Staco Insurance Company (SL) Limited

Financial Statements
for the year ended 31 December 2015

This report contains 47 pages
Supplementary information 1page
Ref: S651/ib/eap

Contents

General information

Directors	:	Henry Macauley (Chairman) Adekunle Micheal Aderinola (Managing) Brima Ndoeka Solomon Ogba S.O. Oyefeso Ehi Eguabor Emerica Karefa-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 Keystone (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 71 Sir Samuel Lewis Road Aberdeen Freetown Sierra Leone
Auditors	:	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 2015.

Directors' responsibility statement

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 2009 of Sierra Leone and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Going Concern

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 year ended 31 December, 2015 are shown in the attached financial statements.

Property and equipment

Details of the company's property and equipment are shown in note 15 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) Limited has 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)
Brima Ndoeka
Solomon Ogba
S.O. Oyefeso
Ehi Eguabor
Emerica Karefa-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 on …………………..2016.

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

Independent Auditor's report to the Members of Staco Insurance Company (SL) Limited

We have audited the accompanying financial statements of Staco Insurance Company Limited, which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 8 to 47.

Director's responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 2009 of Sierra Leone and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's report
to the Members of Staco Insurance Company (SL) Limited

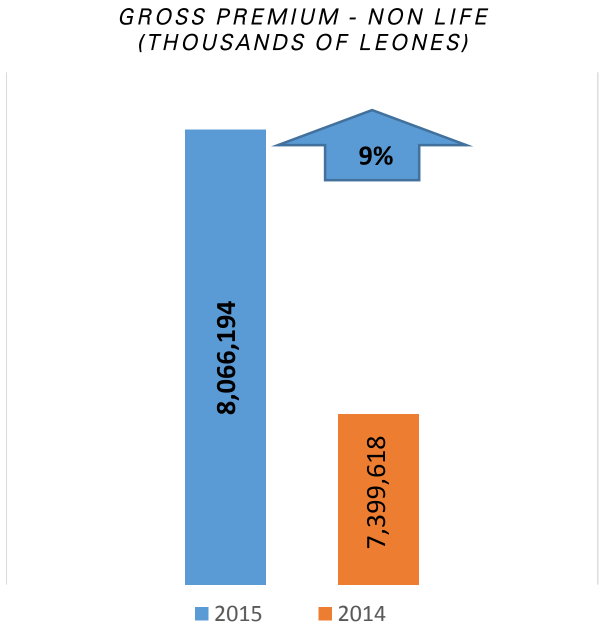
Opinion

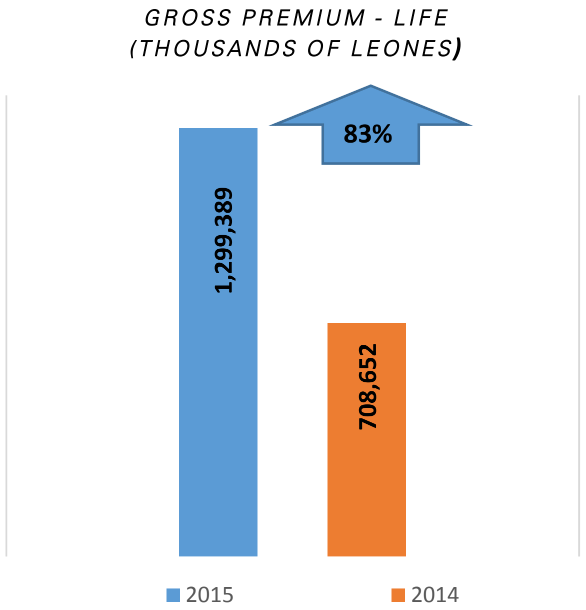
In our opinion, the financial statements give a true and fair view of the financial position of Staco Insurance Company as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2009 of Sierra Leone.

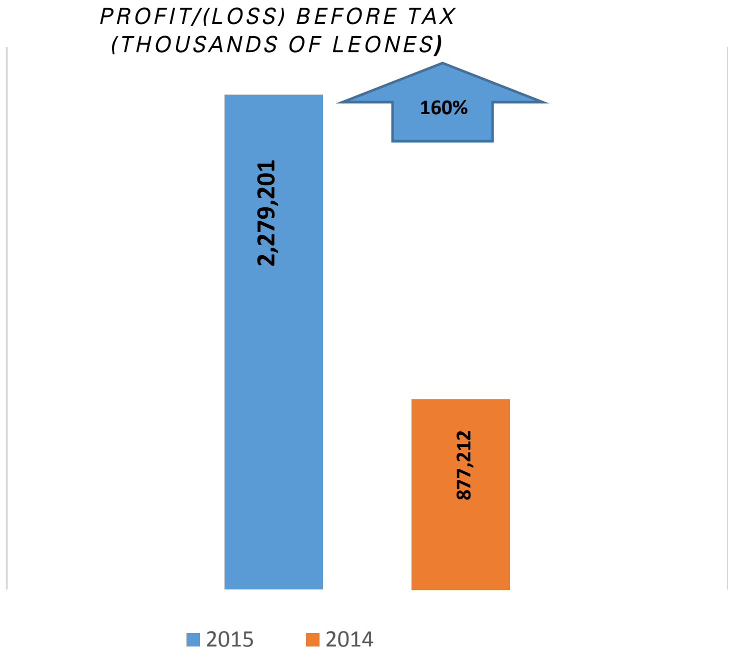
Freetown *Chartered Accountants*

Date:

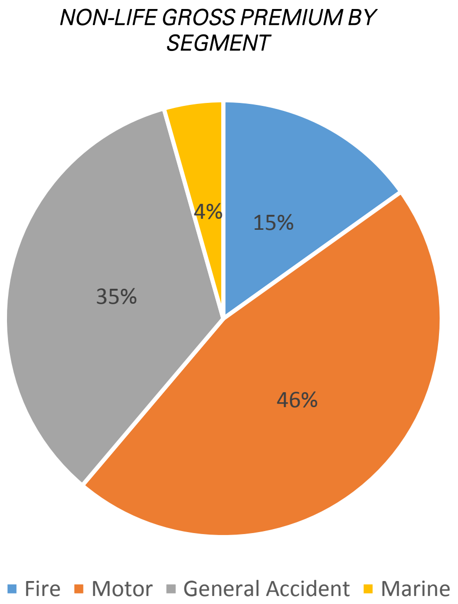
Financial highlights

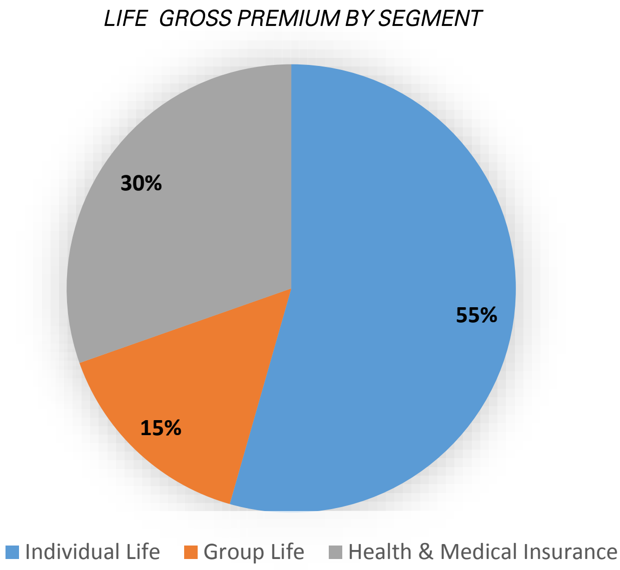


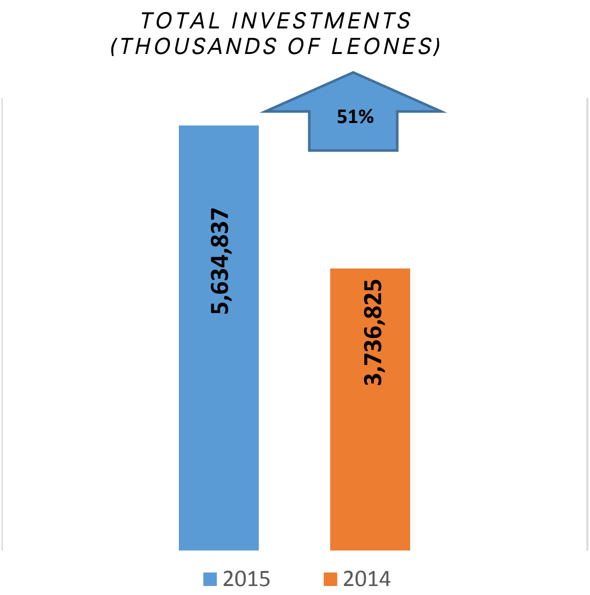


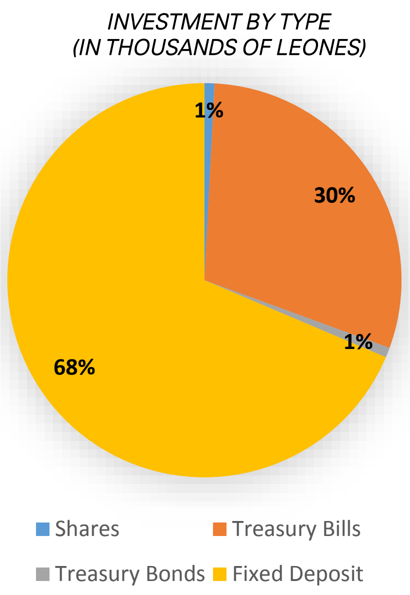


Financial highlights *(Continued)*









Statement of financial position
as at 31 December

In thousands of Leones	Note	2015	2014
Assets			
Property and equipment	*15*	**784,725**	772,470
Financial assets	*16*	**5,634,837**	3,736,825
Loans and receivables including insurance receivables	*17*	**3,489,759**	1,788,707
Cash and cash equivalents	*18*	**5,402,116**	3,429,369
Deferred tax asset	*14d*	-	121,410
Total assets		**15,311,437**	9,848,781
Equity			
Share capital	*19*	**1,449,618**	100,000
Deposit for shares	20	-	1,349,618
Contingency reserve	*21*	**784,969**	529,988
Retained earnings	*22a*	**1,684,927**	578,561
Other reserves	*22b*	**25,490**	-
Total equity		**3,945,004**	2,558,167
Liabilities			
Loans and borrowings	*23*	**77,500**	192,499
Employee benefit provision	*24*	**61,147**	26,770
Insurance contract	*25*	**614,350**	585,231
Trade and other payables	*26*	**3,743,079**	1,799,787
Income tax liability	*14c*	**506,074**	89,872
Deferred tax liability	*14d*	**94,162**	-
Insurance funds:			
Non-life	*13a*	**5,313,103**	4,109,971
Life	*13b*	**957,018**	486,484
Total liabilities		**11,366,433**	7,290,614
Total equity and liabilities		**15,311,437**	9,848,781

The financial statements were approved by the Board of Directors on 2016 and were signed on its behalf by:

……………………………………………….. **Chairman**

……………………………………………….. **Director**

The notes on pages 15 to 47 are an integral part of these financial statements

Statement of comprehensive income - Non-life

for the year ended 31 December

In thousands of Leones	Note	2015	2014
Revenue			
Insurance premium revenue	*6b*	8,066,194	7,399,618
Insurance premium ceded to reinsurers		(581,757)	(624,501)
Net insurance premium written	*5.1*	7,484,437	6,775,117
Less: unearned premium		(858,887)	(980,344)
Net premium earned		6,625,550	5,794,773
Investment income	*9a*	238,262	196,156
Net finance income	*12a*	325,928	24,219
Net revenue		7,189,740	6,015,148
Expenditure			
Claims paid, outstanding and unintimated	*5.1*	(306,016)	(248,784)
Commission paid	*5.1*	(1,065,701)	(1,078,993)
Management expenses	*5.1 & 10*	(3,318,413)	(2,460,204)
		(4,690,130)	(3,787,981)
Amounts transferred to Insurance fund account	*5.1*	(344,244)	(1,394,443)
		(5,034,374)	(5,182,424)
Net income/(expense) from non-life operations		2,155,366	832,724
Other income		123,835	44,488
Profit before tax		2,279,201	877,212
Tax expense	*14a*	(680,849)	(202,031)
Profit for the year		1,598,352	675,181
Other comprehensive income for the year, net of tax		25,490	-
Total comprehensive income for the year		1,623,842	675,181

The notes on pages 15 to 47 are an integral part of these financial statements

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

In thousands of Leones	Note	2015	2014
Profit attributable to:			
Equity holders of the company		1,598,352	675,181
Profit for the year		1,598,352	675,181
		=======	======
Total comprehensive income attributable to:			
Equity holders of the company		1,623,842	675,181
Total comprehensive income for the year		1,623,842	675,181
		========	======

The financial statements were approved by the Board of Directors on 2016 and were signed on its behalf by:

……………………………………………….. Chairman

……………………………………………….. Director

The notes on pages 15 to 47 are an integral part of these financial statements

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

In thousands of Leones	Note	2015	2014
Revenue			
Net insurance premium revenue	*6b*	1,299,389	708,652
Less: Unearned premium		(326,164)	-
Net premium earned		973,225	708,652
Investment income	*9b*	11,617	7,533
Net revenue		984,842	716,185
Expenditure			
Claims paid, outstanding and unintimated		(488,855)	(379,363)
Commission paid		(230,524)	(44,597)
Management expenses	*10*	(104,464)	(81,022)
Net finance cost	*12b*	(3,635)	(2,354)
		(827,478)	(507,336)
Amounts transferred to life insurance fund account	*13b*	(157,364)	(208,849)
		984,842	716,185
		======	=======

The financial statements were approved by the Board of Directors on 2016 and were signed on its behalf by:

……………………………………………….. Chairman

……………………………………………….. Director

The notes on pages 15 to 47 are an integral part of these financial statements

Statement of changes in equity

for the year ended 31 December 2015

In thousands of Leones

	Share capital	Deposit for shares	Retained earnings	Contingency reserve	Other reserves	Total
Balance at 1 January 2015	100,000	1,349,618	578,561	529,988	-	2,558,167
Total comprehensive income for the year						
Profit for the year	-	-	1,598,352	-	-	1,598,352
Other comprehensive income net of tax						
Employee benefit actuarial gain	-	-	-	-	25,490	25,490
Total other comprehensive Income	-	-	-	-	25,490	25,490
Total comprehensive income	-	-	1,598,352	-	25,490	1,623,842
Other transfers						
Transfer to contingency reserve (Non-Life)	-	-	(241,986)	241,986	-	-
Transfer to contingency reserve (Life)	-	-	-	12,995	-	12,995
Total other transfers	-	-	(241,986)	254,981	-	12,995
Total comprehensive income and transfers	-	-	1,356,366	254,981	25,490	1,636,837
Transaction with owners, recorded directly in equity						
Dividend to equity holders	-	-	(250,000)	-	-	(250,000)
Transfer to share capital	1,349,618	(1,349,618)	-	-	-	-
Total transactions with Owners	1,349,618	(1,349,618)	(250,000)	-	-	(250,000)
Balance at 31 December 2015	1,449,618	-	1,684,927	784,969	25,490	3,945,004

The notes on pages 15 to 47 are an integral part of these financial statements

Statement of changes in equity *(continued)*
for the year ended 31 December 2014

In thousands of Leones

	Share capital	Deposit for shares	Retained earnings	Contingency reserves	Other 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 for the year	-	-	675,181	-	-	675,181
Other comprehensive income net of tax	-	-	-	-	-	-
Total other comprehensive Income	-	-	675,181	-	-	675,181
Other transfers						
Transfer to contingency reserve (Non-Life)	-	-	(221,988)	221,988	-	-
Transfer to Contingency reserve (Life)	-	-	-	8,147	-	8,147
Total other transfers	-	-	(221,988)	230,135	-	8,147
Total comprehensive (loss)/ income and transfers	-	-	453,193	230,135	-	683,328
Transaction with owners, recorded directly in equity	-	-	-	-	-	-
Balance at 31 December 2014	100,000	1,349,618	578,561	529,988	-	2,558,167

The notes on pages 15 to 47 are an integral part of these financial statements

Statement of cash flows
for the year ended 31 December

In thousands of Leones	Note	2015	2014
Cash flows from operating activities			
Profit for the year		1,598,352	675,181
Adjustment for:			
Depreciation	*15*	158,560	147,967
Net finance cost	*12*	(322,293)	(21,865)
Loss on disposal		14,554	4,466
Income tax expense / (credit)	*14a*	680,849	202,031
Defined benefit actuarial gain	*22b*	36,415	-
Cash flows (used in)/from operating activities		2,166,437	1,007,780
Changes in operating assets and liabilities			
Changes in receivables		(1,701,052)	(794,506)
Changes in payables		1,693,293	981,901
Changes in insurance fund – Non-Life		344,244	1,394,443
Changes in end of service benefit		34,377	7,674
Changes in insurance contract		29,119	160,770
Changes in life fund		144,370	200,701
Contingency Reserve Transfer - Life		12,995	8,147
Change in Unearned Premium		1,185,052	1,182,585
		3,908,835	4,149,495
Interest and charges paid		(74,804)	(114,347)
Income tax paid		(60,000)	(57,712)
Net cash from operating activities		3,774,031	3,977,436
Cash flow from investing activities			
Acquisition of property and equipment	*15*	(194,108)	(152,238)
Acquisition of investment		(1,898,012)	(883,396)
Proceeds from sale of property and equipment		8,738	5,500
Net cash used in investing activities		(2,083,382)	(1,030,134)
Cash flows from financing activities			
Net change in loans and borrowings		(114,999)	(115,001)
Dividends to owners		-	-
Cash flow from financing activities		(114,999)	(115,001)
Net decrease in cash and cash equivalents		1,575,650	2,832,302
Cash and cash equivalents at 1 January		3,429,369	460,852
Exchange rate fluctuation		397,097	136,215
Cash and cash equivalents at 31 December	*18*	5,402,116	3,429,369

The notes on pages 15 to 47 are an integral part of these financial statements

Notes to the financial statement

1. General information

Staco Insurance Company (SL) Limited is a limited liability company incorporated and domiciled in Sierra Leone. The address of its registered office is 24 Upper Brook Street, Freetown, Sierra Leone.

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

The financial statements of the Company as at and for the year ended 31 December 2015 comprise those of the Company alone.

2. Basis of accounting

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

3. 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.

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.

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.

Notes to the financial statement *(continued)*

4. Use of Judgement and estimates

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

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

(a) Judgments

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

Note 31 (p) – Revenue: whether the company acts as an agent in the transaction rather than as a principal.

Note 31 (r) Lease: whether an arrangement contains a lease.

(b) Assumption and estimation uncertainties

Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment for the year ended 31 December 2015 is included in the following notes:

Note 31(n) - measurement of defined contribution obligations: key assumptions

Note 31(m) - recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.

Note 31(o) - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Note 31(e) - impairment test: key assumptions underlying recoverable amounts.

(c) Measurement of fair values

A number of the company's accounting policies and disclosure require the measurement of fair values for both financial and non-financial asset and liabilities.

The company has an established control framework with respect to the measurement of fair values which enables the finance director to be constantly updated on fair values.

This established control framework assist the company to regularly review significant unobservable inputs and valuation adjustments. If third party information such as primary services in used to measure fair values an assessment is then made of the evidence obtained from the third parties to support the conclusion that such valuation meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuation should be classified.

Notes to the financial statement *(continued)*

4. Use of Judgement and estimates *(continued)*

(c) Measurement of fair values *(continued)*

Significant valuation issues are then reported to management. When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. Fair values are recognized into different level in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted price included in level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (as derived from prices)

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement in categorized in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Notes to the financial statement *(continued)*

5. Segment information

5.1 The segments for the year ended 31 December 2015 are as follows:

At 31 December, 2015, the company carries on non-life business in the following areas:

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

All underwriting revenue sources are 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.

The segment results for the year ended 31 December 2015 are as follows:

In thousands of Leones	Fire	Motor	Accident	Marine	Un allocated	Total
Revenue						
Premiums less re-insurance	883,168	3,668,729	2,579,626	352,914	-	7,484,437
Unearned Premium	(62,113)	(706,651)	(90,123)	-	-	(858,887)
Investment income	-	-	-	-	238,262	238,262
Total income earned	821,055	2,962,078	2,489,503	352,914	238,262	6,863,812
Expenditure						
Net commission paid						
Commissions paid	239,450	378,582	377,236	70,433	-	1,065,701
	239,450	378,582	377,236	70,433	-	1,065,701
Transfer to insurance fund						
Reserve of unexpired risks at 31 December	1,650,928	397,426	1,160,831	264,686	-	3,473,871
Reserve of unexpired risks at 1 January	(215,566)	(1,190,791)	(1,521,206)	(202,064)	-	(3,129,627)
Amounts transferred to/ Insurance fund accounts	1,435,362	(793,365)	(360,375)	62,622	-	344,244
Net claims incurred	21,822	170,334	113,860	-	-	306,016
Finance cost	(49,328)	(150,059)	(112,235)	(14,306)	-	(325,928)
Management expenses	502,226	1,527,819	1,142,717	145,651	-	3,318,413
Total expenses	2,149,532	1,133,311	1,161,203	264,400	-	4,708,446
Income from non-life Operations	(1,328,477)	1,828,767	1,328,300	88,514	238,262	2,155,366

Notes to the financial statement *(continued)*

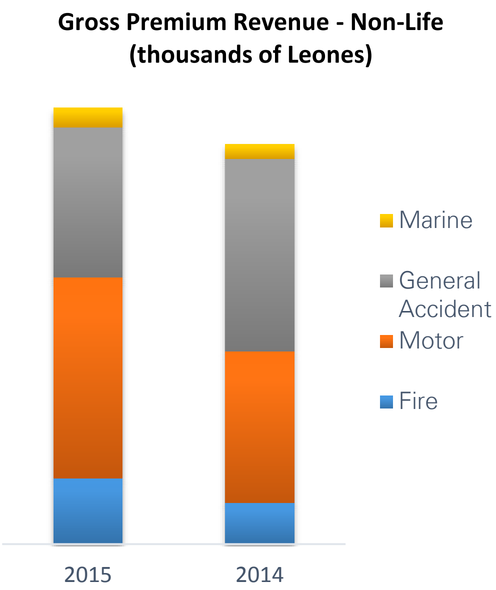
5. Segment information (continued)

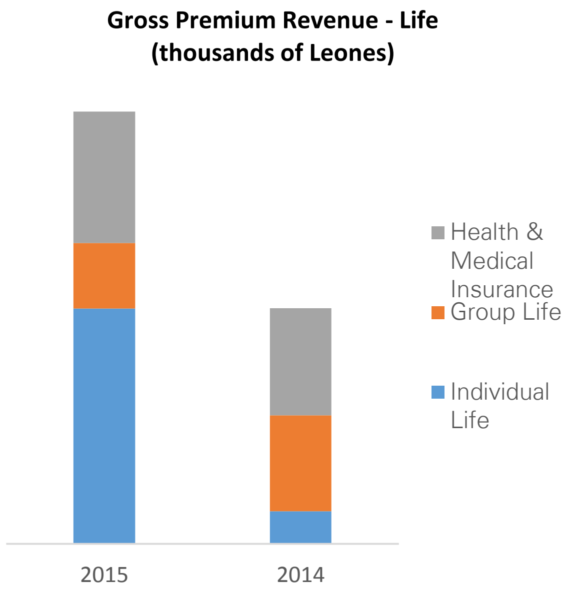
The segment results for the year ended 31 December 2014 are as follows:

In thousands of Leones	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	-	-	-	-	196,156	196,156
Total income	303,568	2,489,554	2,732,223	269,417	196,156	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 31 December	215,566	1,190,792	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 insurance fund accounts	(13,933)	443,041	942,413	22,921	-	1,394,443
Net claims incurred	2,111	179,182	44,185	23,306	-	248,784
Finance cost	(2,516)	(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)*

6. Revenue





6b. Revenue by Segment

Non- Life

In thousands of Leones	**2015**	2014
Fire	**1,220,781**	768,494
Motor	**3,713,729**	2,798,958
General Accident	**2,777,646**	3,561,624
Marine	**354,038**	270,542
	8,066,194	7,399,618
	=======	=======

Life

In thousands of Leones	**2015**	2014
Individual Life	**707,104**	97,707
Group Life	**197,380**	288,760
Health & Medical	**394,905**	322,185
	1,299,389	708,652
	=======	=======

Notes to the financial statements *(continued)*

7. Management of insurance and financial risk

The company issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the company manages them.

7.1 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 w in terms of type and amount of risk, geographical location and type of industry covered.

7.1.1 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.

The company has specialized 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.

Notes to the financial statements *(continued)*

7. Management of insurance and financial risk (continued)

7.1.1 Casualty insurance risks (continued)

(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.

7.1.2 Life insurance contracts

These contracts are mainly issued by 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.

Notes to the financial statements *(continued)*

7. Management of insurance and financial risk (continued)

7.2 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 finalization 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)*

7. Management of insurance and financial risk

7.2 Financial risk (continued)

Currency risk (continued)

As at 31 December 2015

In thousands of Leones

	Le	USD	Euro	GBP	Naira	Total
Property and equipment	784,725	-	-	-	-	784,725
Financial assets	5,634,837	-	-	-	-	5,634,837
Loans and receivables including insurance receivables	3,489,759	-	-	-	-	3,489,759
Cash and cash equivalent	1,369,511	3,011,195	18,148	80,147	923,115	15,402,116
Deferred tax asset	-	-	-	-	-	-
Total asset	11,278,832	3,011,195	18,148	80,147	923,115	15,311,437
Short term loan	77,500	-	-	-	-	77,500
Employee benefit provision	61,147	-	-	-	-	61,147
Insurance contract	614,350	-	-	-	-	614,350
Trade and other payables	3,743,079	-	-	-	-	3,743,079
Income tax	537,818	-	-	-	-	537,818
Defered tax liability	93,550	-	-	-	-	93,550
Non-life fund	5,313,103	-	-	-	-	5,313,103
Life fund	957,018	-	-	-	-	957,018
Total Liabilities	11,397,565	-	-	-	-	11,397,565

Notes to the financial statements *(continued)*

7. Management of insurance and financial risk (continued)

7.2 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	1,811,994	17,858	74,018	3,429,369
Deferred tax asset	121,410	-	-	-	121,410
Total assets	7,944,911	1,811,994	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	4,109,971	-	-	-	4,109,971
Life fund	284,243	-	-	-	284,243
Total Liabilities	7,290,614	-	-	-	7,290,614

Notes to the financial statements *(continued)*

7. Management of insurance and financial risk (continued)

7.2 Financial risk (continued)

Currency risk

In respect of monetary assets and liabilities denominated in foreign currencies, the company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The summary quantitative data about the company's exposure to currency risk as reported by management is as follows:

2015

In thousands of Leones

	USD	Euro	GBP	Naira	Total
Cash and cash equivalents	3,011,195	18,148	80,147	923,113	4,032,603
Total assets	**3,011,195**	**18,148**	**80,147**	**923,113**	**4,032,603**
Liabilities	-	-	-	-	-
Net on-financial position exposure	**3,011,195**	**18,148**	**80,147**	**923,113**	**4,032,603**

2014

In thousands of Leones

	USD	Euro	GBP	Naira	Total
Cash and cash equivalents	181,199	1,786	7,402	-	190,38[illegible]
Total assets	181,199	1,786	7,402	-	190,38[illegible]
Liabilities	-	-	-	-	
Net on financial position exposure	181,199	1,786	7,402	-	190,38[illegible]

Notes to the financial statements *(continued)*

8 Disclosable items

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

In thousands of Leones	2015	2014
Directors' fees	66,065	20,745
Depreciation	158,559	147,267
Auditors' fees	56,400	49,550
	281,024	217,562

9. Investment income

In thousands of Leones	2015	2014
9a Non-Life		
Interest received	238,262	196,156
Total investment income	238,262	196,156
9b Life		
Interest received	11,617	7,533

10. Management expenses

In thousands of Leones	2015	2014
Advertising	59,458	157,513
Audit fees	56,400	49,550
Miscellaneous	322,029	450,368
Depreciation	158,559	147,267
Entertainment	53,443	80,305
Utility bills	31,582	22,404
Legal and professional	11,625	10,854
Directors' fees	66,065	20,745
Motor cars expenses	66,184	101,149
Repairs and maintenance	47,734	22,801
Staff costs	918,938	586,501
Communication	81,690	93,994
Printing and stationery	65,915	33,416
Rent and rates	277,964	230,295
Subscription and donation	15,784	13,200
Traveling	57,862	198,386
Impairment loss on trade receivables	936,919	141,543
Registration fee	90,262	99,913
Non-life expenses	3,318,413	2,460,204
Life business expenses		
Miscellaneous expenses	42,570	49,443
Staff cost	61,894	31,579
Life expenses	104,464	81,022

Notes to the financial statement *(continued)*

11. Staff costs

In thousands of Leones	2015	2014
Non-Life		
Salaries and wages	285,964	204,055
Staff welfare	511,868	319,975
Medical	22,138	28,242
Training	16,000	23,556
Staff benefits	12,177	10,673
	848,147	586,501
Life		
Salaries and wages	28,323	11,506
Staff welfare	31,097	19,033
Medical	2,474	1,040
	61,894	31,579

12. Net finance cost

a. Non-Life

In thousands of Leones	2015	2014
Net foreign exchange (gain)/ loss	(397,097)	(136,182)
Interest on loan	34,339	50,914
Bank charges	36,830	61,049
	(325,928)	(24,219)

b. Life

In thousands of Leones	2015	2014
Bank charges	3,635	2,354

13. Insurance funds

In thousands of Leones	2015	2014
(a) General business		
Balance at 1 January	4,109,971	1,735,184
Increase arising from changes in net premium income (note 5.1)	344,244	1,394,443
Movement in Unearned Premium	858,887	980,344
Balance at 31 December	5,313,103	4,109,971

Notes to the financial statement *(continued)*

13. Insurance funds *(continued)*

(b) Life business

In thousands of Leones	2015	2014
Balance at 1 January	486,484	83,542
Increase arising from life business	157,364	208,849
Contingency Reserved Provision	(12,994)	(8,148)
Unearned Premium	326,164	202,241
Balance at 31 December	957,018	486,484
	======	======

14. Tax account

a. Current tax expense

In thousands of Leones	2015	2014
Current year at 30%	476,202	109,105
Deferred tax expense		
Origination and reversal of temporary differences	204,647	92,927
	680,849	202,031
	======	=======

b. Reconciliation of effective tax rate

In thousands of Leones	2015	2014
Profit/ (loss) before income tax	2,279,201	877,212
Income tax on loss before tax	683,760	263,164
Tax impact of permanent difference:		
Nondeductible expenses	-	-
Tax exempt income	-	(58,849)
Tax incentives	(2,912)	(2,284)
Deferred tax asset (recognized)/not recognized	-	-
Other deductible adjustment	-	-
	680,849	202,031
	======	======

c. Income tax account

In thousands of Leones	2015	2014
Balance at 1 January	89,872	38,479
Tax charged for the year	476,202	109,105
	566,074	147,584
Payment during the year	(60,000)	(57,712)
Balance at 31 December	506,074	89,872
	======	======

Notes to the financial statement *(continued)*

14. Tax account (*continued)*

d. Deferred tax asset and liabilities

Recognised deferred tax asset and liabilities

	2015			2014		
In thousands of Leones	**Asset**	**Liability**	**Net**	Asset	Liability	Net
Property and equipment	-	**132,581**	**132,581**	-	123,613	123,613
Employee benefit plan	**(18,344)**	-	**(18,344)**	(8,031)	-	(8,031)
Actuarial gain	**10,925**	-	**10,925**			
Tax loss carried forward	-	-	-	(205,992)	-	(205,992)
Unrealised Exchange gain	-	-	-	-	-	-
Impairment allowance	**(31,000)**	-	**(31,000)**	(31,000)	-	(31,000)
Deferred tax asset not recognized	-	-	-	-	-	-
	(38,419)	**132,581**	**94,162**	(245,023)	123,613	(121,410)

e. Movement in temporary differences during the year 2015

In thousands of Leones	**Opening balance**	**Recognised in profit and loss**	**Recognised in equity**	**Closing balance**
Property and equipment	**123,613**	**8,968**	-	**132,581**
Employee benefit plan	**(8,031)**	**(10,313)**	-	**(18,344)**
Actuarial gains	-	-	**10,925**	**10,925**
Unrealized foreign exchange gains	**(205,992)**	**205,992**	-	-
Tax loss carried forward	-	-	-	-
Impairment allowance	**(31,000)**	-	-	**(31,000)**
Deferred tax asset recognized				
	(121,410)	**204,647**	**10,925**	**94,162**

Movement in temporary differences during the year 2014

In thousands of Leones	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)
Impairment allowance	(31,000)	-	-	(31,000)
Deferred tax asset recognised	-	-	-	-
	(214,336)	92,927	-	(121,410)

Notes to the financial statement *(continued)*

15. Property and equipment

In thousands of Leones	Motor vehicle	Furniture and equipment	Total
Cost			
At 1 January 2014	407,333	620,364	1,027,697
Additions	18,750	133,488	152,238
Disposal	(40,000)	-	(40,000)
At 31 December 2014	386,083	753,852	1,139,935
At 1 January 2015	**386,083**	**753,852**	**1,139,935**
Additions	**88,200**	**105,908**	**194,108**
Disposal	**(42,470)**	**(2,700)**	**(45,170)**
At 31 December 2015	**431,813**	**857,060**	**1,288,873**
Accumulated depreciation			
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
At 1 January 2015	**133,960**	**233,505**	**367,465**
Charge for the year	**75,928**	**82,632**	**158,560**
Disposal	**(20,145)**	**(1,732)**	**(21,877)**
At 31 December 2015	**189,743**	**314,405**	**504,148**
Carrying amounts			
At 1 January 2014	320,569	457,597	778,166
At 31 December 2014	252,123	520,347	772,470
At 1 January 2015	**252,123**	**520,347**	**772,470**
At 31 December 2015	**242,070**	**542,655**	**784,725**

Notes to the financial statement *(continued)*

16. Financial assets

a. Investments

In thousands of Leones	**2015**	2014
Held to maturity	**5,588,874**	3,690,862
Equity investments	**45,963**	45,963
Total investments	**5,634,837**	3,736,825

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 300 million for each class of business (Le 1,500 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. Part of the statutory deposits are invested in treasury bills (Government Securities) by the Bank of Sierra Leone on behalf of the company.

In thousands of Leones	**2015**	2014
Held to maturity	**5,588,874**	3,690,862
Total financial assets	**5,588,874**	3,690,862

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

b. Investments in equities

In thousands of Leones	**2015**	2014
Shares	**45,963**	45,963

c. Held to maturity financial assets

In thousands of Leones	**2015**	2014
Treasury bills	**1,677,093**	1,069,849
Fixed deposit	**3,866,230**	2,557,163
Treasury bond	**45,550**	63,850
Total held to maturity financial assets	**5,588,874**	3,690,862

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

Notes to the financial statement *(continued)*

17. Loans and receivables including insurance receivables

a. Loans and receivables including insurance receivables

In thousands of Leones	2015	2014
Receivables arising from insurance contracts		
Due from agents and brokers	4,421,000	2,399,019
Allowance for impairment	(1,947,086)	(1,106,140)
	2,473,914	1,292,879
Other loans and receivables		
Prepayments	127,807	103,500
Loans to staff	25,058	39,183
Others	862,980	353,145
Total loans and receivables including Insurance receivables	3,489,759	1,788,707

b. Allowance for impairment

In thousands of Leones	2015	2014
At 1 January	1,106,140	894,368
Charge for the year	840,946	211,772
At 31 December	1,947,086	1,106,140

c. Allowance for impairment

In thousands of Leones	2015	2014
Specific allowance for impairment		
At 1 January	1,002,808	859,825
Charge for the year	840,946	142,982
At 31 December	1,843,754	1,002,808
Collective allowance for impairment		
At 1 January	103,332	34,542
Charge/(release) for the year	-	68,790
At 31 December	103,332	103,332
Total allowance for impairment	1,947,086	1,106,140

Notes to the financial statement *(continued)*

18. Cash and cash equivalents

In thousands of Leones	**2015**	2014
Bank balances	**5,383,042**	3,415,523
Cash balances	**19,074**	13,846
Total cash and cash equivalent	**5,402,116**	3,429,369
	=======	=======

19. Share capital

In thousands of Leones

	2015		2014	
Authorised:	**No. of shares**	**Le'000**	No. of shares	Le'000
1 million ordinary shares of Le100 each	**14,496,180**	**1,449,618**	1,000,000	100,000
	========	======	=======	======
Issued and fully paid:				
At 1 January	**1,000,000**	**100,000**	1,000,000	100,000
Issued during the year	**13,496,180**	**1,349,618**	-	-
At 31 December	**14,496,180**	**1,449,618**	1,000,000	100,000
	=======	=======	=======	=======

20. Deposit for shares

In thousands of Leones	**2015**	2014
Balance at 1 January	**1,349,618**	1,349,618
Transferred to share capital	**(1,349,618)**	-
At 31 December 2015	-	1,349,618
	=======	=======

21. Contingency reserves

In thousands of Leones	**2015**	2014
Balance at 1 January	**529,988**	299,853
Transfer from retained earnings- Non-Life	**241,986**	221,988
Reserve for the year – Life	**12,995**	8,147
	784,969	529,988
	======	=====

Notes to the financial statement *(continued)*

22. (a) Retained earnings

In thousands of Leones	2015	2014
Balance at 1 January	578,561	125,368
Profit for the year	1,598,352	675,181
Transfer to contingency reserves	(241,986)	(221,988)
Dividend to owners	(250,000)	-
	1,684,927	578,561

(b) Other reserves

In thousands of Leones	2015	2014
Actuarial gain on defined benefit obligations	36,415	-
Related tax	(10,925)	-
At 31 December	25,490	-

The other reserves represents the net actuarial gain on the defined benefit obligation recognized in other comprehensive income

23. Loans and borrowings

In thousands of Leones	2015	2014
Balance at 1 January	192,499	307,500
Repayment	(114,999)	(115,001)
	77,500	192,499

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.

Notes to the financial statement *(continued)*

24. Employee benefit provision

In thousands of Leones	2015	2014
Present value of obligation	61,147	26,770
Recognized liability for end of service benefit obligation	61,147	26.770

Movement in the present value of end of service benefit

Liability for end of service obligation at 1 January	26,770	19,096
Included in profit or loss		
Current service cost	82,483	10,673
Included in the OCI		
Actuarial loss/(gain) arising from:		
- Financial assumptions	(49,458)	-
- Experience assumptions	13,043	-
Other		
Benefits paid	(11,691)	(2,998)
	61,147	26,770

Key valuation assumptions

Discount rate	11.00%	13.61%
Salary inflation rate	10.00%	17.5%
Withdrawal rate	5.00%	5%

25. Insurance contracts claims

2015

In thousands of Leones	Fire	Motor	Accident	Marine	Total
Claims at start of the year	-	207,482	186,349	191,400	585,231
Claims incurred during the year	21,822	170,334	113,860	-	306,016
Claims recovered from Re-insurer	-	-	-	-	-
Claims paid during the year	(21,822)	(120,216)	(134,860)	-	(276,897)
Claims outstanding at 31 December	-	257,600	165,350	191,400	614,350

Notes to the financial statement *(continued)*
Insurance contracts claims *(continued)*

2014

In thousands of Leones	Fire	Motor	Accident	Marine	Total
Claims at start of the year	894	60,350	171,817	191,400	424,461
Claims incurred during the year	40,605	182,788	93,824	23,306	340,523
Claims paid during the year	(3,005)	(32,050)	(29,653)	(23,306)	(88,014)
Claims recovered from reinsurer	(38,494)	(3,606)	(49,639)	-	(91,739)
Claims outstanding at 31 December	-	207,482	186,349	191,400	585,231

26. Trade and other payables

In thousands of Leones	**2015**	2014
Commission outstanding	**1,888,201**	844,512
Accruals	**1,220,583**	437,177
Other creditors	**634,295**	518,098
	3,743,079	1,799,787

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.

27. Capital commitment

There were no capital commitments at 31 December 2015 (2014: Nil).

28. 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.

29. Related party disclosure

The following transactions were carried out with related parties:

(a) Key management compensation

In thousands of Leones	**2015**	2014
Salaries and other short-term employee benefits	**910,041**	310,083
	910,041	310,083

Notes to the financial statement *(continued)*

30. 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.

31. Summary of significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

Notes to the financial statement *(continued)*

31. Summary of significant accounting policies (continued)

a. Foreign currency translations

(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.

b. 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.

Notes to the financial statements *(continued)*

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

c. 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 recognized in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the income statement.

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.

d. 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.

i. *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 amortized cost.

ii. *Loans and receivables*

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

iii. *Equity investments*

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

Notes to the financial statements *(continued)*

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

d. Investment *(continued)*

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 derecognized 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.

e. 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 reorganization;
(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 recognized are not included in a collective assessment of impairment.

Notes to the financial statements *(continued)*

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

e. Impairment of assets (continued)

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 recognized in the income statement.

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

f. Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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.

g. 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.

h. 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)*

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

i. 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.

(i) 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 dependents to maintain their current level of income.

For all these contracts, premiums are recognized 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.

(ii) 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 recognized 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)*

31. Summary of significant accounting policies (continued)

i. Insurance contracts (continued)

(iii) 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 recognized 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 recognized 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 recognizes 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 amortized cost. The impairment loss is also calculated following the same method used for these financial assets.

(iv) Receivables and payables related to insurance contracts

Receivables and payables are recognized 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 recognizes 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.

(v) 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)*

31. Summary of significant accounting policies (continued)

i. Insurance contracts (continued)

(vi) 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 recognized 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 recognized 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.

j. 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.

k. 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.

l. 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.

m. 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 realized or the deferred income tax liability is settled.

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

Notes to the financial statements *(continued)*

31. Summary of significant accounting policies (continued)

n. 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 recognized 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.

o. Provisions

Restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognized 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 recognized 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 recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

p. Revenue recognition

Revenue is recognized as follows:

Revenue arising from underwriting and other related services offered by the company are recognized 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)*

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

q. Dividend income

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

r. 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.

s. Dividend distribution

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

t. New standards and interpretation not yet adopted

A number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2015. However the company has not applied the following new/amended standards in preparing this financial statement.

Standard/Interpretation		Date issued by IASB [1]	Effective date periods beginning on or after
IFRS 14	Regulatory deferral accounts	January 2014	1 January 2016
IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and Amortisation	May 2014	1 January 2016
IFRS 15	Revenue from contracts with customers	May 2014	1 January 2017
IFRS 9	Financial instruments	July 2014	1 January 2018
IAS 27	Equity method in separate financial statements	August 2014	1 January 2016
IAS 1	Disclosure initiative	December 2014	1 January 2016

Other supplementary information

Other Supplementary Information

EIGHT YEAR FINANCIAL SUMMARY	2015	2014	2013	2012	2011	2010	2009	2008
in thousands								
Total Assets	15,311,437	9,848,781.00	5,300,986.00	4,156,930.00	3,532,824.00	2,111,310.00	1,422,975.00	1,253,584.00
Total Investments	5,634,837	3,736,825.00	2,853,429.00	2,271,041.00	1,412,400.00	1,123,883.00	750,000.00	750,000.00
Shareholders Fund	3,913,872	2,558,167.00	1,874,839.00	2,150,105.00	1,368,353.00	1,053,068.00	803,855.00	1,217,811.00
Insurance Funds:								
Non-Life	5,313,103	4,109,971.00	1,735,184.00	1,336,903.00	1,764,295.00	836,400.00	363,785.00	9,086.00
Life	957,018	486,484.00	83,542.00	69,352.00	11,129.00	0.00	0.00	0.00
Gross Premium	9,365,583	8,108,270.00	4,076,670.00	3,096,114.00	3,262,204.00	1,832,951.00	704,538.00	34,301.00
Net Premium after Re-insurance	8,783,826	7,483,769.00	3,934,925.00	3,005,402.00	3,236,748.00	1,801,165.00	652,885.00	16,379.00
Investment income	249,879	196,156.00	231,320.00	241,537.00	234,470.00	145,064.00	36,219.00	1,086.00
Claims Expense	794,871	628,147.00	1,329,896.00	390,880.00	377,094.00	36,687.00	81,569.00	4,226.00
Management Expenses	3,422,877	2,541,206.00	2,098,922.00	1,798,452.00	1,578,365.00	1,036,164.00	636,736.00	259,803.00
Net Profit/(Loss) After tax	1,598,352	675,181.00	(125,266.00)	696,125.00	117,824.00	99,832.00	(413,956.00)	(231,807.00)