

Notes to the Financial Statements

2. Accounting Policies (continued)

2.7.(d) Measurement (continued)

2.7.(d) (i) Fulfilment cash flows (continued)

Fulfilment cash flows within contract boundary (continued)

SGICL estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

SGICL uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract Boundary

SGICL includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or SGICL has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation ends when:

a. SGICL has the practical ability to reprice the risks of a particular policyholder or change the level of benefits so that the price fully reflects those risks; or
b. both of the following criteria are satisfied:
    i. SGICL has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
    ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to SGICL, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of SGICL that exist during the reporting period in which SGICL is compelled to pay amounts to the reinsurer or in which SGICL has a substantive right to receive insurance contract services from the reinsurer.

Notes to the Financial Statements

2. Accounting Policies (continued)

2.7.(d) Measurement (continued)

2.7.(d) (i) Fulfilment cash flows (continued)

Fulfilment cash flows within contract boundary (continued)

Apart from the contract start and end dates which indicate the coverage period, other factors that will affect the contract boundary are:

- The claims basis of the contract i.e. loss occurring or risk attaching contracts. Risk attaching contracts provide coverage past the contract end date resulting in a longer contract boundary. For the risk attaching contracts, we consider the maximum term of the underlying facilities.

- Repricing/cancellation clauses in the contract which give the entity the right to reassess risks and reprice the contract before contract maturity. These will typically result in a shorter contract boundary. Where SGICL can cancel or reprice the contract, the coverage period will be equal to the notice period plus the period for which any underlying contracts which attach the notice period.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

Insurance acquisition costs

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

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

a. to that group; and
b. to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

SGICL's directly attributable expenses include commissions expense. These costs are amortised over the coverage period of the policy in line with the premium.

The asset for insurance acquisition cash flows that is derecognised on recognition of a group relates to acquisition cash flows that were paid before a group is recognised.

Notes to the Financial Statements

2. Accounting Policies (continued)

2.7.(d) Measurement (continued)

2.7.(d)(i) Fulfilment cash flows (continued)

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that SGICL requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as SGICL fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by SGICL to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in **note 3.1**

2.7.(d)(ii) Initial measurement – Groups of contracts not measured under the PAA

Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that SGICL will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous, or insurance revenue and insurance service expenses are recognised as in (d) below) arising from:

a. the initial recognition of the FCF.
b. cash flows arising from the contracts in the group at that date.
c. the derecognition of any insurance acquisition cash flows asset; and
d. the derecognition of any other pre-recognition cash flows. Insurance revenue and insurance service expenses are recognised immediately for any such assets derecognised.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised. The LC represents the portion of the best estimate liability that the issuer funds and which is not recovered through premiums. It is therefore not an additional liability in the same way as the CSM.

Notes to the Financial Statements

2. Accounting Policies (continued)

2.7.(d) Measurement (continued)

2.7.(d)(ii) Initial measurement – Groups of contracts not measured under the PAA (continued)

Contractual service margin(continued)

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case SGICL recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that SGICL will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

a. the initial recognition of the FCF; and
b. cash flows arising from the contracts in the group at that date.
c. the amount derecognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held (other pre-recognition cash flows); and
d. any income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for income recognised in (d) above. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that SGICL expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, SGICL applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

No insurance contracts acquired were assessed as onerous at initial recognition. SGICL did not acquire any reinsurance contracts held.

Notes to the Financial Statements

2. Accounting Policies (continued)

2.7.(d) Measurement (continued)

2.7.(d)(iii) Subsequent measurement – Groups of contracts not measured under the PAA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

a. the LRC, comprising:
   i. the FCF related to future service allocated to the group at that date; and
   ii. the CSM of the group at that date; and
b. the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

a. the remaining coverage, comprising:
   i. the FCF related to future service allocated to the group at that date; and
   ii. the CSM of the group at that date; and
b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

The FCF are updated by SGICL for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

a. changes that relate to current or past service are recognised in profit or loss; and
b. changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

a. experience adjustments – arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes.
b. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph.
c. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
d. changes in the risk adjustment for non-financial risk that relate to future service.

Notes to the Financial Statements

2. Accounting Policies (continued)

2.7.(d) Measurement (continued)

2.7.(d)(iii) Subsequent measurement – Groups of contracts not measured under the PAA (continued)

Adjustments (a), (b) and (d) above are measured using discount rates determined on initial recognition (the locked-in discount rates).

For insurance contracts under the GMM, the following adjustments do not adjust the CSM:

a. changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof.
b. changes in the FCF relating to the LIC.
c. experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
d. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

SGICL does not have any products with complex guarantees and does not use derivatives as economic hedges of the risks.

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted by SGICL to reflect the effect of the following changes:

a. The effect of any new contracts added to the group.
b. For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.
c. Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
d. The effect of any currency exchange differences.
e. The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

Notes to the Financial Statements

2. Accounting Policies (continued)

2.7.(d) Measurement (continued)

2.7.(d)(iii) Subsequent measurement – Groups of contracts not measured under the PAA (continued)

For reinsurance contracts held, at the end of each reporting period, the carrying amount of the CSM is adjusted by SGICL to reflect the effect of the following changes:

a. The effect of any new contracts added to the group.
b. Interest accreted on the carrying amount of the CSM.
c. Income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. A loss recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for income recognised.
d. Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held.
e. Changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts.
f. The effect of any currency exchange differences.
g. The amount recognised in profit or loss for insurance contract services received during the period, determined after all other adjustments above.

Income referred to in (c) above is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that SGICL expects to recover from the reinsurance contract held that is entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

Interest accretion on the CSM

For contracts measured under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items. If more contracts are added to the existing groups in the subsequent reporting periods, SGICL revises these discount curves by calculating weighted-average discount curves over the period during which the contracts in the group are recognised. The weighted-average discount curves are determined by multiplying the new CSM added to the group and their corresponding discount curves over the total CSM.

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF, measured by applying the discount rates as specified in the Changes in fulfilment cash flows section above.

Notes to the Financial Statements

2. Accounting Policies (continued)

2.7.(d) Measurement (continued)

2.7.(d)(iii) Subsequent measurement – Groups of contracts not measured under the PAA (continued)

Release of the CSM to profit or loss

The amount of the CSM recognised in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:
a. the quantity of benefits provided by contracts in the group.
b. the expected coverage period of contracts in the group; and
c. the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

For reinsurance contracts held, the CSM is released to profit or loss as insurance contract services are received from the reinsurer in the period.

The coverage period is defined as a period during which the entity provides insurance contract services. Insurance contract services include coverage for an insured event (insurance coverage).

In addition to the coverage period, SGICL takes the following into account:

- The claims basis of the contract i.e. loss occurring or risk attaching contracts. Risk attaching contracts provide coverage past the contract end date resulting in a longer contract boundary. For the risk attaching contracts, we considered the maximum term of the underlying facilities. SGICL's reinsurance outward treaties have a coverage period of 12 months but are written on a risk attaching basis and cover long term underlying insurance contracts.
- Repricing/cancellation clauses in the contract which give the entity the right to reassess risks and reprice the contract before contract maturity. These will typically result in a shorter contract boundary.

The coverage period for these contracts is determined based on the coverage period of all underlying contracts whose cash flows are included in the reinsurance contract boundary.

Notes to the Financial Statements

2. Accounting Policies (continued)

2.7.(d) Measurement (continued)

2.7.(d)(iii) Subsequent measurement – Groups of contracts not measured under the PAA (continued)

Onerous contracts – Loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and SGICL recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC.

SGICL will treat the loss component in line with the CSM. The loss component for contracts will therefore be:

a. set up measuring changes in the FCFs at locked-in rates for contracts measured under the GMM.
b. accreted for interest at locked-in rates under the GMM.
c. unlocked for changes in FCFs that relate to future service, consistently with the changes that would have adjusted the CSM.
d. allocated in subsequent periods using the same coverage units as would have been used to allocate the CSM for a group to revenue in each period.

The systematic allocation of finance income or expenses between the loss component and LFRC excluding the loss component is achieved through the accretion of the loss component under the GMM and the adjustment to the CSM for the changes in the time value of money and financial risk for contracts with direct participation features. These changes will be presented in finance income or expenses.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

The allocation of the loss component, which represents the portion of expected claims and expenses and reduction in the risk adjustment for non-financial risk allocated from the loss component in each period, are excluded from revenue and insurance service expenses.

Decreases in the FCF relating to future service in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF relating to future service in subsequent periods increase the loss component.

Reinsurance contracts held – Loss-recovery component

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when SGICL recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts discussed in the Onerous contracts – Loss component section above. The loss recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of

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Notes to the Financial Statements

2. Accounting Policies (continued)

2.7.(d) Measurement (continued)

2.7.(d)(iii) Subsequent measurement – Groups of contracts not measured under the PAA (continued)

Reinsurance contracts held – Loss-recovery component (continued)

the onerous group of underlying insurance contracts that SGICL expects to recover from SGICL of reinsurance contracts held.

The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

2.4.(d)(iv) Initial and subsequent measurement – Groups of contracts measured under the PAA

SGICL uses the PAA for measuring contracts with a coverage period of one year or less or where the PAA eligibility assessment criteria has been met. For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, SGICL measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

a. the LRC; and
b. the LIC, comprising the FCF related to past service allocated to SGICL at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

a. increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC.
b. decreased for insurance acquisition cash flows paid in the period.
c. decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
d. increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

SGICL does not adjust the LRC for insurance contracts issued for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less.

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2. Accounting Policies (continued)

2.7.(d) Measurement (continued)

2.7.(d)(iv) Initial and subsequent measurement – Groups of contracts measured under the PAA (continued)

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for time value of money.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, SGICL increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are disaggregated between insurance service expenses and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that SGICL expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

Where applicable, changes in the loss-recovery component are disaggregated between net income from reinsurance contracts held (refer to note 2.1.(e)(ii) and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein in proportion to the disaggregation applied to the changes in the underlying loss component.

The coverage period for individual SGICL treaties is 12 months or less for most of the contracts. However, the treaties are written on a risk attaching basis which effectively extends the contract boundary. Therefore, SGICL elects to apply the General Measurement Model (GMM) to all reinsurance contracts. SGICL does not have any reinsurance contracts held measured under the PAA with underlying contracts measured under the GMM.

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2. Accounting Policies (continued)

2.7.(e) Amounts recognised in comprehensive income

2.7.(e)(i) Insurance service result from insurance contracts issued

Insurance Revenue

As SGICL provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that SGICL expects to be entitled to in exchange for those services. For contracts not measured under the PAA, insurance revenue comprises the following:

1. Amounts relating to the changes in the LRC:
   a. claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
      - amounts allocated to the loss component.
      - repayments of investment components and policyholder rights to withdraw an amount.
      - amounts of transaction-based taxes collected in a fiduciary capacity.
      - insurance acquisition expenses; and
      - amounts related to the risk adjustment for non-financial risk (see (b)).
   b. changes in the risk adjustment for non-financial risk, excluding:
      - changes included in insurance finance income (expenses).
      - changes that relate to future coverage (which adjust the CSM); and
      - amounts allocated to the loss component.
   c. amounts of the CSM recognised for the services provided in the period.
   d. experience adjustments – arising from premiums received in the period other than those that relate to future service; and
   e. other amounts, including any other pre-recognition cash flows assets derecognised at the date of initial recognition.

2. Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows based on the passage of time over the expected coverage of a group of contracts.

For groups of insurance contracts measured under the PAA, SGICL recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

Insurance service expenses

Insurance service expenses include the following:

a. incurred claims and benefits, excluding investment components reduced by loss component allocations.
b. other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition.
c. insurance acquisition cash flows amortisation.
d. changes that relate to past service – changes in the FCF relating to the LIC; and
e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
f. insurance acquisition cash flows assets impairment, net of reversals

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2. Accounting Policies (continued)

2.7.(e) Amounts recognised in comprehensive income (continued)

2.7.(e)(i) Insurance service result from insurance contracts issued (continued)

Insurance service expenses (continued)

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

2.7.(e)(ii) Insurance service result from reinsurance contracts held

Net income (expenses) from reinsurance contracts held

SGICL presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. reinsurance expenses.
b. incurred claims recovery, excluding investment components reduced by loss-recovery component allocations.
c. other incurred directly attributable expenses.
d. changes that relate to past service – changes in the FCF relating to incurred claims recovery.
e. effect of changes in the risk of reinsurers' non-performance; and
f. amounts relating to accounting for onerous groups of underlying insurance contracts issued:
    i. income on initial recognition of onerous underlying contracts.
    ii. reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held; and
    iii. changes in the FCF of reinsurance contracts held from onerous underlying contracts.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that SGICL expects to pay in exchange for those services.

Reinsurance expenses comprise the following amounts relating to the changes in the remaining coverage:

2. Accounting Policies (continued)

2.7.(e) Amounts recognised in comprehensive income (continued)

2.7.(e)(ii) Insurance service result from reinsurance contracts held (continued)

a. claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding:
    - amounts allocated to the loss-recovery component.
    - repayments of investment components; and
    - amounts related to the risk adjustment for non-financial risk (see (b));
b. changes in the risk adjustment for non-financial risk, excluding:
    - changes included in finance income (expenses) from reinsurance contracts held.
    - changes that relate to future coverage (which adjust the CSM); and
    - amounts allocated to the loss-recovery component.
c. amounts of the CSM recognised for the services received in the period; and
d. experience adjustments – arising from premiums paid in the period other than those that relate to future service.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

2.7.(e)(iii) Insurance finance income or expenses

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

a. the effect of the time value of money and changes in the time value of money; and
b. the effect of financial risk and changes in financial risk.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

a. interest accreted on the FCF and the CSM; and
b. the effect of changes in interest rates and other financial assumptions.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

a. interest accreted on the LIC; and
b. the effect of changes in interest rates and other financial assumptions.

SGICL disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

For the contracts measured under the GMM and the PAA, SGICL includes all insurance finance income or expenses for the period in profit or loss.

2.7.(f) One-off Commissions

One-off commissions are recognized and fully earned when they arise.

2. Accounting Policies (continued)

2.8 Investment property

Property held for long-term rental yields that is not occupied by the Company is classified as investment property. Investment property comprises freehold land and buildings. It is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets.

These valuations are reviewed annually by an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair values are recorded in the profit or loss.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long-term rental yields and is not occupied by the Company. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments. The property is carried at fair value after initial recognition.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

2.9 Property and equipment

Land and buildings are stated at fair value, based on periodic, but at least triennial, valuations by external independent appraisers, less depreciation. Land is not depreciated. Buildings are depreciated on a straight-line basis to allocate the cost over the estimated useful life (60 years) of the building. The residual values and useful lives of buildings are reviewed at each statement of financial position date and adjusted accordingly. Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on the difference between the cost and residual value of the asset and is charged over the estimated useful life of each significant part of an item of equipment, using the reducing balance method of depreciation.

Buildings	20%
Computer Equipment	50%
Furniture and fixtures	25%
Motor vehicles	25%
Office equipment	25%

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2. Accounting Policies (continued)

2.9 Property and equipment (continued)

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition 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 profit or loss when the asset is derecognised.

Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that additional future economic benefits from the existing asset will flow to the company because of the major renovation.

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition 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 profit or loss when the asset is derecognised.

Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that additional future economic benefits from the existing asset will flow to the company because of the major renovation.

2.10 Intangible assets – Computer software

Computer software is recognised at cost less amortisation and impairment charges. Computer software packages acquired are initially recognised at fair value. Cost associated with maintaining computer software programmes are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use.
- management intends to complete the software product and use or sell it.
- there is an ability to use or sell the software product.
- it can be demonstrated how the software product will generate probable future economic benefits.
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

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Notes to the Financial Statements

2. Accounting Policies (continued)

2.10 Intangible assets – Computer software (continued)

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The Company's intangibles assets are made of software licenses and are amortised on reducing balance method at the rate of 50% per annum.
Gains and losses arising from de-recognition 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 profit or loss when the asset is derecognised.

2.11 Financial instruments

Accounting for financial instruments

Financial assets and liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at fair value, including transaction costs except for those classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets and liabilities are classified as current if expected to be realised or settled within 12 months; if not, they are classified as non-current.

Offsetting financial instruments

Offsetting of financial assets and liabilities arises when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position.

Financial instrument classification

The Company classifies its financial instruments into the following categories:
- Financial assets at amortised cost.
- Financial assets at fair value through OCI.
- Financial assets at fair value through profit and loss; and
- Financial liabilities at amortised cost.

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Notes to the Financial Statements

2. Accounting Policies (continued)

2.11 Financial instruments (continued)

Financial instrument classification (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.
The classification is dependent on the purpose for which the financial instruments were acquired. Management determines the classification of financial instruments at initial recognition.
Financial assets at amortised cost include cash and bank balances, deposits with financial institutions, corporate bonds, deferred acquisition costs, other assets, receivables arising out of direct insurance arrangements and receivables arising out of reinsurance arrangements.
Financial assets at fair value through OCI comprise investments in Prime Economic Zone, Rwanda Stock Exchange, Development Bank of Rwanda, Africa Re and Zep Re while financial assets at fair value through profit or loss comprise quoted shares held in Bank of Kigali and Cimerwa.

Subsequent measurement

After initial recognition, financial instruments are measured as described below.

Financial assets:
Financial assets are subsequently measured according to their initial classification:
- at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial, or
- At fair value through OCI or profit or loss.

Financial liabilities:
Financial liabilities comprise trade and other payables, bank overdrafts, borrowings, and other non-current liabilities (excluding provisions).
All financial liabilities are subsequently measured at amortised cost using the effective interest method.

De-recognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This would include listed equity securities and quoted debt instruments on major exchange (Rwanda Stock Exchange). The quoted market price used for financial assets held by the company is the current bid price.

2. Accounting Policies (continued)

2.11 Financial instruments (continued)

Determination of fair value (continued)

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For example, a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Income tax expense is the aggregate amount charged / (credited) in respect of current income tax and deferred income tax in determining the profit or loss for the year. Tax is recognised in the profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

2.12 Income Tax

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Rwanda Income Tax Act.

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2. Accounting Policies (continued)

2.12 Income tax (continued)

Deferred income tax

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised, or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the company is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the company the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same entity.

2.13 Impairment of non-financial assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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Notes to the Financial Statements

2. Accounting Policies (continued)

2.13 Impairment of non-financial assets (continued)

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

2.14 Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.
Shares are classified as equity when there is no obligation to transfer cash or other assets.

2.15 Off statement of financial position items, provisions and contingencies

Provisions and contingencies

Provisions are recognised when.

- the company has a present obligation because of a past event.
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

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Notes to the Financial Statements

2. Accounting Policies (continued)

2.15 Off statement of financial position items, provisions and contingencies (continued)

Provisions and contingencies (continued)

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity has a detailed formal plan for the restructuring, identifying at least: the business or part of a business concerned:

- the principal locations affected.
- the location, function, and approximate number of employees who will be compensated for terminating their services.
- the expenditures that will be undertaken; and
- When the plan will be implemented; and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Off statement of financial position items

In the ordinary course of business, the company conducts business requiring them to have performance bonds from banks and other third parties. At the year-end, the company had received the following performance and bid bonds from banks, and these were all outstanding:

As of 31 December 2023:

Type of facility	start date	End date	Outstanding balance (Frw)
Performance bond	2023	2024	11,582,145

As of 31 December 2022:

Type of facility	start date	End date	Outstanding balance (Frw)
Performance bond	2022	2023	15,563,784

The above performance bonds are the surety bonds issued by Access Bank to guarantee satisfactory completion or discharge of various insurance contracts.

2.16 Retirement benefit obligations

Retirement benefit obligations

The company and all its employees contribute to the Social Security Fund of Rwanda, which is a defined contribution scheme. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The company's contributions to the Social Security Fund of Rwanda are charged to the statement of comprehensive income in the year to which they relate.

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2. Accounting Policies (continued)

2.16 Retirement benefit obligations (continued)

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the year-end date is recognised as an expense accrual.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction cost of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for services, net of any applicable taxes.

- **Insurance premium**

Insurance premiums for life and general insurance contracts are recognised as revenue as detailed in Note 2 (c) Insurance contracts.

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2. Accounting Policies (continued)

2.19 Revenue recognition (continued)

- **Interest income and expenses**

Interest income and expenses for all interest-bearing financial instruments, are recognised within 'investment income' in the statement of profit or loss using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

- **Dividend income**

Dividend income for Fair value through other comprehensive income equities is recognised when the dividend is publicly declared.

- **Rental income**

Rental income is recognized in the period it is earned.

- **Commissions earned**

Commission earned is recognized in the period in which associated premium is written. A provision for commission is deferred and amortized over the period in which relevant premium is earned.

2.20 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset, or assets and the arrangement convey a right to use the asset.

- **The Company is the lessee**

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

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

All right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liabilities. Depreciation is calculated using the straight-line method to write-down the cost of each asset to its residual value over its estimated useful life. If the ownership of the underlying asset is expected to pass to the bank at the end of the lease term, the estimated useful life would not exceed the lease term.

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

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Notes to the Financial Statements

2. Accounting Policies (continued)

2.20 Leases (continued)

- **The Company is the lessee (continued)**

Lease payments included in the measurement of the lease liability comprise the fixed payments per contract, the lease liability is measured at amortised cost using the effective interest method. Where the basis for determining future lease payments changes, the Bank remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change and a corresponding adjustment is made to the carrying amount of the right-of-use asset.

- **The Company is the lessor**

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit or loss account on a straight-line basis over the lease term.

2.21 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2.22 Operating expenses

Operating expenses include staff costs, office expenses, travel expenses, professional charges, audit fees, depreciation, amortisation, postage and communication, training expenses and other operating expenses. General operating expenses incurred in the current year are recognised in profit or loss. Any payment in excess of the expenses incurred during the year is recorded in the statement of financial position under prepayments. Expenses incurred but not paid for in the current year are accrued for in the current year.

2.23 Other receivables

Other receivables meet the SPPI criterion as there is a principal payable on a due date. Given the short-term character of trade receivables the financing component is not significant.

At initial recognition other receivables without a significant finance component are recognised at their transaction price and subsequently at amortised cost (less an allowance for impairment under the expected credit loss model).

2.24 Trade and other payables

Trade and other payables, including accruals, are recognised when the company has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the company. Trade and other payables are carried at amortised cost.

Notes to the Financial Statements

2. Accounting Policies (continued)

2.25 Share capital and reserves

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Shares are classified as equity when there is no obligation to transfer cash or other assets.

Accumulated earnings/losses represent the year on year profit/loss from operations.

Asset revaluation reserve represents the surplus on the revaluation of buildings and freehold land and is non-distributable.

2.26 Comparatives

Where necessary, comparative figures have been adjusted or excluded to conform to changes in presentation in the current year.

Notes to the Financial Statements

3. Accounting Estimates and Judgments (continued)

3.1 Significant judgements and estimates in applying IFRS 17 **(continued)**

Onerous Contracts
For contracts not measured under PAA, if the net present value of the fulfilment cash flows is a net cash outflow, the contract is deemed onerous.

For contracts measured using the PAA, SGICL assumes no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise. SGICL applies judgement to determine whether these facts and circumstances exist.

Profitable Contracts
For contracts not measured under PAA, if the net present value of the fulfilment cash flows is a net cash inflow, the contract is considered not onerous.

In addition, SGICL performs a sensitivity analysis to determine the likelihood of changes in assumptions.

Recognition and derecognition – Accounting for contract modification and derecognition

Recognition and derecognition (including modification) When contracts are modified, judgement might be applied to establish if the modification meets the criteria for derecognition. After the modification, judgement is applied to determine whether:

a. significant insurance risk still exists.
b. there are elements that are to be distinct from the contract.
c. contract boundaries have changed.
d. the contract would have to be included in a different group, subject to aggregation requirements; and
e. the contract no longer meets the requirements of the measurement model.

Date of initial recognition and derecognition of insurance contracts are not areas of significant judgement for SGICL. According to IFRS 17, not all contract alterations are modifications. SGICL considers its customary business practice in determining contract alterations that will lead to a modification or a derecognition.

SGICL derecognises previous insurance contracts when any of the following conditions are met:

a. When the obligation specified in the insurance contract expires or is discharged or cancelled
b. The following modifications have been made to the original contract:
c. Modifications not typically anticipated under the policy and that may result to
   - Changes that result to an extension of the expiry date/period at risk
   - Changes that increase sum insured

In the event of any of the above modifications to a contract, SGICL derecognises the original contract and recognises the modified contract as a new contract.

Notes to the Financial Statements

3. Accounting Estimates and Judgments (continued)

3.1 Significant judgements and estimates in applying IFRS 17 (continued)

Measurement – Fulfilment cash flows

The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract within the scope of IFRS 17. Judgements might be involved to determine when SGICL can reprice the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums, and when premiums reflect risks beyond the coverage period.

Where features such as options and guarantees are included in the insurance contracts, judgement might be required to assess the entity's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

Apart from the contract start and end dates which indicate the coverage period, other factors that will affect the contract boundary are:

- The claims basis of the contract i.e. loss occurring or risk attaching contracts. Risk attaching contracts provide coverage past the contract end date resulting in a longer contract boundary. For the risk attaching contracts, we considered the maximum term of the underlying facilities.
- Repricing/cancellation clauses in the contract which give the entity the right to reassess risks and reprice the contract before contract maturity. These will typically result in a shorter contract boundary.

An entity can use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts.

Directly attributable expenses for SGICL will be those incurred with the primary purpose being issuance or renewal of insurance contracts and fulfilment of obligations under insurance contracts.

SGICL has an expense model to allocate these expenses to insurance contracts. When carrying out the expense allocation, SGICL considers expenses occurring within the defined contract boundary for each insurance contract.

a) Judgements, estimate and assumptions

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates.

For sensitivities regarding assumptions made that have the most significant impact on measurement under IFRS 17, refer to **note 3.1.**

3. Accounting Estimates and Judgments (continued)

3.1 Significant judgements and estimates in applying IFRS 17 (continued)

Fulfilment cash flows

Fulfilment cash flows include the following components:

- probability-weighted estimates of future cash flows.
- adjustment to reflect the time value of money and financial risk relating to future cash flows, to the extent that the financial risk is not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The probability-weighted estimates of future cash flows are determined through the following approach:

- identifying all sets of cash flows directly related to the fulfilment of a particular group of contracts.
- defining all reasonable scenarios applicable to a particular set of cash flows, including the cash flow profile applicable to each scenario.
- attaching a probability to each scenario.
- discounting the cash flow profile related to each scenario at the applicable discount rates; and
- calculating an aggregated weighted average present value of the sets of cash flows based on the probabilities attached to each scenario.

Estimate of fulfilment cash flows

SGICL includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Estimates of future cash flows incorporate in an unbiased way all reasonable and supportable information that is available without incurring undue cost or effort. This information includes internal and external historical information about claims and other experience, adjusted to allow for expected future changes in experience. Estimates of future cash flows therefore reflect the group's current view of prevailing conditions. Market variables are consistent with current observable market prices. Changes in legislation that affect estimates of future cash flows are only allowed for once substantively enacted.

3. Accounting Estimates and Judgments (continued)

3.1. Significant judgements and estimates in applying IFRS 17 (continued)

a) Judgements, estimates and assumptions (continued)

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several assumptions and judgements that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims as disclosed at **Note 25.**

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.
Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims' development data on which the projections are based.
Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Some of the insurance contracts that have been written in the property line of business permit the Company to sell property acquired in settling a claim. The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

Discount rates

SGICL has opted for the bottom-up approach, and this applies to contracts under the General Measurement Model (GMM) and Premium Allocation Approach (PAA) subject to eligibility Liability for remaining coverage (LRC) and Liability for incurred claims (LIC).

Under this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk free yield and the relevant liability cash flows (known as an illiquidity premium).

Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates. Management uses judgement to assess liquidity characteristics of the liability cash flows.
The yield curves that were used to discount the estimates of future cash flows are as follows:

Notes to the Financial Statements

Product	Currency	2023 1 year	3 years	5 years	10 years	2022 1 year	3 years	5 years	10 years
Property and Casualty (Issued and reinsurance held)	Frw	9.16%	9.84%	11.11%	12.05%	11.53%	8.63%	9.28%	11.37%

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

Adjustments for financial risks are included either in the estimates of future cash flows or in the discount rates and are therefore excluded from the risk adjustment. The risk adjustment for non-financial risk is included in the fulfilment cash flows and is measured explicitly, as changes in the risk adjustment impact on accounting estimates (including the CSM) and need to be disclosed separately in the liability reconciliations.

IFRS 17 does not require entities to use a specific technique to estimate the risk adjustment, with the confidence level technique highlighted as a possible approach. However, an entity that uses a technique other than the confidence level technique for determining the risk adjustment, is required to disclose the technique used and the confidence level corresponding to the results of that technique.

SGICL has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

To determine the risk adjustment for non-financial risk for reinsurance contracts, the Company applies these techniques to both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

The risk adjustment for reinsurance contracts held will be determined by applying the technique to both gross and net of reinsurance and deriving the amount of risk transferred to the reinsurer as the difference between the two results.

Notes to the Financial Statements

3. Accounting Estimates and Judgments (continued)

3.1. Significant judgements and estimates in applying IFRS 17 (continued)

Expenses

The following expense cash flows are included within the boundary of a contract:

- Insurance acquisition cash flows that relate to the selling, underwriting and starting of a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. These include commission expenses and are amortised over the coverage period of the policy in line with premiums received.
- Directly attributable expenses incurred expenses with the primary purpose being issuance or renewal of insurance contracts and fulfilment of obligations under insurance contracts. These include both fixed and variable expenses.

Directly attributable expenses are determined using functional cost analysis techniques. The group applies judgement by taking a broad view of attributable expenses where it is reasonable and supportable. The other expenses relating to insurance operations, i.e. expenses not directly attributable to the fulfilment of insurance contracts such as some product development and training costs, are recognised in profit or loss as incurred and are not included in the measurement of insurance and reinsurance liabilities.

SGICL estimates future expenses using the expense allocation model (actual period expense), adjusted for expected impact of inflation, management strategy and future growth in the business.

SGICL projects estimates of future expenses relating to fulfilment of contracts within the scope of IFRS 17 using their expense allocation model and current expense levels adjusted for inflation, management strategy, and future growth in the business.

b) Methods used and judgements applied in determining the IFRS 17 transition amounts

Full retrospective approach

SGICL has determined that reasonable and supportable information was available for all contracts in force at the transition date.

In addition, for insurance contracts originated by the Group that are eligible for the PAA, the Company has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable.

Accordingly, SGICL has identified, recognised and measured each group of (re)insurance contracts as if IFRS 17 had always applied; derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting net difference in equity.

3. Accounting Estimates and Judgments (continued)

3.2. Financial instruments

(i) *Classification and fair value of financial instruments*

Assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding.

The fair value of available for sale financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

(ii) *Expected Credit Losses (ECL)*

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios, and the relevant inputs used.

3.3. Valuation of investment property

Investment property is measured at fair value. Fair value is based on valuations performed every year by an independent valuation expert. In performing the valuation, the valuer obtains the market value of similar properties and compares with the carrying value of the investment property. Given that the valuer uses actual sales data obtained from the market in performing the valuation, any changes in the market interest rates or rental income would not result in any significant change in the carrying value of investment property.

3.4. Leases

In determining the lease terms and assessing the length of the non-cancellable period of its leases, SGICL has determined the period for which the contracts are enforceable. For that purpose, for each of the contracts allowing each contracting party (the lessee and the lessor) to terminate without permission from the other party, SGICL has assessed the termination penalty by considering the broader economics which include qualitative and quantitative elements using market information and estimates.

4. Management of insurance

The Company issues contracts that transfer insurance risk. This section summarises these risks and the way the Company manages them.

4.1. Insurance risk

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

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

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

Casualty insurance risks

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant the increase in the number of cases coming to court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The following tables disclose the concentration of casualty insurance liabilities by class and by the maximum insured loss limit included in the terms of the policy. The amounts are the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from casualty insurance contracts.

Year ended 31 December 2023:

		Maximum Insured Loss				
Class		**0-15m**	**15m-250m**	**250m -1000m**	**Above 1000m**	**Total**
		Frw '000	**Frw '000**	**Frw '000**	**Frw '000**	**Frw '000**
Motor	Gross	119,327	513,445	878,214	-	1,510,986
	Net	119,327	195,000	15,000	-	329,327
Fire	Gross	501,277	25,285,580	32,701,610	1,689,892,533	1,748,381,000
	Net	501,277	25,285,580	27,310,060	53,000,000	106,096,917
Marine	Gross	-	84,195	1,122,214	2,641,528	3,847,937
	Net	-	33,678	448,886	1,056,611	1,539,175
Other	Gross	6,308,131	43,872,803	64,914,248	308,495,267	423,590,449
	Net	2,600,509	17,780,482	22,437,849	36,277,064	79,095,903
Total	**Gross**	**6,928,736**	**69,756,023**	**99,616,286**	**2,001,029,328**	**2,177,330,373**
	Net	**3,221,114**	**43,294,740**	**50,211,794**	**90,333,675**	**187,061,322**

Notes to the Financial Statements

4. Risk management (continued)

Casualty insurance risks – Continued

The concentration by sector or maximum insured loss at the end of the year is broadly consistent with the prior year.

Year ended 31 December 2022

Class		0-15m	15m-250m	250m -1000m	Above 1000m	Total
			Maximum Insured Loss			
		Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Motor	Gross	112,698	296,520	-	-	409,218
	Net	112,698	120,000	-	-	232,698
Fire	Gross	301,395	22,255,586	23,752,234	1,338,861,289	1,385,170,504
	Net	301,395	21,863,964	9,800,000	14,400,000	46,365,360
Marine	Gross	-	8,583,006	1,500,000	3,568,097	13,651,102
	Net	-	2,582,361	600,000	1,427,239	4,609,600
Other	Gross	2,798,968	31,996,916	65,583,287	274,109,000	374,488,171
	Net	1,440,551	10,307,688	14,407,331	21,710,816	47,866,386
Total	**Gross**	**3,213,062**	**63,132,027**	**90,835,521**	**1,616,538,386**	**1,773,718,996**
	Net	**1,854,645**	**34,874,013**	**24,807,331**	**37,538,055**	**99,074,044**

(b) Sources of uncertainty in the estimation of future claim payments

Claims on casualty contracts/general risks are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is dis-covered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

5. Financial risk management

The Company's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Company's overall risk management policies are set out by the board and implemented by the management and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Company's performance by setting acceptable levels of risk. The Company does not hedge against any risks.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets and is managed on a company-wide basis. The Company does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Notes to the Financial Statements

5. Financial risk management (continued)

(a) Credit risk - Continued

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by considering the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on monthly basis.

The maximum exposure of the Company to credit risk as at the balance sheet date is as follows:

	2023	2022
	Frw' 000	Frw' 000
Financial assets at amortised cost	-	-
Reinsurance contract assets	1,142,016	1,664,244
Other receivables and prepayments	2,136,485	2,105,382
Short term deposits with banks	3,850,000	2,852,784
Bank balances	2,429,043	1,461,559
	9,557,544	**8,083,969**

No collateral is held for any of the above assets. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are past due or impaired except for the following amounts in;

- receivables arising out of direct insurance arrangements (which are due on inception of insurance cover);
- receivables arising out of reinsurance arrangements

Financial assets impaired are summarised as follows:

As of 31 December 2023:

	Current	Past due	Impaired	Total
	Frw' 000	Frw' 000	Frw' 000	Frw' 000
Reinsurance receivables	63,211		83,853	147,064
Premiums receivable	2,349,365		2,319,701	4,669,066
Gross	**2,412,577**	-	**2,403,553**	**4,816,130**
Less:				
Impairment on reinsurance			(83,853)	(83,853)
Impairment on premiums			(2,319,701)	(2,319,701)
Net	**2,412,577**	-	-	**2,412,577**

Notes to the Financial Statements

5. Financial risk management (continued)

(a) Credit risk - Continued

As at 31 December 2022:

	Current Frw' 000	Past due Frw' 000	Impaired Frw' 000	Total Frw' 000
Reinsurance receivables	354,990	-	214,797	569,787
Premiums receivable	1,309,550	-	2,319,735	3,629,285
Gross	**1,664,540**	-	**2,534,532**	**4,199,072**
Less:				
Impairment on reinsurance	-	-	(214,797)	(214,797)
Impairment on premiums	-	-	(2,319,735)	(2,319,735)
Net	**1,664,540**	-	-	**1,664,540**

The current portion of the reinsurance receivables and premiums receivables are aged between 1 to 90 days.

The past due debtors are not impaired and continue to be paid. The Company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Company manages liquidity risk by continuously reviewing forecasts and actual cash flows and maintaining banking facilities to cover any shortfalls.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

As at 31 December 2023:

	Less than 3 months Frw' 000	3-12 months Frw' 000	1-5 years Frw' 000	Total Frw' 000
Financial assets:				
Reinsurance contract assets	-	1,142,016	-	1,142,016
Other receivables and prepayments	-	2,136,485	-	2,136,485
Cash and cash equivalents	6,807,494	-	-	6,807,494
Total financial assets	**6,807,494**	**3,278,500**		**10,085,995**
Financial liabilities:				
Insurance contract liabilities	-	10,295,363	-	10,295,363
Reinsurance Contract Liabilities	693,560	-	-	693,560
Other payables	1,153,213	-	-	1,153,213
Lease Liability	137,102	-	-	137,102
Total financial liabilities	**1,983,874**	**10,295,363**	-	**12,279,237**
Liquidity surplus/(gap)	**4,823,620**	**(7,016,863)**	-	**(2,193,243)**

Notes to the Financial Statements

5. Financial risk management (continued)

(b) Liquidity risk - Continued

31 December 2022	Less than 3 months	3-12 months	1-5 years	Total
Financial assets:	Frw' 000	Frw' 000	Frw' 000	Frw' 000
Reinsurance contract assets	-	1,664,244	-	1,664,244
Other receivables and prepayments	-	2,105,382	-	2,105,382
Cash and cash equivalents	4,551,727	-	-	4,551,727
Total financial assets	**4,551,727**	**3,769,626**	-	**8,321,353**
Financial liabilities:				
Reinsurance Contract Liabilities	176,725	-	-	176,725
Other payables	1,052,655	-	-	1,052,655
Insurance contract liabilities	-	7,144,890	-	7,144,890
Lease Liability	138,953	-	-	138,953
Total financial liabilities	**1,368,334**	**7,144,890**		**8,513,224**
Liquidity surplus/(gap)	**3,183,393**	**(3,375,265)**	-	**(191,872)**

(c) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and equity price risk.

➢ **Currency risk:**

The Company carries out cross-border business transactions, which exposes it to foreign exchange risk arising from various currency exposures, primarily with respect to the US. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company does not deem this exposure as being significant and manages it through holding FRW denominated bank accounts. The USD/Frw closing rate as at 31 December 2023 was Frw 1,264 (2022: Frw 1,081) while the average rate for the year was Frw 1,168 (2022: Frw 1,031).

	FRW Balances 2023 Frw' 000	2022 Frw' 000
Cash and bank balances	2,760,025	1,535,855
Recoverable amount from COMESA claims	1,762,514	1,647,986
	4,522,539	**3,183,841**

At 31 December 2023, if the Rwanda franc had weakened/strengthened by 3% against the US dollar with all other variables held constant, pre-tax profit/loss for the year would have been Frw 74 million (2022: Frw 52 million) higher/lower, mainly as a result of US dollar receivables and bank balances.

Notes to the Financial Statements

5. Financial risk management (continued)

(c) Market risk - Continued

➤ **Equity price risk**

Equity price risk refers to the potential loss in fair value resulting from adverse changes in the fair value of stocks that the company has invested in. The Company is exposed to equity price risk on its investment in quoted shares in Bank of Kigali and Cimerwa. If the price of FVTPL financial assets decreased/increased by 3% with other factors remaining constant, pre-tax profit/loss for the year would have been would decrease/increase by Frw 31 million (2022: Frw 25.2 million).

➤ **Interest rate risk**

The company ensures that its investments are held primarily at fixed interest rates to avoid fluctuations in earnings due to change in interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments. The Company has deposits with banks and government securities which are subject to interest rate risk. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its deposits and investments are denominated. All the exposures to interest rate risk instruments are made at fixed rates:

	2023	2022
	Frw' 000	Frw' 000
Government securities	-	-
Deposits with banks	4,047,469	3,016,872
	4,047,469	**3,016,872**

(d) Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheets, are:

- to comply with the capital requirements as set out in Law No. 52/2008 governing the organization of insurance business in Rwanda and the related regulations (together "insurance regulations");
- to comply with regulatory solvency requirements as set out in the insurance regulations;
- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to its policyholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Notes to the Financial Statements

5. Financial risk management (continued)

(d) Capital management(continued)

Insurance regulations require each insurance Company to hold the minimum level of paid-up capital as follows;

- General insurance business companies Frw 1,000 million and
- General insurance businesses are required to maintain a solvency margin (admitted assets less admitted liabilities) equivalent to the higher of Frw 500million or 20% of the net premium income during the preceding financial year

Capital adequacy and solvency margin are monitored regularly by the Board of Directors. The required information is filed with the National Bank of Rwanda monthly.

The Company's paid-up Capital at the end of 2023 and 2022 are presented on note 30. The table below summarizes the solvency margin of the Company on 31 December 2023 and 2022:

	2023	2022
	Frw' 000	Frw' 000
Admitted assets	20,277,901	17,081,665
Admitted liabilities	(17,350,323)	(13,280,077)
Solvency margin available	**2,927,578**	**3,801,589**
Gross Premium less reinsurance ceded last preceding year	4,701,639	3,482,302
Solvency Margin Required:20% of I.1. or Frw 500 million whichever is greater	940,328	696,460
Excess/ (Shortage)	**1,987,25**	**3,105,128**
Solvency Coverage Ratio - %	**311%**	**546%**

The company met the minimum regulatory solvency margin required by Article 18 of Regulation. No. 05/2009 of 29/07 /2009 on Licensing requirements and other requirements for carrying out insurance business, companies carrying short-term insurance business as at 31 December 2023 and 31 December 2022.

5. Financial risk management (continued)

(e) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's financial assets and liabilities measured at fair value at 31 December 2023 and 31 December 2022:

As at 31 December 2023:

	Level 1 Frw' 000	Level 2 Frw' 000	Level 3 Frw' 000	Total Frw' 000
Investment property	-	10,886,898	-	10,886,898
Financial assets at FVTPL	1,029,915	-	-	1,029,915
Financial assets at FVOCI	-	3,406,137	-	3,406,137
Total	**1,029,915**	**14,293,035**	**-**	**15,322,950**

As at 31 December 2022:

	Level 1 Frw' 000	Level 2 Frw' 000	Level 3 Frw' 000	Total Frw' 000
Investment property	-	9,213,651	-	9,213,651
Financial assets at FVTPL	840,690	-	-	840,690
Financial assets at FVOCI	-	3,163,304	-	3,163,304
Total	**840,690**	**12,376,955**	**-**	**13,217,645**

There were no transfers among the fair value levels during the year (2023: None).

(f) Strategic risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics are evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes.

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6. Insurance revenue

The following tables present an analysis of the insurance revenue recognised in the period. Additional information on amounts recognised in profit or loss and OCI is included in the insurance contract balances reconciliations in note 25.

(in thousands of Frw)	2023	2022
Insurance revenue		
Contracts measured under the PAA	7,876,079	6,026,039
Total insurance revenue	**7,876,079**	**6,026,039**
Motor	4,110,346	3,166,470
Marine	12,843	40,130
Fire	1,091,850	853,123
Others	2,661,040	1,966,316
Total insurance revenue	**7,876,079**	**6,026,039**

7. Insurance service expenses

The following tables present an analysis of the insurance service expenses recognised in the period. Additional information on amounts recognised in profit or loss and OCI is included in the insurance contract balances reconciliations in note 25

(in thousands of Frw)	2023	2022
Insurance service expenses		
Incurred claims and other directly attributable expenses	-	-
- Incurred claims	6,137,356	7,598,525
- Directly attributable expenses	-	-
- Directly attributable expenses - acquisition costs	-	-
Changes that relate to past service – changes in the FCF relating to the LIC	94,800	(3,947,539)
Losses on onerous contracts and reversals of those losses	-	173,078
Insurance acquisition cash flows amortisation	324,875	14,062
Insurance acquisition cash flows assets impairment, net of reversals	-	-
Total insurance service expenses	**6,557,031**	**3,838,126**
Motor	4,118,836	2,680,162
Marine	1,035	46,809
Fire	1,029,455	474,196
Others	1,407,704	636,959
Total insurance service expenses	**6,557,031**	**3,838,126**

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8. Net income (expenses) from reinsurance contracts held

The following tables present an analysis of the net expenses from reinsurance contracts held recognised in the period. Additional information on amounts recognised in profit or loss and OCI is included in the insurance contract balances reconciliations in note 25.

(in thousands of Frw)	2023	2022
Net income (expenses) from reinsurance contracts held	104,450	262,772
Reinsurance expenses – contracts measured under PAA	(1,567,480)	(1,339,100)
Other incurred directly attributable expenses		
Effect of changes in the risk of reinsurers' non-performance		-
Claims recovered	709,292	930,442
Changes that relate to future service – changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts		
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	(604,843)	(667,670)
Income on initial recognition of onerous underlying contracts		-
Reversals of a loss recovery component other than changes in the FCF of reinsurance contracts held		-
Total net expenses from reinsurance contracts held	**(1,463,030)**	**(1,076,328)**

9. Investment income

	2023 Frw' 000	2022 Frw' 000
Held to maturity:		
Interest on treasury bills and bonds	-	14,184
Interest on fixed deposits	295,930	236,427
Other investment income:		
Rental income	621,825	588,828
Valuation gains on investment property	1,573,921	1,207,020
Dividends	104,907	94,943
	2,596,583	**2,141,403**

10. Changes in fair value of financial assets

Revaluation gains on available for sale	189,224	15,211
	189,224	**15,211**

Cimerwa	# of shares	Price per share	Value (Frw' 000)
Balance 31 December 2022	5,370,040	120	644,405
FV as @ 31st December 2023	5,370,040	152	816,246
Gain on revaluation			**171,841**

Bank of Kigali	# of shares	Price per share	Value (Frw' 000)
Balance 1st January 2023	724,300	271	196,285
FV as @ 31st December 2023	724,300	295	213,668
Gain on revaluation			**17,383**
Change in Fair value of financial assets			**189,224**

11. Impairment on receivables and other assets

Impairment losses on premiums receivable	-	-
Impairment losses on other assets	94,466	7,751
	94,466	**7,751**

12. Net insurance finance expenses

	2023 Frw '000	2022 Frw '000
The effect of time value of money and changes in the time value of money, based on the locked-in interest rates:		
Interest accreted on present value cash flows	-	-
Interest accreted on risk adjustment	-	-
The effect of financial risk and changes in financial risk	871,689	291,050
Foreign exchange differences on changes in the carrying amount of groups of insurance contracts	-	-
Total insurance finance expense from insurance contracts	**871,689**	**291,050**
The effect of time value of money and changes in the time value of money, based on the locked-in interest rates:		
Interest accreted on present value cash flows	(54,240)	(87,076)
Interest accreted on risk adjustment	(9,922)	-
The effect of financial risk and changes in financial risk	(35,630)	23,989
Foreign exchange differences on changes in the carrying amount of groups of insurance contracts	-	-
Total insurance finance income from reinsurance contracts	**(99,792)**	**(63,087)**
Net insurance finance expenses	**771,897**	**227,964**

13. Other income

Sale of COMESA yellow cards	131,561	83,299
COMESA management fees	27,694	42,511
Exchange gain from forex transactions	45,746	67,411
Income from sale of insurance certificates	5,388	5,306
Other income	(5,185)	32,476
remeasurement of reinsurance provisions	213,836	-
	419,039	**231,003**

Notes to the Financial Statements

14. Operating expenses

Employee benefits expense	1,122,437	885,872
Rates, other taxes and non-deductible duties	295,692	30,577
Depreciation of property and equipment	50,279	42,301
Depreciation of right of use asset	104,564	167,102
Advertising and promotional expenses	172,269	49,397
Repairs and maintenance	50,492	57,688
Office consumables and small tools	16,460	19,978
Telephone, water and electricity	48,882	52,225
Directors' allowances	16,658	6,211
Penalties and fines	4,100	316,248
Auditors' remuneration	34,560	40,430
Legal fees	12,721	61,665
Contribution to professional bodies	54,882	90,656
Transport	26,948	35,809
Insurance	17,913	17,190
Consultancy	87,384	7,640
Postage	8,163	9,429
Training	7,377	7,830
Security	5,855	9,004
Travels and allowances	26,586	19,405
Donations	5,000	-
Rentals of office buildings	24	43,854
Other expenses	84,790	45,672
	2,254,037	**2,016,182**

Employee benefits expense include:		
Basic salaries	699,218	576,625
Housing allowances	70,866	47,665
Transport allowances	142,000	95,329
Statutory pension contributions	42,533	34,659
Maternity leave contributions	1,205	1,459
Medical fees	52,290	38,827
Staff group life insurance	7,520	10,023
Complementary pension contributions	24,801	24,589
Other allowances and bonuses	13,970	15,141
Accrual for outstanding staff leave	68,303	43,035
Other staff expenses	(270)	(1,479)
	1,122,437	**885,872**

15. Finance cost

Finance costs	30,864	33,279
	30,864	**33,279**

Notes to the Financial Statements

16. Income tax

	2023 Frw' 000	2022 Frw' 000
Current year tax (CIT)	329,191	215,633
Understatement of prior year tax	-	-
Deferred tax	459,068	346,224
	788,259	**561,857**

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

Profit before tax	**(90,400)**	**1,214,026**
Tax calculated at statutory income tax rate of 30% &28%(2022: 30%)	-	364,208
Tax effects of:		
Expenses not deductible for tax purposes	-	-
Non-taxable income	-	-
Unrecognised deferred tax on tax losses	-	(364,208)
Current income tax charge for the year	-	-

The deferred tax charge in the statement of profit or loss is attributable to the movements in the year on the following items:

Deferred tax on investment property fair value gains	462,776	362,106
Deferred tax on provision for liabilities and charges	(4,796)	(6,011)
Deferred tax on Property and equipment	-	(5,352)
Deferred tax on Lease asset and liability	1,089	(4,519)
Total movement charge in deferred tax for the year	**459,068**	**346,224**

17. Property and equipment

As at 31 December 2023:

	Land & Buildings Frw' 000	Motor Vehicles Frw' 000	Furniture & Fittings Frw' 000	IT Equipment Frw' 000	Total Frw' 000
Cost/Valuation					
As at 1 January	995,284	114,082	560,137	633,147	2,302,652
Additions	-		6,174	65,863	72,037
Disposals	-		-	-	-
As at 31 December	**995,284**	**114,082**	**566,311**	**699,010**	**2,374,689**
Depreciation					
As at 1 January	(488,780)	(114,082)	(513,655)	(613,907)	(1,730,423)
Charge for the year	(25,325)	-	(3,417)	(21,538)	(50,279)
Reversed on disposals	-		-	-	-
As at 31 December	**(514,105)**	**(114,082)**	**(517,072)**	**(635,444)**	**(1,780,703)**
Net Book Value	**481,179**	-	**49,240**	**63,566**	**593,985**

17. Property and equipment (continued)

As at 31 December 2022:

	Land & Buildings Frw' 000	Motor Vehicles Frw' 000	Furniture & Fittings Frw' 000	IT Equipment Frw' 000	Total Frw' 000
Cost/Valuation					
As at 1 January	989,311	114,082	552,111	611,246	2,266,750
Additions	5,973	-	8,026	21,901	35,900
Disposals	-	-	-	-	-
As at 31 December	**995,284**	**114,082**	**560,137**	**633,147**	**2,302,650**
Depreciation					
As at 1 January	462,121	114,082	510,395	601,523	1,688,121
Charge for the year	26,659	-	3,260	12,383	42,302
Reversed on disposals	-	-	-	-	-
As at 31 December	**488,780**	**114,082**	**513,655**	**613,907**	**1,730,423**
Net Book Value	**506,504**	**-**	**46,482**	**19,240**	**572,227**

Carrying amounts of the assets would have been as follows if no revaluation had never been done at all:

As at 31 December 2023:

	Land & Buildings Frw' 000	Motor Vehicles Frw' 000	Furniture & Fittings Frw' 000	IT Equipment Frw' 000	Total Frw' 000
Net Book Value	481,179	-	49,240	63,566	593,985

As at 31 December 2022:

	Land & Buildings Frw' 000	Motor Vehicles Frw' 000	Furniture & Fittings Frw' 000	IT Equipment Frw' 000	Total Frw' 000
Net Book Value	506,504	-	46,482	19,240	572,227

There were no revaluations in the year ended 31 December 2023.

18. Right of use asset

	2023 Frw' 000	2022 Frw' 000
As at 1 January	156,045	50,586
Remeasurement	155,366	239,086
Depreciation charge	(148,494)	(133,627)
As at 31 December	**162,917**	**156,045**

The right of use asset is recognised from leases of headquarter office building and other different branches in the country.

19. Investment property

	2023 Frw' 000	2022 Frw' 000
As at 1 January	9,213,651	7,934,591
Additions	99,326	72,040
Fair value gains	1,573,921	1,207,020
As at 31 December	**10,886,898**	**9,213,651**

Investment properties represent different lettable buildings and land held for capital appreciation. The company updates the market values all investment properties annually by engaging qualified firms of estate surveyors.

As at 31 December 2023 the fair values of the properties are based on valuations performed by Davilla Company Ltd, accredited independent valuers. Rental income earned during the year is shown under note 14.

Valuation processes:

The fair value of the investment property has been determined on a market value basis in accordance with the methods and standards of cost estimation and analysis as set by the Institute of Real Property Valuers (IRPV) in Rwanda.

The valuations were performed by Davilla Company Ltd, accredited independent valuers with a recognized and relevant professional qualification with recent experience in the category of the investment properties being valued.

The external valuations of the land and buildings have been performed using sales comparison approach and replacement cost method respectively. The fair value of the land has been derived from observable sales prices of similar land in the local market. The fair value of the buildings has been determined using the replacement cost approach. The value of the building is determined by reference to its replacement cost or the cost of reinstating it as new or that of its substitute at the date of valuation.

In arriving at the valuation figures the following principles have been assumed and applied.

- A willing buyer and willing seller both of whom are fully informed about the property and not acting out of compulsion.
- That to the date of valuation, a reasonable period would be allowed to properly market the property considering the nature of the property, the state of the market and allowing sufficient time for the agreement price, terms and completion of the sale.
- That the state of the market, levels of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation.
- That no account would be taken of any bid by a purchaser with special interest.

Notes to the Financial Statements

19. Investment property (continued)

Details of the group's investment properties and information about the fair value hierarchy as follows:

As at 31 December 2023:

	Level 1 Frw' 000	Level 2 Frw' 000	Level 3 Frw' 000	Fair value Frw' 000
Building in Kiyovu - UPI 384	-	303,940	-	303,940
Former Head Office Land - UPI 1227	-	1,149,360	-	1,149,360
Building at Kicukiro District - UPI 242	-	251,284	-	251,284
Building at Rubavu District - UPI 5	-	147,887	-	147,887
East Garden Kicukiro - UPI 1	-	7,189,109	-	7,189,109
Nobilis Apartments - UPI 839	-	1,149,360	-	1,149,360
Building at Plateau - UPI 1139	-	676,366	-	676,366
	-	10,886,898	-	10,886,898

There were no transfers between levels 1 and 2 during the year.

As at 31 December 2022:

	Level 1 Frw' 000	Level 2 Frw' 000	Level 3 Frw' 000	Fair value Frw' 000
Building in Kiyovu - UPI 384	-	271,838	-	271,838
Former Head Office Land - UPI 1227	-	1,149,376	-	1,149,376
Building at Kicukiro District - UPI 242	-	250,158	-	250,158
Building at Rubavu District - UPI 5	-	143,581	-	143,581
East Garden Kicukiro - UPI 1	-	5,513,398	-	5,513,398
Nobilis Apartments - UPI 839	-	1,208,852	-	1,208,852
Building at Plateau - UPI 1139	-	676,448	-	676,448
	-	9,213,651	-	9,213,651

20. Financial assets

(a) At Amortized cost

	2023 Frw' 000	2022 Frw' 000
As at 1 January		
Accrued interest	-	516,754
Amortisation	-	14,184
Receipts during the year	-	(530,938)
As at 31 December	-	-

Financial assets at amortized cost (treasury bills and bonds) are subsequently measured at amortised cost using the Effective Interest Rate (EIR) of less impairment. Amortised cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in profit or loss. The losses arising from impairment of such investments are recognised in profit or loss under the 'Impairment loss on financial assets line.

Notes to the Financial Statements

20. Financial assets (continued)

(b) Fair value through other comprehensive income (FVOCI)

Investee	Shareholding %	2023 Frw' 000	2022 Frw' 000
Development Bank of Rwanda (BRD)	0.38%	305,480	280,168
Prime Economic Zone (PEZ)	4.80%	1,133,787	1,043,907
Rwanda Stock Exchange (RSE)	1.00%	7,891	4,436
Africa Re	0.19%	1,388,694	1,322,210
Zep Re	0.25%	570,285	512,583
		3,406,137	3,163,304

Movements in the FVTOCI assets during the period is as follows:

For year ended 31 December 2023:

Investee	As at 1 January Frw' 000	Fair value change Frw' 000	As at 31 December Frw' 000
Development Bank of Rwanda (BRD)	280,168	25,313	305,480
Prime Economic Zone (PEZ)	1,043,907	89,880	1,133,787
Rwanda Stock Exchange (RSE)	4,436	3,455	7,891
Africa Re	1,322,210	66,484	1,388,694
Zep Re	512,583	57,702	570,285
	3,163,304	242,834	3,406,137

For year ended 31 December 2022:

Investee	As at 1 January Frw' 000	Fair value change Frw' 000	As at 31 December Frw' 000
Development Bank of Rwanda (BRD)	1,939,475	(1,659,307)	280,168
Prime Economic Zone (PEZ)	1,043,907	-	1,043,907
Rwanda Stock Exchange (RSE)	3,139	1,297	4,436
Africa Re	1,414,598	(92,388)	1,322,210
Zep Re	575,277	(62,694)	512,583
	4,976,396	(1,813,092)	3,163,304

Financial assets at fair value through other comprehensive income (FVOCI) represent investments made in unquoted shares.

FVTOCI assets are valued using models which sometimes only incorporates data observable in the market and at other times use both observable and non-observable data. The non- observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

20. Financial assets (continued)

(b) Fair value through other comprehensive income (FVOCI) (continued)

Net asset approach which indicates market value of a business by adjusting the asset and liability balances on the business's balance sheet to their market value equivalents. This approach is usually suitable for companies that have significant assets in their balance sheets. This approach was considered appropriate for valuation of the FVTOCI financial assets. Considerations for discounts are made to account for the facts of non-marketability of these shares and minority stake in these different companies.

Minority discount:

Relates to lack of control over the operation and corporate policy for a given investment by its minority shareholders. Minority shareholders can generally not direct the size and timing of dividends or control the selection of management. Minority shareholder can also not veto the acquisition, sale or liquidation of assets. Minority discount is usually applied when valuing a non-controlling stake to discount the value for lack of control. In this respect an average of 18.1% for interest ranging between 1% and 24% has been applied.

Marketability discount:

Is usually applied to privately held companies as investors prefer equity investment that have access to a liquid secondary market and that may be readily converted into cash with minimum transaction and administrative costs. Equity interests without such marketable characteristics normally sell at a discount to provide an investor with compensation for lack of marketability. In this regard – an average of 15.9% for interest ranging between 1% and 24% has been applied. Minority and marketability discounts have been applied to the indicative values of the Fair value through other comprehensive income financial assets.

Below is a summary of the gross estimated fair values and the considered discounts in the valuation of year ended 31 December 2023:

	Estimated Gross Fair Values	Minority discounts	Marketability discounts	Reported Fair values
	Frw' 000	Frw' 000	Frw' 000	Frw' 000
Development Bank of Rwanda (BRD)	442,969	(79,734)	(57,754)	305,480
Prime Economic Zone (PEZ)	1,646,083	(297,941)	(214,355)	1,133,787
Rwanda Stock Exchange (RSE)	11,456	(2,074)	(1,492)	7,891
Africa Re	2,016,168	(364,926)	(262,547)	1,388,694
Zep Re	827,965	(149,862)	(107,818)	570,285
	4,944,641	**(894,537)**	**(643,966)**	**3,406,137**

(c) At Fair value through profit or loss

The financial assets at fair value through profit or loss (FVTPL) represent quoted shares held in below companies and are valued based on the closing market price. Assets under this category have been acquired for short term trading intent.

	2023	2022
	Frw' 000	Frw' 000
Bank of Kigali	213,669	196,285
Cimerwa	816,246	644,405
	1,029,915	**840,690**

20. Financial assets (continued)

(c) Fair value through profit or loss (FVPL) (continued)

Valuations as of 31 December 2023:

Bank of Kigali:

	Number of shares	Price per share	Valuation
		Frw	Frw' 000
As at 1 January 2023	724,300	271	196,285
As at 31 December 2023	724,300	295	213,669
Fair value change	**724,300**		**17,383**

Cimerwa:

	Number of shares	Price per share	Valuation
		Frw	Frw' 000
As at 1 January 2023	5,370,040	120	644,405
As at 31 December 2023	5,370,040	152	816,246
Fair value change	**5,370,040**		**171,841**

21. Reinsurance contract assets

PAA - Asset for remaining coverage	(152,941)	678,971
AIC - Best estimate liability	1,177,340	872,392
AIC - Risk adjustment	117,616	112,880
	1,142,016	**1,664,244**

22. (Income tax payable)/Current tax asset

	2023	2022	2021
	Frw' 000	Frw' 000	Frw' 000
As at 1 January	114,235	59,356	29,881
Charge for the period	(309,321)	-	-
Understatement of prior year tax		(215,633)	-
Tax paid/(refund)		42,042	29,475
As at 31 December	**(195,086)**	**(114,235)**	**59,356**

23. Other receivables and prepayments

Recoverable amounts from COMESA	1,762,514	1,647,986
Rent receivable	258,764	258,764
Advances to Nobilis Apart	87,020	32,542
VAT receivable	22,195	162,651
Prepaid rent	41	1,220
Staff advances	5,951	2,220
	2,136,485	**2,105,382**

Trade and other receivables are non-interest bearing and are generally on short term period of 30 to 90 days and are expected to be recovered within twelve months after the reporting date. The carrying amounts of other receivables approximate their fair values.

Notes to the Financial Statements

24. Cash and cash equivalents

Cash in hand	2,847	199
MOMO Balances	328,808	73,097
Bank balances	2,428,371	1,461,559
Short term deposits with banks	3,850,000	2,852,784
Accrued interest on short term deposits with banks	197,469	164,088
	6,807,494	4,551,727

Notes to the Financial Statements

25. Insurance and reinsurance contracts

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

	31-Dec-23			31-Dec-22		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Insurance contracts issued	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
- Motor	-	6,933,559	**6,933,559**	-	4,840,970	4,840,970
- Fire	-	1,728,575	**1,728,575**	-	816,921	816,921
- Marine	-	14,041	**14,041**	-	7,205	7,205
- Other	-	1,619,187	**1,619,187**	-	1,479,794	1,479,794
Total insurance contracts issued	**-**	**10,295,363**	**10,295,363**	**-**	**7,144,890**	**7,144,890**
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Reinsurance contracts held	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
- Motor	48,715	-	48,715	537,978	-	537,978
- Fire	57,784	-	57,784	-	(176,725)	(176,725)
- Marine	-	(693,560)	(693,560)	1,338	-	1,338
- Others	1,035,517	-	1,035,517	1,124,927	-	1,124,927
Total reinsurance contracts held	**1,142,016**	**(693,560)**	**448,456**	**1,664,244**	**(176,725)**	**1,487,518**

Notes to the Financial Statements

25.(i) Insurance contracts issued

Reconciliation of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC)

	31-Dec-2023	LRC		LIC _PAA	Total	31-Dec-2022		LRC		Total
	Exc loss comp.	Loss comp.	PV of future CF	RA non-fin. Risk		Exc loss comp.	Loss comp.	PV of future CF	RA non-fin. Risk	
Opening insurance contract liabilities	1,307,817	173,078	5,015,087	648,909	7,144,890	1,586,435	-	5,449,199	609,162	7,644,797
Opening insurance contract assets	-	-	-	-	-	-	-	-	-	-
Net balance as at 1 January	**1,307,817**	**173,078**	**5,015,087**	**648,909**	**7,144,890**	**1,586,435**	-	**5,449,199**	**609,162**	**7,644,797**
Insurance revenue	**(7,876,079)**	-	-	-	**(7,876,079)**	**(6,026,039)**	-	-	-	**6,026,039)**
Insurance service expenses										
Incurred claims and other directly attributable expenses	-	-	5,740,666	396,690	6,137,356	-	-	7,201,259	397,266	7,598,525
Changes that relate to past service - adjustments to the LIC	-	-	348,638	(253,839)	94,800	-	-	(3,590,020)	(357,520)	(3,947,539)
Losses on onerous contracts and reversal of those losses	-	-	-	-	-	-	173,078	-	-	173,078
Insurance acquisition cashflows amortization	324,875	-	-	-	324,875	14,062	-	-	-	14,062
Insurance service expenses	**324,875**	-	**6,089,305**	**142,852**	**6,557,032**	**14,062**	**173,078**	**3,611,240**	**39,746**	**3,838,126**
Insurance service result	**(7,551,204)**	-	**6,089,305**	**142,852**	**(1,319,048)**	**(6,011,978)**	**173,078**	**3,611,240**	**39,746**	**(2,187,914)**
Finance expenses from insurance contracts issued			871,689		871,689	-		291,050		291,050
Total amounts recognised in comprehensive income	**(7,551,204)**	-	**6,960,994**	**142,852**	**(447,358)**	**(6,011,978)**	**173,078**	**3,902,290**	**39,746**	**(1,896,863)**
Investment components Other changes	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums received	7,903,988	-	-	-	7,903,988	5,919,019	-	-	-	5,919,019
Claims and other directly attributable expenses paid	-	-	(4,050,554)	-	(4,050,554)	-	-	(4,336,402)	-	4,336,402)
Insurance acquisition cashflows	(255,603)	-	-	-	(255,603)	(185,660)	-	-	-	(185,660)
Total cash flows	**7,648,385**	-	**(4,050,554)**	-	**3,597,831**	**5,733,359**	-	**(4,336,402)**	-	**1,396,957**
Net balance as at 31 December	**1,404,998**	**173,078**	**7,925,527**	**791,760**	**10,295,363**	**1,307,817**	**173,078**	**5,015,087**	**648,909**	**7,144,890**
Closing insurance contract liabilities	1,404,998	173,078	7,925,527	791,760	10,295,363	1,307,817	173,078	5,015,087	648,909	7,144,890
Closing insurance contract assets	-	-	-	-	-	-	-	-	-	-
Net balance as at 31 December	**1,404,998**	**173,078**	**7,925,527**	**791,760**	**10,295,363**	**1,307,817**	**173,078**	**5,015,087**	**648,909**	**7,144,890**

Notes to the Financial Statements

25 (ii) Insurance contracts issued (continued)

Liability for incurred claims development

The Company uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors, and the selection of estimated development factors based on this historical pattern.

The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year. The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims.

The table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year ends.

Gross claims development

			Accident year				
Amounts in RWF '000s	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Estimate of ultimate claim costs (gross of reinsurance, undiscounted, inclusive of other directly attributable expenses related to claims management)							
At end of accident year	2,566,166	2,172,937	1,952,693	2,119,549	3,092,819	5,196,874	
1 year later	2,655,508	2,046,020	1,913,571	1,865,310	3,064,432		
2 years later	2,990,069	2,230,406	1,572,128	2,629,042			
3 years later	3,307,531	1,985,857	1,946,081				
4 years later	2,334,970	2,324,582					
5 years later	3,504,616						
Cumulative gross claims and other directly attributable expenses paid	(2,556,402)	(2,163,821)	(1,676,430)	(1,358,767)	(1,426,125)	(732,073)	(9,913,619)
Gross cumulative claims liabilities - accident years from 2018 to 2023	948,214	160,761	269,651	1,270,275	1,638,307	4,464,800	8,752,008
Gross cumulative claims liabilities - prior accident years							-
Effect of discounting							(826,480)
Effect of the risk adjustment margin for non-financial risk							791,760
Gross LIC for the contracts originated							**8,717,288**

Notes to the Financial Statements

Net claims development

Amounts in RWF '000s	Accident year **2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Estimate of ultimate claim costs (net of reinsurance, undiscounted, inclusive of other directly attributable expenses related to claims management)							
At end of accident year	2,120,500	1,779,685	1,543,765	1,609,242	2,629,030	4,466,812	
1 year later	2,174,922	1,617,547	1,452,856	1,585,594	2,633,938		
2 years later	2,363,896	1,693,409	1,336,377	2,259,712			
3 years later	2,511,203	1,688,064	1,672,694				
4 years later	1,984,826	1,998,022					
5 years later	3,012,285						
Cumulative net claims and other directly attributable expenses paid	(2,197,277)	(1,859,846)	(1,440,924)	(1,167,886)	(1,225,782)	(629,231)	(8,520,945)
Net cumulative claims liabilities - accident years from 2018 to 2023	815,008	138,177	231,771	1,091,825	1,408,156	3,837,581	7,522,518
Net cumulative claims liabilities - prior accident years							-
Effect of discounting							(774,331)
Effect of the risk adjustment margin for non-financial risk							674,144
Net LIC for the contracts originated							**7,422,331**

Notes to the Financial Statements

25 (iii) Reinsurance contracts held

Reconciliation of the asset for remaining coverage (ARC) and the asset for incurred claims (AIC)

	31-Dec-2023 ARC Exc. loss comp.	Loss comp.	AIC _ PAA PV of future CF	RA non-fin. Risk	Total	**31-Dec-2022** ARC Exc. loss comp.	Loss comp.	AIC _ PAA PV of future CF	RA non-fin. Risk	Total
Opening reinsurance contract assets	-	-	-	-	-	289,190	-	-	-	289,190
Opening reinsurance contract liabilities	(103,025)	-	(1,225,876)	(158,618)	(1,487,518)	-	-	(1,529,146)	(170,942)	(1,700,088)
Net balance as at 1 January	**(103,025)**	**-**	**(1,225,876)**	**(158,618)**	**(1,487,518)**	**289,190**	**-**	**(1,529,146)**	**(170,942)**	**(1,410,898)**
Reinsurance expenses - contracts measured under the PAA	1,567,480		-		1,567,480	1,339,100	-	-		1,339,100
Total expenses from reinsurance contracts held	**1,567,480**	**-**	**-**	**-**	**1,567,480**	**1,339,100**	**-**	**-**	**-**	**1,339,100**
Other incurred directly attributable expenses	-	-	(656,878)	(52,414)	(709,292)	-	-	(843,737)	(86,705)	(930,442)
Effect of changes in the risk of reinsurers non-performance	-	-	511,427	93,415	604,843	-	-	568,641	99,030	667,670
Claims recovered	-	-	293,778	-	293,778	428,647	-	-	-	428,647
Changes that relate to past service - adjustments to incurred claims	-	-	-	-	-	-	-	-	-	-
Total income from reinsurance contracts held	**1,567,480**	**-**	**148,327**	**41,001**	**1,756,809**	**1,767,747**	**-**	**(275,096)**	**12,325**	**1,504,975**
Insurance service result										
Finance expenses from reinsurance contracts held	-	-	(99,792)	-	(99,792)	-	-	(63,087)	-	(63,087)
Total amounts recognised in comprehensive income	**1,567,480**	**-**	**48,535**	**41,001**	**1,657,016**	**1,767,747**	**-**	**(338,183)**	**12,325**	**1,441,889**
Cash flows										
Premiums ceded	(1,209,817)	-	-	-	(1,209,817)	(2,159,962)	-	-	-	(2,159,962)
Claims and other directly attributable expenses paid	-	-	-	-	-	-	-	641,453	-	641,453
Insurance acquisition cashflows	591,864	-	-	-	591,864	-	-	-	-	-
Total cash flows	**(617,954)**	**-**	**-**	**-**	**(617,954)**	**(2,159,962)**	**-**	**641,453**	**-**	**(1,518,509)**
Net balance as at 31 December	**846,501**	**-**	**(1,177,340)**	**(117,616)**	**(348,663)**	**(103,025)**	**-**	**(1,225,876)**	**(158,618)**	**(1,424,432)**
Closing reinsurance contract assets	(152,941)	-	1,177,340	117,616	**1,142,016**	**678,971**	**-**	**872,392**	**112,880**	**1,664,244**
Closing reinsurance contract liabilities	846,501	-	(1,177,340)	(117,616)	(448,456)	(103,025)	-	(1,225,876)	(158,618)	(1,487,518)
Net balance as at 31 December	**693,560**	**-**	**-**	**-**	**693,560**	**575,946**	**-**	**(353,483)**	**(45,738)**	**176,725**

26. Reinsurance contracts liabilities

Reinsurance contract liabilities – RCC	693,560	176,725
	693,560	**176,725**

27. Deferred income tax liability

As at 1 January	1,661,635	2,535,902
Charge/(Credit) to Profit or Loss	459,068	346,224
Charge/(Credit) to other comprehensive income	71,400	(543,928)
Prior year adjustments through retained earnings	-	(676,563)
As at 31 December	**2,192,103**	**1,661,635**

Deferred income tax liability – Continued

Deferred income tax is calculated using the enacted tax rate of 30% (2021: 30%). Deferred tax assets and liabilities, and the deferred tax charge / (credit) in the statement of profit or loss (P/L) and in other comprehensive income (OCI) are attributable to the following items:

Year ended 31 December 2023:

	At 1 January	Charge/ (Credit) to PL	Charge/ (Credit) to OCI	Charge/ (Credit) to Retained earnings	At 31 December
	Frw' 000	Frw' 000	Frw' 000	Frw' 000	Frw' 000
Deferred income tax asset					
Provision for liabilities and charges	(783,866)	(4,796)	-	-	(788,662)
	(783,866)	**(4,796)**	-	-	**(788,662)**
Deferred income tax liability					
Investment property	1,574,850	462,776	-	-	2,037,626
Financial assets at FVTOCI	707,019	-	71,400	-	778,419
Lease asset and liability	5,128	-	-	-	5,128
PPE - on revaluation surplus	158,504	1,089	-	-	159,593
	2,445,501	**463,864**	**71,400**	-	**2,980,765**
Net deferred tax position	**1,661,635**	**459,068**	**71,400**	-	**2,192,103**

Year ended 31 December 2022:

	At 1 January	Charge/ (Credit) to PL	Charge/ (Credit) to OCI	Charge/ (Credit) to Retained earnings	At 31 December
	Frw' 000	Frw' 000	Frw' 000	Frw' 000	Frw' 000
Deferred income tax asset					
Provision for liabilities and charges	(61,633)	(6,011)	-	(716,222)	(783,866)
	(61,633)	**(6,011)**	-	**(716,222)**	**(783,866)**
Deferred income tax liability					
Investment property	1,212,744	362,106	-	-	1,574,850
Financial assets at FVTOCI	1,211,288	-	(543,928)	39,659	707,019
Lease asset and liability	9,647	(4,519)	-	-	5,128
PPE - on revaluation surplus	163,856	(5,352)	-	-	158,504
	2,597,535	**352,235**	**(543,928)**	**39,659**	**2,445,501**
Net deferred tax position	**2,535,902**	**346,224**	**(543,928)**	**(676,563)**	**1,661,635**

28. Other payables

Accrued expenses	357,005	242,389
COMESA yellow card scheme	270,600	200,354
Prepaid withholding tax – reinsurance	215,633	215,633
Accrued staff leave	85,006	63,938
Remuneration due to staff	20,806	19,735
Pay As You Earn (PAYE)	65,759	35,386
Contributions to Rwanda Social Security Board	13,075	5,288
Other payroll deductions	6,484	6,484
Commissions and other payables to brokers	485	485
Amounts due to related parties	12,788	8,007
Provision on reinsurance	83,853	214,797
Special guaranty fund	(183)	24,546
Deferred rental income	21,903	15,615
	1,153,213	**1,052,655**

The carrying values of other payables approximates to their fair values.

29. Lease liability

As at 1 January	138,953	18,432
Remeasurement	132,349	231,598
Interest expense	36,375	33,475
Payments	(170,575)	(144,552)
As at 31 December	**137,102**	**138,953**

The lease liability is recognised from leases of headquarter office building and other different branches in the country.

30. Equity

(a) Ordinary share capital, share premium and unallotted shares

	2023 Number	2022 Number
Authorised share capital	483,086,233	483,086,233
Issued and fully paid	483,086,233	483,086,233

	2023 Frw' 000	2022 Frw' 000
Issued and fully paid at 31 December	5,200,000	5,200,000

The par value of the shares is Frw 10.76 per share. All issued shares are fully paid. There is one class of ordinary shares. All shares issued carry equal voting rights.

Share premium	47,240	47,240

Share premium arose from the issue and payment of additional shares.

Unallotted shares	2,119,434	2,119,434

Rwanda Social Security Board (RSSB) and Agaciro Development Fund (AGDF) have paid in Frw 2,085 million and Frw 34 million respectively, during the year ended 31 December 2022, as their share of increase in the company's share capital. This however, remained unallotted at year ended 31 December 2023.

(b) Revaluation reserve

The revaluation reserve represents the surplus on the revaluation of buildings and freehold land net of deferred income tax. The reserve is non-distributable:

Balance as at 1 January	2,382,170	2,382,170
Revaluation loss in property and equipment	-	-
Deferred tax on revaluation of property and equipment	-	-
Balance at 31 December	**2,382,170**	**2,382,170**

(c) Fair value reserve

The fair value reserve represents fair valuation gains and losses on unlisted equity investments (Financial assets at Fair value through other comprehensive income – Note 20), net of deferred income tax. The reserve is non-distributable:

Balance as at 1 January	1,868,544	3,137,708
Fair value change in the period	242,834	(1,813,092)
Deferred tax on the fair value change	(71,400)	543,928
Balance at 31 December	**2,039,978**	**1,868,544**

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31. Related party transactions and balances

Rwanda Social Security Board (RSSB) being the majority shareholder has other equity investments in a number if entities for which it has board representation. Based on the exemption under accounting standards, transactions and balances with government and related parties have not been disclosed.

The following transactions were carried out with related parties.

(a) Key management compensation

Key management personnel of the company include all directors and senior management. The summary of compensation of key management personnel for the year is as follows:

	2023 Frw' 000	2022 Frw' 000
Directors' fees and allowances	16,658	6,211
Senior management salaries	465,789	381,220
	482,447	**387,431**

(b) Transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2023, the company has not recorded any impairment of receivables relating to amounts owed by related parties (2021: Nil). The related party transactions do not attract interest.

The related parties comprise of Rwanda Social Security Board which has a controlling majority stake in Sonarwa General while Sonarwa Life is a sister Company fully owned by Rwanda Social Security Board.

The following transactions were carried out with related parties during the year:

Sales:

Related party	**Nature of transaction**		
Sonarwa Life Company	Shared services	-	-
Sonarwa Life Company	Motor insurance	11,683	8,101
Sonarwa Life Company	Fire insurance	13,961	13,961
		25,644	**22,062**

Purchases:

Related party	**Nature of transaction**		
Sonarwa Life Company	Private staff retirement plan	**43,849**	**40,467**

(c) Amounts due to related parties

Sonarwa Life Company	12,788	8,007
RSSB contributions payable	14,041	5,670
	26,829	**13,677**

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Notes to the Financial Statements

32. Contingent Liabilities and commitments

In common with the insurance industry in general, the Company is subject to litigation arising in the normal course of insurance business. The directors are of the opinion that these litigations will not have a material effect on the financial statements of the Company.

Outstanding litigation cases as at 31st December 2023:

	No	Amounts claimed for Frw' 000
Court cases	101	2,133,628

Outstanding litigation cases as at 31st December 2022

		Frw' 000
Court cases	174	2,398,218

Insurance related litigations are provided for as part of insurance contracts liabilities disclosed on Note 25.

33. Going concern

The financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

34. Events after the reporting date

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

Other Disclosures by Insurers

(1) Detailed Revenue Account

2023 (In thousands of Frw)	Motor	Marine	Fire	Others	Total
Insurance revenue from contracts measured under the PAA	4,110,346	12,843	1,091,850	2,661,040	**7,876,079**
Insurance service expenses	(4,118,836)	(1,035)	(1,029,455)	(1,407,704)	**(6,557,031)**
Net expenses from reinsurance contracts held	(752,580)	(9,338)	155,384	(856,497)	**(1,463,030)**
Insurance service result	**(761,070)**	**2,470**	**217,778**	**396,839**	**(143,982)**

2022 (In thousands of Frw)	Motor	Marine	Fire	Others	Total
Insurance revenue from contracts measured under the PAA	3,166,470	40,130	853,123	1,966,316	**6,026,039**
Insurance service expenses	(2,680,162)	(46,809)	(474,196)	(636,959)	**(3,838,126)**
Net expenses from reinsurance contracts held	(194,952)	(11,250)	(565,014)	(305,112)	**(1,076,328)**
Insurance service result	**291,356**	**(17,928)**	**(186,086)**	**1,024,244**	**1,111,586**

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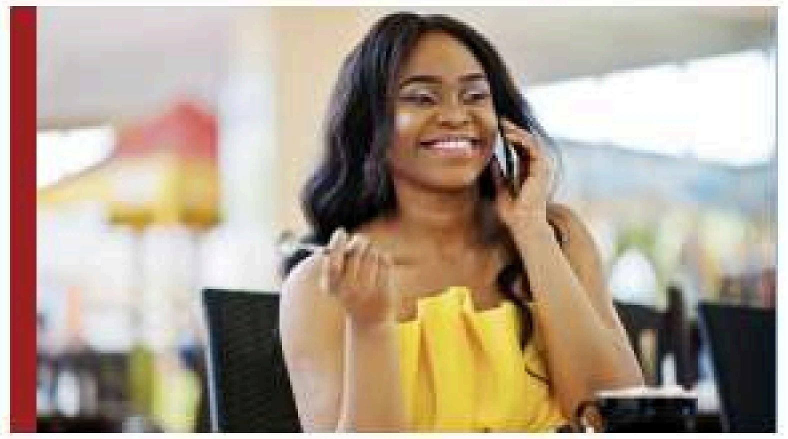

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