

Staco Insurance Company (SL) Limited

**Draft Financial Statements
for the Year ended 31 December 2014**

*13 February 2015
This report contains 41pages
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General information

Directors : Henry Macauley (Chairman)
Adekunle Micheal Aderinola (Managing)
BrimaNdoeka
Solomon Ogba
S.O. Oyefeso
EhiEguabor
EmericaKarefa-kargbo

Registered Office : 24 Upper Brook Street
Freetown.
Sierra Leone

Bankers : Access Bank (SL) Limited
Ecobank Sierra Leone Limited
Guaranty Trust Bank Sierra Leone Limited
Standard Chartered Bank Sierra Leone Limited
Union Trust Bank Limited
Zenith Bank Sierra Leone Limited
United Bank of Africa (SL) Limited
Bank PHB (SL) Limited
Sierra Leone Commercial Bank (SL) Limited
Rokel Commercial Bank (SL) Limited
Skye Bank (SL) Limited
HFC Mortgage and Savings Bank (SL) Limited

Corporate Secretaries : Freetown Nominees
5 Main Motor Road
Congo Cross
Freetown
Sierra Leone

**Auditors and
Tax Advisers** : KPMG
Chartered Accountants
KPMG House
37 Siaka Stevens Street
Freetown
Sierra Leone.

Report of the directors

The directors present their report and audited financial statements for the year ended 31 December 2014.

Directors responsibility statement

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 30 September 2014, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the report of the directors in accordance with International Financial Reporting Standards, and in the manner required by the Sierra Leone Companies Act and the Insurance Act 2000.

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

The directors' have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Principal activity

The principal activities of the company continue to be the provision of life and general insurance services.

The company and its activities is regulated by and subjected to the provisions of the Insurance Act 2000.

Results

The results for the nine month period ending 30th September are shown in the attached financial statements.

Property and equipment

Details of the Staco Insurance Company (SL) Limited's property and equipment are shown in note 12 to these financial statements.

Employment of disabled people

Staco Insurance Company (SL) Limited does not discriminate against a qualified individual with disability with regards to recruitment, advancement, training, compensation, discharge or other terms, conditions or privileges of employment. There were no disabled persons employed during the year.

Report of the directors *(continued)*

Health, safety and welfare at work

Staco Insurance Company(SL) Limitedhas retained the services of a medical doctor for all employees of the company and a conducive office environment is maintained for staff and visitors, with adequate lighting and ventilation.

Employee involvement and training

There are various forums where the staff meet and discuss issues that relate to them and their progress at the work place, these include unit meetings, and regular general meetings.

There is an approved training schedule for staff and the company also has a staff performance appraisal process through which staffs are appraised and promotions and /or increments are made.

Directors and their interests

The following directors served during the year:

Henry Macauley - (Chairman)
Adekunle Micheal Aderinola - (Managing)
BrimaNdoeka
Solomon Ogba
S.O. Oyefeso
EhiEguabor
EmericaKarefa-kargbo

Auditors

In accordance with Section 308 of the Sierra Leone Companies Act 2009 a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approval of the financial statements

The financial statements were approved by the board of directors on2015.

.....
Chairman

.....
Director

Statement of financial position

as at 31 December

<i>In thousands of Leones</i>	Note	2014	2013
Assets			
Property and equipment	12	772,470	778,167
Financial assets	13	3,736,825	2,853,429
Loans and receivables including insurance receivables	14	1,788,707	994,202
Cash and cash equivalents	15	3,429,369	460,852
Deferred tax asset	10d	121,410	214,336
Total assets		9,848,781	5,300,986
Equity			
Share capital	16	100,000	100,000
Deposit for shares	17	1,349,618	1,349,618
Contingency reserve	18	529,988	299,853
Retained earnings	19	578,561	125,368
Total equity		2,558,167	1,874,839
Liabilities			
Loans and borrowings	20	192,499	307,500
Employee benefit provision	21	26,770	19,096
Insurance contract	22	585,231	424,461
Trade and other payables	23	1,799,787	817,885
Income tax liability	10c	89,872	38,479
Insurance funds:			
Non-life	9a	4,109,971	1,735,184
Life	9b	486,484	83,542
Total liabilities		7,290,614	3,426,147
Total equity and liabilities		9,848,781	5,300,986

The financial statements were approved by the board of directors on
and were signed on its behalf by:

2015

..... **Chairman**

..... **Director**

The notes on pages 11 to 41 are an integral part of these financial statements

Statement of comprehensive income - Non-life

for the year ended 31 December

<i>In thousands of Leones</i>	Note	2014	2013
Revenue			
Insurance premium revenue		7,399,618	3,838,474
Insurance premium ceded to reinsurers		(624,501)	(141,745)
Net insurance premium Written	<i>5.1</i>	6,775,117	3,696,729
Less: Unearned Premium		(980,344)	-
Net Premium Earned		5,794,773	3,696,729
Investment income	<i>6</i>	196,156	225,324
Net revenue		5,990,929	3,922,053
Expenditure			
Claims paid, outstanding and unintimated	<i>5.1</i>	248,784	1,179,556
Commission paid	<i>5.1</i>	1,078,993	475,633
Management expenses	<i>5.1 & 7</i>	2,460,204	2,045,362
Net finance cost	<i>8a</i>	(24,219)	89,974
		3,763,762	3,790,525
Amounts transferred to Insurance fund account	<i>9a</i>	1,394,443	398,281
	<i>5.1</i>	5,158,205	4,188,806
Net (expense)/income from non-life operations		832,724	(266,753)
Other income		44,488	6,429
(Loss)/ profit before tax		877,212	(260,324)
Tax credit/ (expense)	<i>10a</i>	(202,031)	135,058
(Loss)/ profit for the year		675,181	(125,266)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/ income for the year		675,181	(125,266)

The notes on pages 11 to 41 are an integral part of these financial statements

Statement of comprehensive income - Non-life*(continued)*

<i>In thousands of Leones</i>	Note	2014	2013
(Loss)/ profit attributable to:			
Equity holders of the company		675,181	(125,266)
(Loss)/ profit for the year		675,181 =====	(125,266) =====
Total comprehensive (loss)/ income attributable to:			
Equity holders of the company		675,181	(125,266)
Total comprehensive (loss)/ income for the year		675,181 =====	(125,266) =====
Basic and diluted (loss)/ earning per share	<i>11</i>	675 =====	(125) =====

The financial statements were approved by the board of directors on and were signed on its behalf by: **2015**

..... **Chairman**

..... **Director**

The notes on pages 11 to 41 are an integral part of these financial statements

Statement of comprehensive income - Life
for the year ended 31 December

<i>In thousands of Leones</i>	Note	2014	2013
Revenue			
Net insurance premium revenue		708,652	238,196
Investment income	<i>6b7,533</i>	5,996	
Net revenue		716,185	244,192
Expenditure			
Claims paid, outstanding and unintimated		379,363	150,340
Commission (earned)/paid		44,597	26,102
Management expenses		81,002	53,560
Net finance cost	<i>8</i>	2,354	-
		507,366	230,002
Amounts transferred to life insurance fund account ^{9b}	208,849	14,190	
		716,185	244,192
		=====	=====

The financial statements were approved by the board of directors on 2015 and were signed on its behalf by:

..... **Chairman**
..... **Director**

The notes on pages 11 to 41 are an integral part of these financial statements

Statement of changes in equity

for the year ended 31 December 2014

In thousands of Leones

	Share capital	Deposit for shares	Retained earnings	Contingency reserves	Total
Balance at 1 January 2014	100,000	1,349,618	125,368	299,853	1,874,839
Total comprehensive income for the year					
Profit/(Loss) for the year	-	675,181	-	675,181	
Other comprehensive income net of tax	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Other transfers					
Transfer to contingency reserve (Non-Life)	-	-	(221,988)	221,988	-
Transfer to Contingency reserve (Life)	-	-	8,147,817		
Total other transfers	-	-	(221,988)	230,135,817	
Total comprehensive (loss)/income and transfers	453,193	230,135	683,328		
Transaction with owners, recorded directly in equity	-	-	-	-	-
Contribution by and distributors to owners					
Dividend to equity holders	-	-	-	-	-
Total contribution by and distributors to owners	-	-	-	-	-
Balance at 31 December 2014	100,000	1,349,618	578,561	529,982,558	1,678,409,167

The notes on pages 11 to 41 are an integral part of these financial statements

Statement of changes in equity *(continued)*
for the year ended 31 December 2013

In thousands of Leones

	Share capital	Deposit for shares	Retained earnings	Contingency reserves	Total
Balance at 1 January 2013	100,000	1,349,618	515,788	184,699	2,150,105
Total comprehensive income for the year	-	-	-	-	-
Profit/(Loss) for the year	-	-	(125,266)	-	(125,266)
Other comprehensive income net of tax	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Other transfers					
Transfer to contingency reserve	-	-	(115,154)	115,154	-
Total other transfers	-	-	(115,154)	115,154	8,147
Total comprehensive (loss)/ income and transfers	-	-	(240,420)	115,154	(125,266)
Transaction with owners, recorded directly in equity	-	-	-	-	-
Contribution by and distributors to owners					
Dividend to equity holders	-	-	(150,000)	-	(150,000)
Total contribution by and distributors to owners	-	-	(150,000)	-	(150,000)
Balance at 31 December 2013	100,000	1,349,618	125,368	299,853	1,874,839

The notes on pages 11 to 41 are an integral part of these financial statements

Statement of cash flows

for the year ended 31 December

<i>In thousands of Leones</i>	Note	2014	2013
Cash flows from operating activities			
(Loss)/ Profit for the year		877,212	(260,324)
Adjustment for:			
Depreciation	12	147,967	114,368
Net finance cost	8	(21,865)	89,974
(Profit)/Loss on disposal		4,466	(5,428)
Cash flows (used in)/from operating activities		1,007,780	(61,410)
Changes in operating assets and liabilities			
Changes in receivables		(794,506)	(390,055)
Changes in payables		981,901	515,173
Changes in insurance fund – Non-Life		1,394,443	398,281
Changes in end of service benefit		7,674	12,458
Changes in insurance contract		160,770	256,530
Changes in life fund		200,701	14,190
Contingency Reserve Transfer - Life		8,147	-
Change in Unearned Premium		1,182,585	-
		4,149,495	745,167
Interest & Charge paid		(114,347)	(90,797)
Income tax paid		(57,712)	(42,705)
Net cash from operating activities		3,977,436	611,665
Cash flow from investing activities			
Acquisition of property and equipment	12	(152,238)	(395,647)
Acquisition of investment		(883,396)	(582,388)
Proceeds from sale of property and equipment		5,500	9,000
Net cash used in investing activities		(1,030,134)	(969,035)
Cash flows from financing activities			
Net change in loans and borrowings		(115,001)	265,395
Dividends to owners		-	(150,000)
Cash flow from financing activities		(115,001)	115,395
Net decrease in cash and cash equivalents		2,832,302	(241,975)
Cash and cash equivalents at beginning of the year		460,852	702,004
Exchange rate fluctuation		136,215	823
Cash and cash equivalents at end of the year	15	3,429,369	460,852

The notes on pages 11 to 40 are an integral part of these financial statements

Notes to the financial statement

1. General information

Staco Insurance Company (SL) Limited underwrites non-life insurance risks such as those associated with fire, motor, accident, medical and marine businesses. The company also invests in treasury and other eligible bills in Sierra Leone on which it earns interests.

The company is a limited liability company incorporated and domiciled in Sierra Leone. The address of its registered office is 24 Upper Brock Street, Freetown, Sierra Leone.

2. Summary of significant accounting policies

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

2.1 Basis of presentation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

All amounts in the notes are shown in thousands of Leones, rounded to the nearest thousand, unless otherwise stated.

2.2 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the 'functional currency'). The financial statements are presented in thousands of Leones, which is the company's presentation currency.

(b) *Transactions and balances*

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 recognized in the income statement.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies (continued)

2.3 Property and equipment

Property and equipment comprise mainly cost of improvement on the office building occupied by the company, and its various office equipments. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and that the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Motor vehicles	- 5 years
Furniture, fixtures and equipment	- 5 - 10 years
Improvement to buildings	- 10 years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

2.4 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.

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.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its cost at the date of reclassification becomes its cost for subsequent accounting purposes. If an item of property 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 and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies (continued)

2.4 Investment property (continued)

Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statement.

2.5 Investments

The company classifies its investments into the following categories: held-to-maturity financial assets and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(a) Held-to-maturity financial assets

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

Investment in government securities such treasury bills and bearer bonds are held at amortised cost.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(c) Equity investments

Equity investments are non-derivative financial assets such as equity shares in local and foreign companies.

Purchases and sales of investments are recognised on the trade date, that is the date on which the company commits to purchase or sell the asset. Investments are carried at cost and are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the company has also transferred substantially all risks and rewards of ownership.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.6 Impairment of assets

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the company about the following events:

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as a default or delinquency in payments;
- (iii) it is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- (iv) the disappearance of an active market for that financial asset because of financial difficulties; or
- (v) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the company, including:
 - adverse changes in the payment status of issuers or debtors in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the assets' carrying amount and the estimated realizable value. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.6 Impairment of assets *(continued)*

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

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 improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

2.7 Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.9 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies (continued)

2.10 Insurance contracts

The company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The company as a general guideline, determines significant insurance risks and enters into re-insurance contracts with other insurance companies.

Local statutory regulations and the terms and conditions of these contracts set out the basis for the determination of the amounts involved.

(a) Short-term insurance contracts

These contracts are casualty, property and short-duration life insurance contracts.

Casualty insurance contracts protect the company's customers against the risk of harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability). Property insurance contracts mainly compensate the company's customers for damage suffered to their properties or for the value of property lost.

Short-duration life insurance contracts protect the company's customers from the consequences of events (such as death or disability) that would affect on the ability of the customer or his/her dependants to maintain their current level of income.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the company.

(b) Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.10 Insurance contracts (continued)

(c) *Reinsurance contracts held*

Contracts entered into by the company with reinsurers under which the company is compensated for losses on one or more contracts issued by the company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers, as well as long term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

(d) *Receivables and payables related to insurance contracts*

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables.

(e) *Salvage and subrogation reimbursements*

Some insurance contracts permit the company to sell (usually damaged) property acquired in settling a claim (i.e., salvage). The company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.10 Insurance contracts *(continued)*

(e) Salvage and subrogation reimbursements *(continued)*

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.11 Claims

Provision is made by management for the estimated cost of claims notified but not settled at the date of the balance sheet using all the information available at that time. Provision is also made by management for claims incurred but not yet notified at balance sheet date on an appropriate basis.

2.12 Insurance funds

In accordance with statute, forty-five percent of the net premium of the company's general insurance business for the year is provided as an estimate of premiums unearned at the financial position date.

2.13 Contingency reserve

In accordance with statute, three percent of the net premium of the company's general insurance business for the year is provided as an estimate for contingency reserve.

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.15 Employee benefits

(i) Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has a present legal and constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

(ii) End of Service benefit

This refers to a defined employee benefit scheme which falls due wholly within twelve months after the end of service by the employee. The expected cost of these benefits is accrued over the period of employment.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

2.16 Provisions

Restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognised when: the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.17 Revenue recognition

Revenue is recognised as follows:

Revenue arising from underwriting and other related services offered by the company are recognised in the accounting period in which the services are rendered.

- (i)* The non-life underwriting result is net of reinsurance, provisions for unearned premium and outstanding claims.
- (ii)* The life department income is stated net of reinsurance.
- (iii)* Investment income is shown gross before the deduction of income tax and is accounted for on an accruals basis.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.18 Dividend income

Dividend income for equities held is recognised when the right to receive payment is established - this is the ex-dividend date for equity securities.

2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.20 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period for which the dividends are approved by the company's shareholders.

2.21 New standards and interpretation not yet adopted

A number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2014. However the company has not applied the following new/amended standards in preparing this financial statement.

Standard	Summary of the Requirements
IFRS 9: Financial Instruments	<p>IFRS 9 published in July, 2014 replaces the existing guidance in IFRS 39, Financial Instruments: Recognition and Measurement.</p> <p>IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements.</p> <p>It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.</p> <p>IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.</p>
IFRS 15: Revenue from Contracts with Customers.	<p>IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty programmes.</p> <p>IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017 with early adoption permitted.</p>

Notes to the financial statements *(continued)*

3. Critical accounting estimates and judgements in applying accounting policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance is the company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimations of the liability that the company will ultimately pay for such claims. The company believes that the liability for claims carried at year end is adequate.

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in the accounting policy.

The specific counter party component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors.

Notes to the financial statements *(continued)*

4. Management of insurance and financial risk

The company issues contracts that transfer insurance risk or financial risk or both. 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 probability is involved in 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 estimate established.

Experience shows that the larger the portfolio of similar insurance contracts the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of portfolio.

The company has developed its insurance underwriting strategy to diversify the type of insurance risks expected and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected income.

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.

4.1.1 Casualty insurance risks

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of damages suffered in motor insurance and claims paid for medical business. 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 arrangement and proactive claims handling.

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

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the company has the right not to renew individual policies. It can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the company to pursue third parties for payment of some or all costs (i.e. subrogation). Furthermore, the company's strategy limits the total exposure to any one business. The reinsurance arrangements include excess stop-loss and catastrophe coverage. The effect of such reinsurance arrangements is that the company should not suffer the total net insurance losses on the contracts.

Notes to the financial statements (continued)

4. Management of insurance and financial risk (continued)

4.1.1 Casualty insurance risks (continued)

Frequency and severity of claims (continued)

The company has specialised claims units dealing with the mitigation of risks surrounding known claims. The claims unit investigates and adjusts all claims. The claims are reviewed individually and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contracted terms and conditions and other factors. The company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

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

Claims on insurance contracts 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 discovered after the balance sheet date. As a result, liability claims are settled over a long period of time and some 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 the individual contract holders and the risk management procedures they adopted.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for outstanding claims not yet reported at the balance sheet date.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where information about the claim event is available.

In estimating the liability for the cost of reported claims not yet paid, the company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case by case basis or projected separately in order to account for the possible distortive effect of their development and incidence on the rest of the portfolio.

Where possible, the company adopts the relevant techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections made by the company also assist in estimating the range of possible outcomes.

Notes to the financial statements *(continued)*

4. Management of insurance and financial risk (continued)

4.1.2 Life insurance contracts

These contracts are mainly issued to employers to insure their commitments to their employees in terms of their pension fund and other employee benefit plans. The risk is affected by the nature of the industry in which the employer operates.

4.2 Financial risk

The company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligation arising from its insurance contracts. The most important components of this financial risk are credit risk, currency risk and liquidity risk.

Credit risk

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

- Reinsurance share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders and intermediaries.

The company has policies in place to ensure that services are rendered to customers with an appropriate credit history.

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

Management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies or other publicly available financial information.

Liquidity risk

The company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The company manages this risk by maintaining sufficient cash, and investing any excess cash over its anticipated requirements.

Currency risk

The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. This risk is managed by maintaining adequate foreign currency assets to meet its foreign currency liabilities as they fall due.

Notes to the financial statements *(continued)*

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

Currency risk (continued)

As at 31 December 2014

In thousands of Leones

	Le	USD	Euro	GBP	Total
Property and equipment 772,470	-	-	772,470		
Financial assets 3,736,825	-	-		3,736,825	
Loans and receivables including insurance receivables 1,788,707	-	-			1,788,707
Cash and cash equivalents 1,525,499	1,811,993	17,858	74,018	3,429,369	
Deferred tax asset 121,410	-	-	121,410		
Total assets	8,037,837	1,811,993	17,858	74,018	9,941,707
Short term loan	192,499	-	-	-192,499	
Employee benefit provision 26,770	-	-	26,770		
Insurance contract 585,231	-	-585,231			
Trade and other payables 1,799,787	-	-	1,799,787		
Income tax liability 89,872	89,872	-			
Non life fund	3,129,627	-	-		3,129,627
Life fund 284,243	-	284,243			
Unearned Premium Provision 1,182,585	-	-			1,182,585
Total Liabilities	7,290,614	-			
7,290,614					

Notes to the financial statements *(continued)*

4. Management of insurance and financial risk *(continued)*

4.2 Financial risk *(continued)*

Currency risk (continued)

As at 31 December 2013

In thousands of Leones

	Le	USD	Euro	GBP	Total
Property and equipment	778,167	-	-	-	778,167
Financial assets	2,853,429	-	-	-	2,853,429
Loans and receivables including insurance receivables	994,202	-	-	-	994,202
Cash and cash equivalents	181,875	199,178	15,681	64,118	460,852
Deferred tax asset	214,336	-	-	-	214,336
Total assets	5,022,009	194,178	15,681	641,117	5,300,986
Short term loan	307,500	-	-	-	307,500
Employee benefit provision	19,096	-	-	-	19,096
Insurance contract	424,461	-	-	-	424,461
Trade and other payables	817,885	-	-	-	817,885
Income tax liability	38,479	-	-	-	38,479
Non life fund	1,735,184	-	-	-	1,735,184
Life fund	83,542	-	-	-	83,542
Total Liabilities	3,426,147	-	-	-	3,326,147

Notes to the financial statements *(continued)*

4. Management of insurance and financial risk *(continued)*

4.2 Financial risk *(continued)*

Foreign currency sensitivity analysis

Concentration of Leone equivalent of foreign currency denominated assets and liabilities.

2014

In thousands of Leones

	USD	Euro	GBP	Total
Cash and cash equivalents	181,199	1,786	7,402	190,387
Total assets	181,199	1,786	7,402	190,387
Liabilities				
Net on-financial position	181,199	1,786	7,402	190,387

2013

In thousands of Leones

	USD	Euro	GBP	Total
Cash and cash equivalents	19,918	1,568	6,412	27,898
Total assets	19,418	1,568	6,412	27,898
Liabilities	-	-	-	-
Net on-financial position	19,418	1,568	6,412	27,898

The above sensitivity analysis has been based on a 10% change in major foreign currency exchange rate against the Leone. The Leone has been relatively stable for the past couple of years, but may well depreciate or strengthen against the major currencies by a margin of 10 percent.

Notes to the financial statements (continued)

5. Segment information

5.1 The segments for the year ended 31 December 2014 are as follows:

At 31 December, 2014, the company carries on non-life business in the following areas:

- Fire Insurance;
- Motor Insurance;
- Accident Insurance; and
- Marine Insurance

All underwriting revenue sources as captioned by the four business segment shown above.

Investment and other income is generated from asset management and other related services arising from insurance and investment contracts.

These segment results for the period ended 31 December 2014 are as follows:

<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Un allocated	Total
Revenue						
Premiums less re-insurance	479,036	2,646,203	3,380,460	269,417	6,775,117	
Unearned Premium	(175,468)	(156,649)	(648,227)	-	-	(980,344)
Investment income	-	-	-	106,752	106,752	
Total income Earned	303,568	2,489,554	2,732,233	269,417	106,752	5,990,929
Expenditure						
Net commission paid						
Commissions paid	145,312	265,236	618,512	49,933	-	1,078,993
	145,312	265,236	618,512	49,933	-	1,078,993
Transfer to insurance fund						
Reserve of unexpired risks at 30 September.	215,566	1,190,791	1,521,206	202,063	-	3,129,627
Reserve of unexpired risks at 1 January.	(229,499)	(747,751)	(578,793)	(179,141)	-	(1,735,184)
Amounts transferred to/(from) insurance fund accounts	(13,932)	443,041	942,413	22,921	-	1,394,443
Net claims incurred	2,111	179,182	44,185	23,306	-	248,784
Finance cost	(2,515)	(9,161)	(11,657)	(885)	-	(24,219)
Management expenses	255,507	930,590	1,184,159	89,949	-	2,460,204
Total expenses	386,482	1,808,887	2,777,611	185,224	-	5,158,205
Income from non-life operations	(82,914)	680,667	(45,378)	84,193	196,156	832,724

Notes to the financial statement (continued)

5. Segment information (continued)

These segment results for the year ended 31 December 2013 are as follows:

<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Un allocated	Total
Revenue						
Premiums less re-insurance	509,999	1,661,668	1,286,207	238,855	-	3,696,729
Investment income	-	-	-	-	225,324	225,324
Total income	509,999	1,661,668	1,286,207	238,855	225,324	3,922,053
Expenditure						
Net commission paid						
Commissions paid	130,655	170,474	123,253	51,251	-	475,633
	130,655	170,474	123,253	51,251	-	475,633
Transfer to insurance fund						
Reserve of unexpired risks at 31 December.	229,499	747,751	578,793	179,141	-	1,735,184
Reserve of unexpired risks at 1 January.	(132,276)	(529,693)	(498,841)	(176,093)	-	(1,336,903)
Amounts transferred to insurance fund accounts	97,223	218,058	79,952	3,048	-	398,281
Net claims incurred	35,736	260,145	506,313	377,362	-	1,179,556
Finance cost	12,412	40,443	31,304	5,815	-	89,974
Management expenses	271,757	903,264	743,066	127,275	-	2,045,362
Total expenses	547,783	1,592,384	1,483,888	564,751	-	4,188,806
Income from non-life operations	(37,784)	69,284	(197,681)	(325,896)	225,324	(266,753)

5.2 Disclosable items

Disclosable items included in the statement of comprehensive income as part of management expenses for the period under review are as follows:

<i>In thousands of Leones</i>	2014	2013
Directors' fees	20,745	55,521
Depreciation	147,267	114,368
Auditors' fees	49,550	26,310
	=====	=====

Notes to the financial statement *(continued)*

6. Investment income

<i>In thousands of Leones</i>	2014	2013
6a Non-Life		
Interest received	196,156	225,324
Total investment income	196,156	225,324
	=====	=====
6b. Life		
Interest received	7,533	5,996
	=====	=====

7. Management expenses

<i>In thousands of Leones</i>	2014	2013
Advertising	157,513	58,495
Audit fees	49,550	26,310
Miscellaneous	450,368	203,010
Depreciation	147,267	114,368
Entertainment	80,305	93,923
Utility bills	22,404	25,313
Legal and professional	10,854	24,615
Directors' fees	20,745	55,521
Motor cars expenses	101,149	89,229
Repairs and maintenance	22,801	20,408
Staff costs	586,501	513,517
Communication	93,994	63,795
Printing and stationery	33,416	34,074
Rent and rates	230,295	147,307
Subscription and donation	13,200	14,672
Traveling	198,386	199,093
Impairment loss on trade receivables	141,543	309,515
Registration fee	99,912	52,197
Non-life expenses	2,460,203	2,045,362
	=====	=====
Life business expenses		
Miscellaneous expenses	49,443	53,560
Staff cost	31,579	-
Life expenses	81,022	53,560
	=====	=====

7.1 Staff costs

<i>In thousands of Leones</i>	2014	2013
Non-Life		
Salaries and wages	204,055	187,064
Staff welfare	319,975	254,084
Medical	28,242	27,808
Training	23,556	14,496
Staff benefits	10,673	13,112
	586,501	496,564
	=====	=====

Notes to the financial statement *(continued)*

7.1 Staff costs

<i>In thousands of Leones</i>	2014	2013
Life		
Salaries and wages	11,506	-
Staff welfare	19,033	-
Medical	1,040	-

31,579

8. Net Finance cost

<i>In thousands of Leones</i>	2014	2013
Net foreign exchange (gain)/ loss	(136,214)	(823)
Interest on loan	61,048	29,686
Bank charges	53,299	61,111
	<u>21,867</u>	<u>89,974</u>

9. Insurance funds

<i>In thousands of Leones</i>	2014	2013
(a) General business		
Balance at 1 January	1,735,184	1,336,903
Increase arising from changes in net premium income (note 5.1)	1,394,443	398,281
Movement in Unearned Premium	980,344	-
Balance at 31 December	<u>4,109,971</u>	<u>1,735,184</u>
(b) Life business		
<i>In thousands of Leones</i>	2014	2013
Balance at 1 January	83,542	69,352
Increase arising from life business	208,849	14,190
Contingency Reserved Provision	(8,148)	-
Unearned Premium	(202,241)	-
Balance at 31 December	<u>486,484</u>	<u>83,542</u>

10. Tax account

a. Current tax expense

<i>In thousands of Leones</i>	2014	2013
Current year at 30%	109,105	-
Deferred tax expense		
Origination and reversal of temporary differences	92,927	(135,058)
	<u>202,031</u>	<u>(135,058)</u>

Notes to the financial statement *(continued)*

10. Tax account (continued)

b. Reconciliation of effective tax rate

<i>In thousands of Leones</i>	2014	2013
(Loss)/profit before income tax	877,212	(260,324)
Income tax on loss before tax	263,164	(78,097)
Tax impact of permanent difference:		
Non deductible expenses	-	32,891
Tax exempt income	(58,849)	(67,597)
Tax incentives	(2,284)	(22,255)
Deferred tax asset (recognized)/not recognized	-	-
Other deductible adjustment	-	-
	202,031	(135,058)

c. Income tax account

<i>In thousands of Leones</i>	2014	2013
Balance at 1 January	(38,479)	(81,184)
Tax charged for the year	(109,105)	-
	(147,584)	(81,184)
Payment during the year	57,712	42,705
Balance at 31 December	(89,872)	(38,479)

d. Deferred tax asset and liabilities

<i>In thousands of Leones</i>	2014			2013		
	Asset	Liability	Net	Asset	Liability	Net
Property and equipment	-	123,613	123,613	-	105,764	105,764
Employee benefit plan	(8,031)	-	(8,031)	(5,728)	-	(5,728)
Tax loss carried forward	(205,992)	-	(205,992)	(315,097)	-	(315,097)
Unrealised Exchange gain	-	-	-	-	725	725
Impairment Provision	(31,000)	-	(31,000)	-	-	-
Deferred tax asset not recognised	-	-	-	-	-	-
	(245,023)	123,613	(121,410)	(320,825)	106,489	(214,336)

Notes to the financial statement *(continued)*

10. Tax account *(continued)*

e. Movement in temporary differences during the year 2014

<i>In thousands of Leones</i>	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
Property and equipment	105,764	17,849	-	123,613
Employee benefit plan(5,729)	(2,302)	-	(8,031)	
Unrealized foreign exchange gains	725	(725)	-	-
Tax loss carried forward(315,096)	109,105	-(205,992)		
Provision for Impairment	-	(31,000)	-	(31,000)
Deferred tax asset recognised	-	-	-	-
	214,336	92,927	-	(121,410)

Movement in temporary differences during the year 2013

<i>In thousands of Leones</i>	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
Property and equipment	62,773	42,991	-	105,764
Employee benefit plan	(1,991)	(3,737)	-	(5,728)
Unrealized foreign exchange gains	972	(247)	-	725
Tax loss carried forward	(141,032)	(174,065)	-	(315,097)
Deferred tax asset recognised	-	-	-	-
	(79,278)	(135,058)	-	(214,336)

11. Earnings per share

Basic

Basic (loss)/earnings per share is calculated by dividing the net profit attributable to the equity holders of the company by the weighted average number of shares in issue during the year.

<i>In thousands of Leones</i>	2014	2013
(Loss)/profit attributed to equity holders	819,500	(125,266)
Weighted average number of ordinary shares in issue (thousands)	1,000,000	1,000,000
Basic(loss)/earnings per share (expressed in Leones per share)	819	(125)

Notes to the financial statement *(continued)*

11. Earnings per share (continued)

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares, to assume all dilutive potential ordinary shares. At 31 December 2014, the company had no dilutive potential ordinary shares.

<i>In thousands of Leones</i>	2014	2013
(Loss)/ profit attributed to equity holders	819,500 =====	(125,266) =====
Weighted average number of ordinary shares in issue (thousands)	1,000,000 =====	1,000,000 =====
Diluted(loss)/earnings per share (expressed in Leones per share)	819 =====	(125) =====

Notes to the financial statement *(continued)*

12. Property and equipment

<i>In thousands of Leones</i>	Motor vehicle	Furniture and equipment	Total
At 1 January 2013	230,650	544,351	775,001
Additions	319,633	76,014	395,647
Disposal	(142,950)	-	(142,950)
At 31 December 2013	407,333	620,365	1,027,698
At 1 January 2014	407,333	620,365	1,027,698
Additions	18,750	133,488	152,238
Disposal	(40,000)	-	(40,000)
At 31 December 2014	386,083	753,853	1,139,935
Accumulated depreciation			
At 1 January 2013	167,827	106,714	274,541
Charge for the year	58,315	56,053	114,368
Disposal	(139,378)	-	(139,378)
At 31 December 2013	86,764	162,767	249,531
At 1 January 2014	86,764	162,767	249,531
Charge for the year	76,529	70,738	147,267
Disposal	(29,333)	-	(29,333)
At 31 December 2014	133,960	233,505	367,465
Carrying amounts			
At 1 January 2013	62,823	437,637	500,460
At 31 December 2013	320,569	457,598	778,167
At 1 January 2014	320,569	457,598	778,167
At 31 December 2014	252,123	520,347	772,470

Notes to the financial statement *(continued)*

13. Financial assets

a. Investments

<i>In thousands of Leones</i>	2014	2013
	3,736,825	2,853,429
Total investments	3,736,825	2,853,429

The statutory deposit was made with the Bank of Sierra Leone in compliance with Section 23(1) of the Insurance Act 2000. The deposit of Le 150 million for each class of business (Le750 million in total) is, and will continue to be maintained at the Bank of Sierra Leone, so long as the company continues to transact insurance business in Sierra Leone. The deposits are invested in treasury bills (Government Securities) by the Bank of Sierra Leone on behalf of the company.

<i>In thousands of Leones</i>	2014	2013
Held to maturity	3,690,862	2,807,466
Total financial assets	3,690,862	2,807,466

Held to maturity constitute assets expected to be realised within one year

b. Investments in equities

<i>In thousands of Leones</i>	2014	2013
Shares	45,963	45,963

c. Held to maturity financial assets

<i>In thousands of Leones</i>	2014	2013
Treasury bills	1,069,849	1,342,324
Fixed deposit	2,557,163	1,352,242
Treasury bond	63,850	112,900
Total held to maturity financial assets	3,690,862	2,807,466

The fair value of the held to maturity financial assets approximate to the carrying amount.

Notes to the financial statement *(continued)*

14. Loans and receivables including insurance receivables

a. Loans and receivables including insurance receivables

<i>In thousands of Leones</i>	2014	2013
Receivables arising from insurance contracts		
Due from agents and brokers	2,399,019	1,672,972
Allowance for impairment	(1,106,140)	(894,368)
	<u>1,292,879</u>	<u>778,604</u>
Other loans and receivables		
Prepayments	103,500	107,855
Loans to staff	39,183	36,286
Others	353,145	71,457
	<u>1,788,707</u>	<u>994,202</u>
Total loans and receivables including insurance receivables	1,788,707	994,202

b. Allowance for impairment

<i>In thousands of Leones</i>	2014	2013
At 1 January	894,368	584,853
Charge for the year	211,772	309,515
	<u>1,106,140</u>	<u>894,368</u>
At 31 December	1,106,140	894,368

c. Allowance for impairment

<i>In thousands of Leones</i>	2014	2013
Specific allowance for impairment		
At 1 January	859,825	-
Charge for the year	142,982	859,825
	<u>1,002,808</u>	<u>859,825</u>
At 31 December	1,002,808	859,825
Collective allowance for impairment		
At 1 January	34,542	584,853
Charge / (release) for the year	68,790	(550,311)
	<u>103,332</u>	<u>34,542</u>
At 31 December	103,332	34,542
Total allowance for impairment	1,106,140	894,368

Notes to the financial statement *(continued)*

15. Cash and cash equivalents

<i>In thousands of Leones</i>	2014	2013
Bank balances	3,415,523	458,954
Cash balances	13,846	1,898
Total cash and cash equivalent	<u>3,429,369</u>	<u>460,852</u>

16. Share capital

<i>In thousands of Leones</i>	2014		2013	
Authorised:	No. of shares	Le'000	No. of shares	Le'000
1 million ordinary shares of Le100each	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At 1 January	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
At 31 December	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>

17. Deposit for shares

<i>In thousands of Leones</i>	2014	2013
Balance at 1 January	1,349,618	1,349,618
Received during the year	-	-
	<u>1,349,618</u>	<u>1,349,618</u>

18. Contingency reserves

<i>In thousands of Leones</i>	2014	2013
Balance at 1 January	299,853	184,699
Transfer from retained earnings –Non Life	221,988	115,154
Reserve for the year – Life	8,147	-
	<u>529,988</u>	<u>299,853</u>

Notes to the financial statement *(continued)*

19. Retained earnings

<i>In thousands of Leones</i>	2014	2013
Balance at 1 January	125,368	515,788
Profit for the year	675,181	(125,266)
Transfer to contingency reserves	(221,988)	(115,154)
Dividend to owners	-	(150 000)
	<u>578,561</u>	<u>125,368</u>
	=====	=====

20. Loans and borrowings

<i>In thousands of Leones</i>	2014	2013
Balance at 1 January	307,500	42,105
Additions during the year	-	345,000
Repayment	(115,001)	(79,605)
	<u>192,499</u>	<u>307,500</u>
	=====	=====

The loan facility was obtained from Access Bank SL Limited and it is secured on a term deposit of Le 345 million which is held by the bank. Interest on the loan is at 24% per annum and payable within 48 months commencing from the date of initial disbursement.

21. Employee benefit provision

<i>In thousands of Leones</i>	2014	2013
Present value of obligation	26,770	19,096
	<u> </u>	<u> </u>
Recognised liability for end of service benefit obligation	26,770	19,096
	<u> </u>	<u> </u>
	=====	=====

Movement in the present value of end of service benefit

Liability for end of service obligation at 1 January	19,096	6,638
Current service cost	10,673	12,458
Payments during the year	(2,998)	-
	<u>26,770</u>	<u>19,096</u>
	=====	=====

Key valuation assumptions

Discount rate	13.61%	19%
Salary increase rate	17.5%	16%
Withdrawal rate	5%	5%

Notes to the financial statement *(continued)*

22. Insurance contracts claims

2014					
<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Total
Claims at start of the year	894	60,350	171,817	191,400	424,462
Claims incurred during the year	40,605	182,788	93,824	23,306	340,523
Claims recovered from Re-insurer	(38,494)	(3,606)	(49,639)	-	(91,739)
Claims paid during the year	(3,005)	(32,050)	(29,653)	(23,306)	(88,014)
Claims outstanding at 31 December	-	207,482	186,349	191,400	585,231
2013					
<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Total
Claims at start of the year	894	1,250	165,787	-	167,931
Claims incurred during the year	35,736	260,145	506,313	377,362	1,179,556
Claims paid during the year	(35,736)	(201,045)	(500,283)	(185,962)	(923,026)
Claims outstanding at 31 December	894	60,350	171,817	191,400	424,461

23. Trade and other payables

<i>In thousands of Leones</i>	2014	2013
General		
Commission outstanding	844,512	243,937
Accruals	437,177	182,021
Other creditors	518,098	391,927
	1,799,787	817,885
	=====	=====

The estimated fair values of accounts due to other trading parties and trade payables are the amounts repayable on demand. All trade and other payables are current liabilities.

24. Capital commitment

There were no capital commitments at 31 December 2014 (2013: Nil).

25. Contingent liabilities

The company is defending a claim brought by one of its marine policy holders for a passenger boat insured for Le 879.4 million (US\$200,000). Based on legal advice, management believes that the case will be unsuccessful.

Notes to the financial statement *(continued)*

26. Related party disclosure

The following transactions were carried out with related parties:

(a) Key management compensation

<i>In thousands of Leones</i>	2014	2013
Salaries and other short-term employee benefits	310,083	269,611
	<u>310,083</u>	<u>269,611</u>
	=====	=====

27. Events after the financial position date

Events subsequent to the financial position date are disclosed only to the extent that they relate directly to the financial statements and their effect is material. As there were no such events as at the date the financial statements were issued.