

Staco Insurance Company (SL) Limited

Financial Statements
for the year ended 31 December 2017

*This report contains 52 pages
Supplementary information 1 page
Ref: S651/ls/eap*

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General information

Directors : Brima Ndoeka (Chairman)
Adekunle Micheal Aderinola (Managing)
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 (SL) Limited
Guaranty Trust Bank (SL) Limited
Standard Chartered Bank (SL) Limited
Union Trust Bank Limited
Zenith Bank (SL) Limited
United Bank for Africa (SL) Limited
Keystone Bank (SL) Limited
Sierra Leone Commercial Bank Limited
Rokel Commercial Bank Limited
Skye Bank (SL) Limited
HFC Commerce and Mortgage Bank (SL) Limited
FBN 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 2017.

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 2016.

Results

The results for the year ended 31 December, 2017 are shown in the attached financial statements.

Property and equipment

Details of the Company's property and equipment and intangibles are shown in note 13 and 14 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 staff are appraised and promotions and /or increments are made.

Directors and their interests

The Directors who served during the year and their shareholding interest in the company are as follows:

Directors	Percentage Shareholding
STACO INSURANCE PLC	60%
Mr Dere Otubu	13%
Mr Sakiru O. Oyefeso	10%
Mr Brima Ndoeka	1.5%
Mr Ehi Eguabor	1.5%


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 ...
..19 April.....2018.


.....
Chairman


.....
Director



KPMG Sierra Leone
KPMG House
37 Siaka Stevens Street
P.O Box 100
Freetown
Sierra Leone

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Internet: www.kpmg.com

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

Opinion

We have audited the financial statements of Staco Insurance Company (SL) Limited, set out on pages 9 to 53 which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Staco Insurance Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Sierra Leone.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Staco Insurance Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Sierra Leone, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Sierra Leone, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent Auditors' report to the Shareholders of Staco Insurance Company (SL) Limited *(continued)*

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act 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. In preparing the financial statements, the Directors are responsible for assessing the Staco Insurance Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Staco Insurance Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Staco Insurance Company's internal control.



Independent Auditors' report to the Shareholders of Staco Insurance Company (SL) Limited *(continued)*

Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Staco Insurance Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company's audit. We remain solely responsible for our audit opinion.

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

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

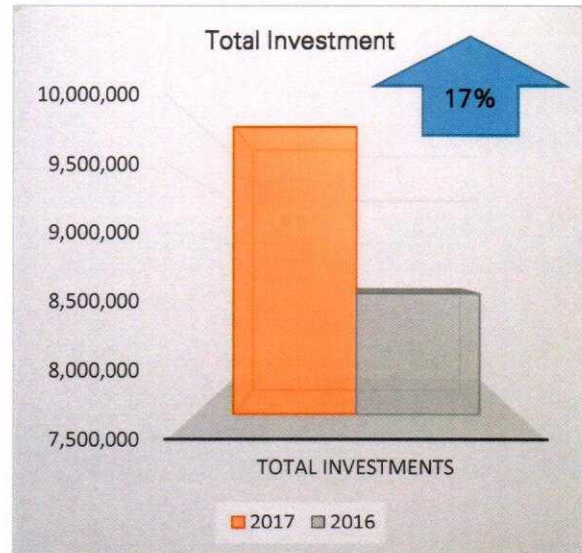
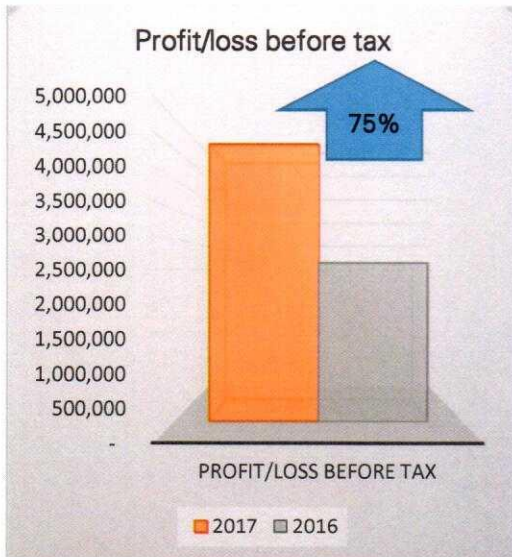
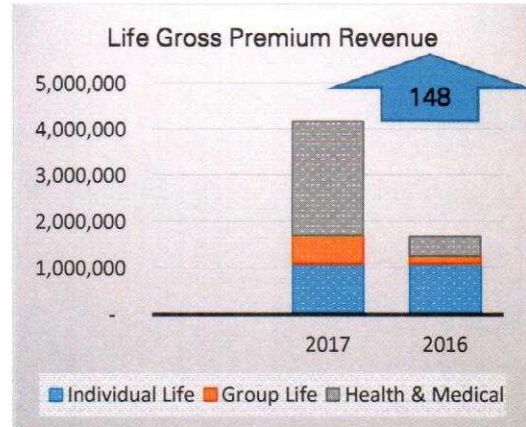
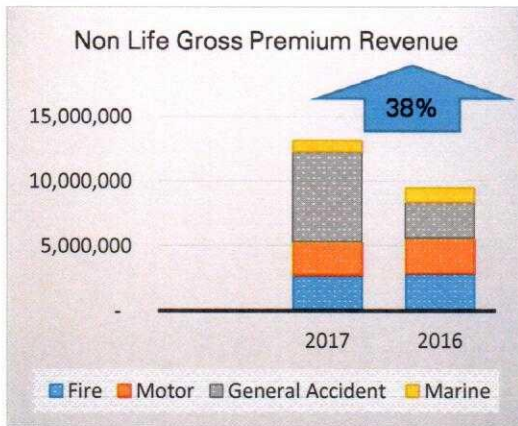
The Engagement Partner on the audit resulting in this independent auditor's report is Derrick Kawaley.

Freetown

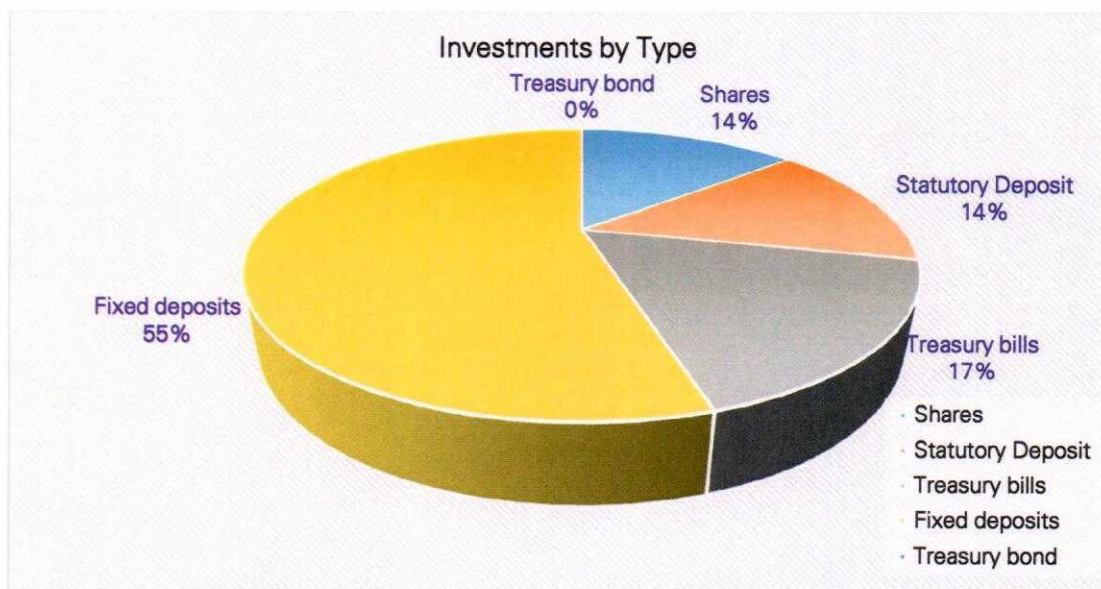
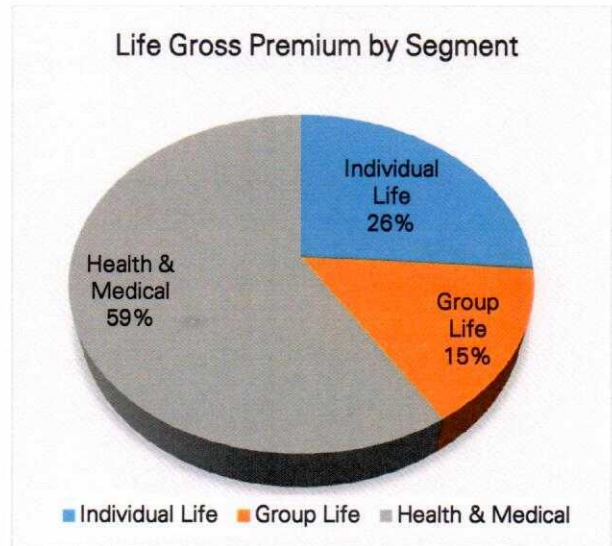
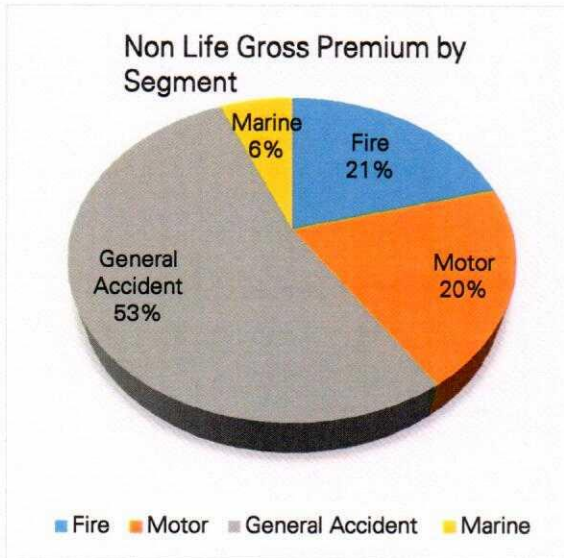

Chartered Accountants

Date: 19 April 2018

Financial highlights



Financial highlights (Continued)



Statement of financial position
 as at 31 December

<i>In thousands of Leones</i>	Note	2017	2016
Asset			
Property and equipment	13	536,036	629,818
Intangible assets	14	87,491	102,049
Financial assets	15	9,932,774	8,523,620
Loans and receivables including			
Insurance receivables	16	7,542,059	2,798,013
Cash and cash equivalents	17	8,197,431	4,845,346
Deferred tax asset	12d	44,141	-
Total assets		<u>26,339,932</u>	<u>16,898,846</u>
		=====	=====
Equity			
Share capital	18	1,449,618	1,449,618
Contingency reserves	19	1,484,475	1,074,256
Retained earnings	20a	4,242,740	2,348,515
Other reserves	20b	17,920	27,625
Fair value reserve	20c	286,304	-
Total equity		<u>7,481,057</u>	<u>4,900,014</u>
Liabilities			
Employee benefit provision	22	128,585	83,496
Insurance contracts claim	23	1,117,037	682,509
Trade and other payables	24	3,133,538	2,602,873
Income tax liability	12c	2,024,680	1,330,516
Deferred tax liability	12d	-	28,847
Insurance funds:			
Non-life	21a	8,403,946	5,392,381
Life	21b	4,051,089	1,878,210
Total liabilities		<u>18,858,875</u>	<u>11,998,832</u>
Total equity and liabilities		<u>26,339,932</u>	<u>16,898,846</u>
		=====	=====

The financial statements were approved by the Board of Directors on 19 April 2018
 and were signed on its behalf by:

.....  Chairman
  Director

The notes on pages 16 to 52 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	2017	2016
Revenue			
Insurance premium revenue	6a	13,127,534	9,500,862
Insurance premium ceded to reinsurers		(640,386)	(857,018)
Net insurance premium written	5	<u>12,487,148</u>	<u>8,643,844</u>
Movement in unearned premium		(1,509,558)	810,310
Net premium earned		<u>10,977,590</u>	<u>9,454,154</u>
Investment income	7a	923,936	496,567
Net finance income/(cost)	11a	581,610	(7,940)
Commission income		227,367	-
Net revenue		<u>12,710,503</u>	<u>9,942,781</u>
Expenditure			
Claims paid, outstanding and unexpired	5	(721,232)	(329,319)
Commission paid	5	(1,619,205)	(1,169,621)
Management expenses	5 & 8	(4,429,391)	(4,954,488)
		<u>(6,769,828)</u>	<u>(6,453,428)</u>
Amounts transferred to Insurance fund	5	(1,502,008)	(889,589)
		<u>(8,271,836)</u>	<u>(7,343,017)</u>
Net income from non-life operations	5	<u>4,438,667</u>	<u>2,599,764</u>
Other income		3,733	11,749
Profit before tax		<u>4,442,400</u>	<u>2,611,513</u>
Tax expense	12a	(1,404,349)	(834,712)
Profit for the year		<u>3,038,051</u>	<u>1,776,801</u>
Other comprehensive income,			
Items that will never be classified to profit or loss			
Remeasurement of defined benefit liability		(13,864)	3,050
Related tax		4,159	(915)
Other comprehensive income net of tax		<u>(9,705)</u>	<u>2,135</u>
Items that are or may be classified subsequently			
to profit and loss:			
Fair value reserves		409,006	-
Related tax		(122,702)	-
		<u>286,304</u>	<u>-</u>
Total comprehensive income for the year		<u>3,314,650</u>	<u>1,778,936</u>

Statement of comprehensive income - Non-life (continued)

<i>In thousands of Leones</i>	Note	2017	2016
Profit attributable to:			
Equity holders of the company		3,038,051	1,776,801
Profit for the year		<u>3,038,051</u> =====	<u>1,776,801</u> =====
Total comprehensive income attributable to:			
Equity holders of the company		<u>3,314,650</u>	<u>1,778,936</u>
Total comprehensive income for the year		<u>3,314,650</u> =====	<u>1,778,936</u> =====

The financial statements were approved by the Board of Directors on 19 April 2018 and were signed on its behalf by:

.....  Chairman

.....  Director

The notes on pages 16 to 52 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	2017	2016
Revenue			
Net insurance premium revenue	6b	4,116,754	1,562,530
Less: Unearned premium		-	-
Net premium earned		<u>4,116,754</u>	<u>1,562,530</u>
Investment income	7b	72,880	39,351
Net revenue		<u>4,189,634</u>	<u>1,601,881</u>
Expenditure			
Claims paid, outstanding and unintimated		(1,143,210)	(694,541)
Commission paid		(440,977)	(250,564)
Management expenses	8	(395,434)	(155,640)
Net finance cost	11b	(20,741)	(3,870)
		<u>(2,000,362)</u>	<u>(1,104,615)</u>
Amounts transferred to life insurance fund account	21b	(2,189,272)	(497,266)
		<u>4,189,634</u>	<u>1,601,881</u>
		=====	=====

The financial statements were approved by the Board of Directors on 19 April 2018 and were signed on its behalf by:

.....  Chairman

.....  Director

The notes on pages 16 to 52 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2017

<i>In thousands of Leones</i>	Share capital	Retained earnings	Contingency reserve	Fair value reserve	Other reserves	Total
Balance at 1 January 2017	1,449,618	2,348,515	1,074,256	-	27,625	4,900,014
Total comprehensive income net of tax						
Profit for the year	-	3,038,051	-	-	-	3,038,051
Other comprehensive income net of tax						
Net gains on available for on financial assets	-	-	-	286,304	-	286,304
Employee benefit actuarial gain	-	-	-	-	(9,705)	(9,705)
Total other comprehensive income	-	-	-	286,304	(9,705)	276,599
Other transfers						
Transfer to contingency reserve (Non-Life)	-	(393,826)	393,826	-	-	-
Transfer to contingency reserve (Life)	-	-	16,393	-	-	16,393
Total other transfers	-	(393,826)	410,219	-	-	16,393
Total comprehensive income and other transfers	-	2,644,225	410,219	286,304	(9,705)	3,331,043
Transaction with owners, recorded directly in equity						
Dividend to equity holders	-	(750,000)	-	-	-	(750,000)
Total transaction with owners	-	(750,000)	-	-	-	(750,000)
Balance at 31 December 2017	1,449,618	4,242,740	1,484,475	286,304	17,920	7,481,057

The notes on pages 16 to 52 are an integral part of these financial statements.

Statement of changes in equity *(continued)*
for the year ended 31 December 2016

<i>In thousands of Leones</i>	Share capital	Retained earnings	Contingency reserve	Other reserves	Total
Balance at 1 January 2016	1,449,618	1,256,739	784,969	25,490	3,516,816
Total comprehensive income net of tax					
Profit for the year	-	1,776,801	-	-	1,776,801
Other comprehensive income net of tax	-	-	-	-	-
Employee benefit actuarial gain	-	-	-	2,135	2,135
Total other comprehensive income	-	-	-	2,135	2,135
Other transfers					
Transfer to contingency reserve (Non-Life) (Transfer to contingency reserve (Life))	-	(285,025)	285,025	-	-
	-	-	4,262	-	4,262
Total other transfers	-	(285,025)	289,287	-	4,262
Total comprehensive income and other transfers	-	1,491,776	289,287	2,135	1,783,198
Transaction with owners, recorded directly in equity					
Dividend to equity holders	-	(400,000)	-	-	(400,000)
Total transaction with owners	-	(400,000)	-	-	(400,000)
Balance at 31 December 2016	1,449,618	2,348,515	1,074,256	27,625	4,900,014

The notes on pages 16 to 52 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	2017	2016
Cash flows from operating activities			
Profit for the year		3,038,051	1,776,801
Adjustment for:			
Depreciation	13	217,754	174,979
Net finance cost	11b	(560,869)	11,810
Loss on disposal		-	1,937
Income tax expense	12a	1,404,349	834,712
Defined benefit actuarial gain	23	(13,864)	3,050
		<hr/>	<hr/>
Cash flows from operating activities		4,085,421	2,803,289
Changes in operating assets and liabilities			
Changes in receivables		(4,744,046)	691,746
Changes in payables		478,166	(1,140,205)
Changes in insurance fund – Non-Life		3,011,565	889,589
Changes in end of service benefit		45,089	22,349
Changes in insurance contract		434,528	68,159
Changes in life fund		2,189,272	493,004
Change in unearned premium		-	(810,310)
Change in fair value		409,006	-
		<hr/>	<hr/>
		5,909,001	3,017,621
Interest and charges paid		(193,341)	(84,616)
Income tax paid		(901,716)	(76,500)
		<hr/>	<hr/>
Net cash from operating activities		4,813,944	2,856,505
Cash flow from investing activities			
Acquisition of property and equipment	13	(109,415)	(131,809)
Acquisition of investment		(1,409,154)	(2,912,523)
Proceeds from disposal of property and equipment		-	7,751
		<hr/>	<hr/>
Net cash used in investing activities		(1,518,569)	(3,036,581)
Cash flows from financing activities			
Net change in loans and borrowings		-	(77,500)
Dividends to owners		(697,500)	(372,000)
		<hr/>	<hr/>
Cash flow from financing activities		(697,500)	(449,500)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		2,597,875	(629,576)
Cash and cash equivalents at 1 January		4,845,346	5,402,116
Exchange rate fluctuation		754,210	72,806
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	16	8,197,431	4,845,346
		=====	=====

The notes on pages 16 to 52 are an integral part of these financial statements.

Notes to the financial statement

1. Reporting entity

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 2017 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.

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.

Notes to the financial statement *(continued)*

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

(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 2017 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 is categorized in its entirety 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 2017 are as follows:

At 31 December, 2017, the company carried 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 2017 are as follows:

<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Un allocated	Total
Revenue						
Premiums less re-insurance	2,086,900	2,615,586	6,963,825	820,837	-	12,487,148
Unearned premium			(1,509,558)			(1,509,558)
Investment income	-	-	-	-	923,936	923,936
Total income earned	2,086,900	2,615,586	5,454,267	820,837	923,936	11,901,526
Expenditure						
Net commission paid						
Commissions paid	(490,080)	(188,072)	(828,965)	(112,088)	-	(1,619,205)
Commission income	47,236	45,302	120,613	14,216	-	227,367
	442,844	142,770	708,352	97,872	-	(1,391,838)
Transfer to insurance fund						
Reserve of unexpired risks at 31 December	(1,227,279)	(888,840)	(3,133,721)	(615,627)	-	(5,865,467)
Reserve of unexpired risks at 1 January	1,290,384	989,722	1,230,812	852,542	-	4,363,460
Amounts transferred to/ Insurance fund accounts	(63,105)	(100,882)	1,902,909	(236,915)	-	(1,502,007)
Net claims incurred	(200,663)	(170,723)	(349,846)	-	-	(721,232)
Net finance income	120,831	115,882	308,529	36,368	-	581,610
Management expenses	(920,220)	(882,531)	(2,349,680)	(276,960)	-	(4,429,391)
Total expenses	(1,379,791)	(979,260)	(5,002,258)	(101,549)	-	(7,462,858)
Income from non-life operations	707,109	1,636,326	452,009	719,288	923,936	4,438,668

Notes to the financial statement (continued)

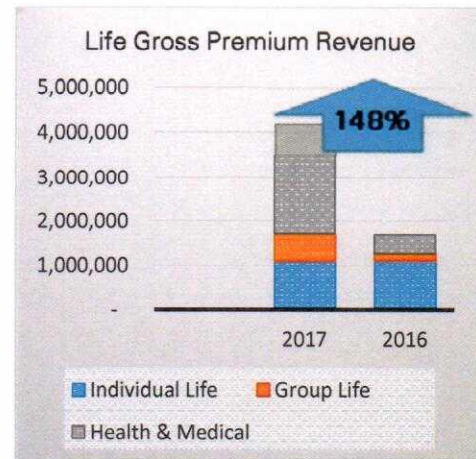
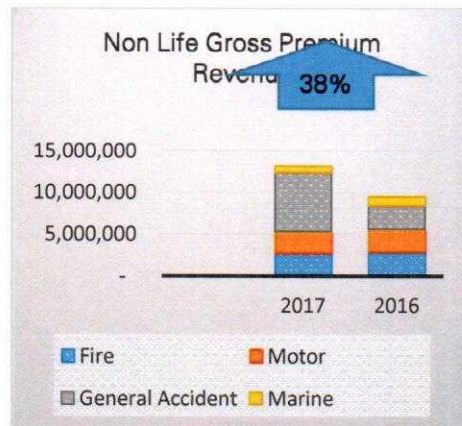
5. Segment information (continued)

The segment results for the year ended 31 December 2016 are as follows:

<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Un allocated	Total
Revenue						
Premiums less re-insurance	2,010,501	2,761,480	2,735,139	1,136,724	-	8,643,844
Unearned premium	-	-	810,310	-	-	810,310
Investment income	-	-	-	-	496,567	496,567
Total income earned	2,010,501	2,761,480	3,545,449	1,136,724	496,567	9,950,721
Expenditure						
Net commission paid						
Commissions paid	(554,051)	(226,426)	(455,917)	(174,006)	-	(1,410,400)
Commission income	72,671	69,983	69,317	28,808	-	240,779
	(481,380)	(156,443)	(386,600)	(145,198)	-	(1,169,621)
Transfer to insurance fund						
Reserve of unexpired risks at 31 December	(1,290,384)	(989,722)	(1,230,812)	(852,542)	-	(4,363,460)
Reserve of unexpired risks at 1 January	1,650,928	397,426	1,160,831	264,686	-	3,473,871
Amounts transferred to/ Insurance fund accounts	360,544	(592,296)	(69,981)	(587,856)	-	(889,589)
Net claims incurred	(42,282)	(105,655)	(181,382)	-	-	(329,319)
Finance cost	(2,396)	(2,308)	(2,286)	(950)	-	(7,940)
Management expenses	(1,495,348)	(1,440,050)	(1,426,314)	(592,776)	-	(4,954,488)
Total expenses	(1,660,862)	(2,296,752)	(2,066,563)	(1,326,780)	-	(7,350,957)
Income from non-life operations	349,639	464,728	1,478,886	(190,056)	496,567	2,599,764

Notes to the financial statement (continued)

6. Revenue



6a. Revenue by segment

Non- Life

In thousands of Leones

	2017	2016
Fire	2,727,286	2,867,519
Motor	2,615,586	2,761,480
General accident	6,963,825	2,735,139
Marine	820,837	1,136,724
	<u>13,127,534</u>	<u>9,500,862</u>
	=====	=====

6b. Life

In thousands of Leones

	2017	2016
Individual life	1,089,510	1,073,962
Group life	627,257	170,652
Health & medical	2,462,870	317,916
	<u>4,179,637</u>	<u>1,562,530</u>
	=====	=====

Notes to the financial statements (continued)

7. Investment income

	2017	2016
<i>In thousands of Leones</i>		
7a Non-Life		
Interest received	923,936	496,567
Total investment income	<u>923,936</u> =====	<u>496,567</u> =====
7b Life		
Interest received	72,880	39,351
	=====	=====

8. Management expenses

	2017	2016
<i>In thousands of Leones</i>		
Advertising	181,398	266,135
Audit fees	98,410	96,200
Miscellaneous	720,299	315,349
Depreciation and Amortisation	217,754	174,979
Entertainment	178,545	106,535
Utility bills	52,691	41,763
Legal and professional	30,903	19,770
Directors' fees	184,378	74,698
Motor cars expenses	51,351	37,000
Fuel expense	71,492	-
Repairs and maintenance	71,991	86,959
Staff costs (Note 9a)	1,398,970	983,459
Communication	108,822	89,830
Printing and stationery	47,700	46,889
Rent and rates	371,422	337,294
Subscription and donation	68,458	65,289
Traveling	104,017	108,327
Impairment loss on trade receivables	383,015	2,003,904
Registration fee	87,775	100,108
Non-life expenses	<u>4,429,391</u> =====	<u>4,954,488</u> =====
Life business expenses		
Miscellaneous expenses	309,354	88,090
Staff cost (Note 9b)	86,080	67,550
Life expenses	<u>395,434</u> =====	<u>155,640</u> =====

Notes to the financial statement (continued)

9. Staff costs

	2017	2016
<i>In thousands of Leones</i>		
(a) Non-Life		
Salaries and wages	380,500	309,971
Staff welfare	934,021	608,686
Medical	35,224	32,269
Training	7,087	10,879
Staff benefits	42,138	21,654
	<u>1,398,970</u>	<u>983,459</u>
	=====	=====
(b) Life		
Salaries and wages	35,838	30,055
Staff welfare	47,988	35,132
Medical	2,254	2,363
	<u>86,080</u>	<u>67,550</u>
	=====	=====

10. Disclosable items

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

	2017	2016
<i>In thousands of Leones</i>		
Directors' fees	184,378	74,698
Depreciation and Amortisation	217,754	174,979
Auditors' fees	98,410	96,200
	<u>=====</u>	<u>=====</u>

11. Net finance cost/(gain)

a. Non-Life

In thousands of Leones

	2017	2016
Net foreign exchange gain	(754,210)	(72,806)
Interest on loan	-	9,922
Bank charges	172,600	70,824
	<u>(581,610)</u>	<u>7,940</u>

b. Life

In thousands of Leones

	2017	2016
Bank charges	20,741	3,870
	<u>20,741</u>	<u>3,870</u>
Net finance cost	(560,869)	11,810
	<u>=====</u>	<u>=====</u>
Total net finance cost / (gain)		

Notes to the financial statement *(continued)*

12. Tax account

a. Current tax expense

	2017	2016
<i>In thousands of Leones</i>		
Current year at 30%	1,595,880	900,942
	<u> </u>	<u> </u>
Deferred tax expense		
Origination and reversal of temporary differences	(191,531)	(66,230)
	<u> </u>	<u> </u>
	<u>1,404,349</u>	<u>834,712</u>
	=====	=====

b. Reconciliation of effective tax rate

	2017	2016
<i>In thousands of Leones</i>		
Profit before income tax	4,442,400	2,611,513
	<u> </u>	<u> </u>
Income tax on profit before tax	1,337,087	783,454
Tax impact of permanent difference:		
Nondeductible expenses	74,101	51,548
Tax incentives	(2,472)	(290)
	<u> </u>	<u> </u>
	<u>1,404,349</u>	<u>834,712</u>
	=====	=====

c. Income tax account

	2017	2016
<i>In thousands of Leones</i>		
Balance at 1 January	1,330,516	506,074
Tax charge for the year	1,595,880	900,942
	<u> </u>	<u> </u>
	2,926,396	1,407,016
Payment during the year	(901,716)	(76,500)
	<u> </u>	<u> </u>
Balance at 31 December	<u>2,024,680</u>	<u>1,330,516</u>
	=====	=====

d. Deferred tax asset and liabilities

Recognised deferred tax asset and liabilities

<i>In thousands of Leones</i>	2017			2016		
	Asset	Liability	Net	Asset	Liability	Net
Property and equipment	-	89,125	98,125	-	119,878	119,878
Employee benefit plan	(46,256)		(46,226)	(36,888)	-	(36,888)
Actuarial gain	-	7,681	7,681	11,840	-	11,840
Impairment allowance	(217,393)		(217,393)	(65,983)	-	(65,983)
Unrealised gain on revaluation of investment assets	-	122,702	122,702	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>(263,648)</u>	<u>219,508</u>	<u>(44,141)</u>	<u>(91,031)</u>	<u>119,878</u>	<u>28,847</u>
	=====	=====	=====	=====	=====	=====

Notes to the financial statement (continued)

12. Tax account (continued)

e. Movement in temporary differences during the year 2017

<i>In thousands of Leones</i>	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
Property and equipment	119,878	(30,753)	-	89,125
Employee benefit plan	(36,888)	(9,367)	-	(46,255)
Actuarial gains	11,840	-	(4,159)	7,681
Unrealized foreign exchange gains	-	-	-	-
Impairment allowance	(65,983)	(151,410)	-	(217,393)
Unrealised gain on revaluation on investment assets	-	-	122,702	122,702
	<u>28,847</u>	<u>(191,531)</u>	<u>118,543</u>	<u>(44,141)</u>

Movement in temporary differences during the year 2016

<i>In thousands of Leones</i>	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
Property and equipment	132,581	(12,703)	-	119,878
Employee benefit plan	(18,344)	(18,544)	-	(36,888)
Actuarial gains	10,925	-	915	11,840
Unrealized foreign exchange gains	-	-	-	-
Impairment allowance	(31,000)	(34,983)	-	(65,983)
	<u>94,162</u>	<u>(66,230)</u>	<u>915</u>	<u>28,847</u>

Notes to the financial statement (continued)

13. Property and equipment

<i>In thousands of Leones</i>	Motor vehicle	Furniture and equipment	Total
Cost			
At 1 January 2016	431,813	857,060	1,288,873
Additions	19,350	112,459	131,809
Disposal	(57,000)	-	(57,000)
Reclassified	-	(145,577)	(145,577)
At 31 December 2016	394,163	823,942	1,218,105
At 1 January 2017	394,163	823,942	1,218,105
Additions	-	109,415	109,415
At 31 December 2017	394,163	933,357	1,327,520
Accumulated depreciation			
At 1 January 2016	189,743	314,405	504,148
Charge for the year	77,321	97,658	174,979
Disposal	(47,312)	-	(47,312)
Reclassified	-	(43,528)	(43,528)
At 31 December 2016	219,752	368,535	588,287
At 1 January 2017	219,752	368,535	588,287
Charge for the year	81,811	121,386	203,197
Disposal	-	-	-
At 31 December 2017	301,563	489,921	791,484
Carrying amounts			
At 1 January 2016	242,070	542,655	784,725
At 31 December 2016	174,411	455,407	629,818
At 1 January 2017	174,411	455,407	629,818
At 31 December 2017	92,600	443,436	536,036

Notes to the financial statement (continued)

14. Intangible assets

In thousands of Leones

	Computer Software
Cost	
At 1 January 2016	-
Reclassified	145,577
	<u>145,577</u>
At 31 December 2016	=====
	145,577
At 1 January 2017	-
Acquisitions	-
	<u>145,577</u>
At 31 December 2017	=====
Amortisation and impairment losses	
At 1 January 2016	-
Reclassified	43,528
	<u>43,528</u>
At 31 December 2016	=====
	43,528
At 1 January 2017	43,528
Charge for the year	14,558
Disposal	-
	<u>58,086</u>
At 31 December 2017	=====
Carrying amounts	
At 1 January 2016	116,607
	=====
At 31 December 2016	102,049
	=====
At 1 January 2017	102,049
	=====
At 31 December 2017	87,491
	=====

Notes to the financial statement *(continued)*

15. Financial assets

a. Investments

<i>In thousands of Leones</i>	2017	2016
Held to maturity	8,915,808	8,293,573
Equity investments	1,016,966	230,047
Total investments	9,932,774	8,523,620
	=====	=====

Statutory deposit was made with the Bank of Sierra Leone in compliance with Section 23(1) of the Insurance Act 2016. 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.

<i>In thousands of Leones</i>	2017	2016
Held to maturity	8,915,808	8,293,573
Total financial assets	8,915,808	8,293,573
	=====	=====

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

b. Investments in equities

<i>In thousands of Leones</i>	2017	2016
At 1 January	230,047	45,963
Acquired within the year	377,913	184,084
Fair value gain	409,006	-
	1,016,966	230,047
	=====	=====

c. Held to maturity financial assets

<i>In thousands of Leones</i>	2017	2016
Investment property	-	-
Statutory deposit	1,500,000	1,500,000
Treasury bills	1,747,487	1,441,135
Fixed deposit	5,668,320	5,317,053
Treasury bond	-	35,385
Total held to maturity financial assets	8,915,807	8,293,573
	=====	=====

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

Notes to the financial statement (continued)

16. Loans and receivables including insurance receivables

a. Loans and receivables including insurance receivables

<i>In thousands of Leones</i>	2017	2016
Receivables arising from insurance contracts		
Due from agents and brokers	9,571,677	6,553,569
Allowance for impairment	(4,513,800)	(3,950,990)
	<u>5,057,877</u>	<u>2,602,579</u>
Other loans and receivables		
Prepayments	205,093	159,842
Loans to staff	57,689	50,465
Intercompany	2,083,335	-
Others	138,065	168,396
	<u>2,484,182</u>	<u>328,703</u>
Total loans and receivables including Insurance receivables	<u>7,542,059</u> =====	<u>2,981,282</u> =====

b. Allowance for impairment

<i>In thousands of Leones</i>	2017	2016
At 1 January	3,950,990	1,947,086
Charge for the year	562,810	2,003,904
	<u>4,513,800</u>	<u>3,950,990</u>
At 31 December	=====	=====

c. Allowance for impairment

<i>In thousands of Leones</i>	2017	2016
Specific allowance for impairment		
At 1 January	3,731,046	1,843,754
Charge for the year	58,110	1,887,292
	<u>3,789,156</u>	<u>3,731,046</u>
At 31 December	=====	=====
Collective allowance for impairment		
At 1 January	219,944	103,332
Charge/ (release) for the year	504,700	116,612
	<u>724,644</u>	<u>219,944</u>
At 31 December	=====	=====
Total allowance for impairment	<u>4,513,800</u> =====	<u>3,950,990</u> =====

Notes to the financial statement (continued)

17. Cash and cash equivalents

<i>In thousands of Leones</i>	2017	2016
Bank balances	8,195,335	4,842,744
Cash balances	2,096	2,602
Total cash and cash equivalent	<u>8,197,431</u>	<u>4,845,346</u>

18. Share capital

<i>In thousands of Leones</i>	2017		2016	
Authorised:	No. of shares	Le'000	No. of shares	Le'000
50 million ordinary shares of Le100 each	<u>50,000,000</u>	<u>5,000,000</u>	<u>50,000,000</u>	<u>5,000,000</u>
Issued and fully paid:				
At 1 January	14,496,180	1,449,618	14,496,180	1,449,618
Issued during the year	-	-	-	-
At 31 December	<u>14,496,180</u>	<u>1,449,618</u>	<u>14,496,180</u>	<u>1,449,618</u>

19. Contingency reserves

<i>In thousands of Leones</i>	2017	2016
Balance at 1 January	1,074,256	784,969
Transfer from retained earnings- Non-Life	393,826	285,025
Reserve for the year – Life	16,393	4,262
	<u>1,484,475</u>	<u>1,074,256</u>

Notes to the financial statement *(continued)*

20a. Retained earnings

<i>In thousands of Leones</i>	2017	2016
Balance at 1 January	2,348,515	1,256,739
Transfer to Life fund	-	-
Profit for the year	3,038,051	1,776,801
Transfer to contingency reserves	(393,826)	(285,025)
Dividend to owners	(750,000)	(400,000)
	<u>4,242,740</u>	<u>2,348,515</u>
	=====	=====

20b. Other reserves

<i>In thousands of Leones</i>	2017	2016
At 1 January	27,625	25,490
Net actuarial gain	(9,705)	2,135
	<u>17,920</u>	<u>27,625</u>
At 31 December	=====	=====

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

20c. Fair value reserve

<i>In thousands of Leones</i>	2017	2016
At 1 January	-	-
During the year	286,304	-
	<u>286,304</u>	<u>-</u>
At 31 December	=====	=====

The fair value reserves represents the fair value gain resulting from the fair valuation of the company's unquoted equity investment.

21. Insurance funds

<i>In thousands of Leones</i>	2017	2016
(a) General business		
Balance at 1 January	5,392,381	5,313,102
Increase arising from changes in net premium income (note 5.1)	1,502,008	889,589
Movement in unearned premium	1,509,557	(810,310)
	<u>8,403,946</u>	<u>5,392,381</u>
Balance at 31 December	=====	=====

Notes to the financial statement (continued)

21. Insurance funds (continued)

(b) Life business

<i>In thousands of Leones</i>	2017	2016
Balance at 1 January	1,878,210	1,385,206
Increase arising from life business	2,189,272	497,266
Contingency reserve	(16,393)	(4,262)
Balance at 31 December	4,051,089	1,878,210
	=====	=====

22. Employee benefit provision

<i>In thousands of Leones</i>	2017	2016
Present value of obligation	128,585	83,496
Recognized liability for end of service benefit obligation	128,585	83,496
	=====	=====

Movement in the present value of end of service benefit

Liability for end of service obligation at 1 January	83,496	61,147
Included in profit or loss		
Current service cost	24,299	28,179
Net interest cost	16,340	-
Included in the OCI		
Actuarial loss/(gain) arising from:		
- Financial assumptions	-	(8,418)
- Experience assumptions	13,864	5,368
Other		
Benefits paid	(9,414)	(2,780)
	128,585	83,496
	=====	=====

Key valuation assumptions

Discount rate	20.00%	20.00%
Salary inflation rate	18.00%	18.00%
Withdrawal rate	2.00%	5.00%
Net effective salary inflation gap	16.90%	16.90%

Notes to the financial statement *(continued)*

23. Insurance contracts claims

2017 <i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Life	Total
Claims at start of the year	-	291,679	199,430	191,400	-	682,509
Claims incurred during the year	200,663	170,723	349,846	-	16,150	737,382
Claims recovered from Re-insurer	-	-	-	-	-	-
Claims paid during the year	(94,965)	(82,205)	(125,684)	-	-	(302,854)
Claims outstanding at 31 December	105,698	380,197	423,592	191,400	16,150	1,117,037

2016 <i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Life	Total
Claims at start of the year	-	257,600	165,350	191,400	-	614,350
Claims incurred during the year	42,282	105,656	181,380	-	-	329,318
Claims recovered from Re-insurer	-	-	(27,089)	-	-	(27,089)
Claims paid during the year	(42,282)	(71,577)	(120,211)	-	-	(234,070)
Claims outstanding at 31 December	-	291,679	199,430	191,400	-	682,509

24. Trade and other payables

<i>In thousands of Leones</i>	2017	2016
Commission outstanding	365,273	160,060
Accruals	554,996	339,204
Other creditors	2,213,269	2,103,609
	<u>3,133,538</u>	<u>2,602,873</u>
	=====	=====

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.

Notes to the financial statements *(continued)*

25. 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.

25.1 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.

25.1.1 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)*

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

25.1.1 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.

25.1.2 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)*

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

25.2 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)

25. Management of insurance and financial risk (continued)

25.2 Financial risk (continued)

Currency risk (continued)

As at 31 December 2017

In thousands of Leones

	Le	USD	Euro	GBP	Naira	Total
Property and equipment	536,036	-	-	-	-	536,036
Intangible	87,491	-	-	-	-	87,491
Financial assets	9,937,774	-	-	-	-	9,937,774
Loans and receivables including insurance receivables	7,542,059	-	-	-	-	7,542,059
Cash and cash equivalent	860,389	6,422,310	51,489	95,958	767,285	8,197,431
Deferred tax assets	44,141	-	-	-	-	44,141
Total assets	19,007,890	6,422,310	51,489	95,958	767,285	26,339,932
Employee benefit provision	128,585	-	-	-	-	128,585
Insurance contract	1,117,037	-	-	-	-	1,117,037
Trade and other payables	3,133,538	-	-	-	-	3,133,538
Income tax	2,024,680	-	-	-	-	2,024,680
Non-life fund	8,403,946	-	-	-	-	8,403,946
Life fund	4,051,089	-	-	-	-	4,051,089
Total liabilities	18,858,875	-	-	-	-	18,858,875
Net exposure	140,015	6,422,310	51,489	95,958	767,285	7,481,057

Notes to the financial statements (continued)

25. Management of insurance and financial risk (continued)

25.2 Financial risk (continued)

Currency risk (continued)

As at 31 December 2016

In thousands of Leones

	Le	USD	Euro	GBP	Naira	Total
Property and equipment	731,867	-	-	-	-	731,867
Financial assets	8,523,620	-	-	-	-	8,523,620
Loans and receivables including insurance receivables	2,798,013	-	-	-	-	2,798,013
Cash and cash equivalent	679,737	3,394,522	31,298	76,160	663,629	4,845,346
Total assets	12,733,237	3,394,522	31,298	76,160	663,629	16,898,846
Employee benefit provision	83,496	-	-	-	-	83,496
Insurance contract	682,509	-	-	-	-	682,509
Trade and other payables	2,602,873	-	-	-	-	2,602,873
Income tax	1,330,516	-	-	-	-	1,330,516
Deferred tax liability	28,847	-	-	-	-	28,847
Non-life fund	5,392,381	-	-	-	-	5,392,381
Life fund	1,878,210	-	-	-	-	1,878,210
Total liabilities	11,998,832	-	-	-	-	11,998,832
Net exposure	734,405	3,394,522	31,298	76,160	663,629	4,900,014

Notes to the financial statements (continued)

25. Management of insurance and financial risk (continued)

25.2 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:

2017

In thousands of Leones

	USD	Euro	GBP	Naira	Total
Cash and cash equivalents	6,422,310	51,489	95,958	767,285	7,337,042
Total assets	6,422,310	51,489	95,958	767,285	7,337,042
Liabilities	-	-	-	-	-
Net on-financial position exposure	6,422,310	51,489	95,958	767,285	7,337,042

2016

In thousands of Leones

	USD	Euro	GBP	Naira	Total
Cash and cash equivalents	3,394,522	31,298	76,160	663,629	4,165,608
Total assets	3,394,522	31,298	76,160	663,629	4,165,608
Liabilities	-	-	-	-	-
Net on-financial position exposure	3,394,522	31,298	76,160	663,629	4,165,608

Notes to the financial statement *(continued)*

26. Capital commitment

There were no capital commitments at 31 December 2017 (2016: Nil).

27. Contingent liabilities

The company is defending a claim brought by one of its marine policy holders for a passenger boat insured for Le 1.85 billion (US\$250,000). Based on legal advice, management believes that the case will be unsuccessful.

28. Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Comparative figures have been adjusted where considered appropriate, to conform to changes in presentation in the current year.

29. Related party disclosure

The following transactions were carried out with related parties:

(a) Key management compensation

<i>In thousands of Leones</i>	2017	2016
Salaries and other short-term employee benefits	638,604	492,109
	<u>638,604</u>	<u>492,109</u>
	=====	=====

Notes to the financial statement *(continued)*

30. Subsequent events

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. Basis of measurement

The financial statements have been prepared on the historical cost basis except for available for sale investment securities measured at fair value and net defined benefit liabilities.

32. 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.

	Page
(a) Foreign currency translation	42
(b) Property & equipment	42
(c) Investment property	43
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Notes to the financial statement (continued)

32. 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	- 4 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)*

32. 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)*

32. 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)*

32. 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)*

32. 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)*

32. 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)

32. 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 reserves

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)

32. 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)*

32. 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.

Notes to the financial statements *(continued)*

33. New standards and interpretations not yet adopted (continued)

A number of new standards, and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however the company has not early applied the following new or amended standards, in preparing these financial statements. Those that may be relevant to the company are set out below. The company does not plan to adopt these standards early.

New or amended standards	Summary of the requirements	Possible impact on the financial statements
IFRS 9 Financial Instruments	<p>IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.</p> <p>IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>	<p>The company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.</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 2018, with early adoption permitted.</p>	<p>The company is assessing the potential impact on its financial statements resulting from the application of IFRS 15. It is not expected to have a significant impact.</p>

Notes to the financial statements (continued)

33. New standards and interpretations not yet adopted (continued)

New or amended standards	Summary of the requirements	Possible impact on the financial statements
IFRS 16 Leases	<p>Under the new standard, companies will recognize new assets and liabilities, bringing added transparency to the balance sheet calculated using a prescribed methodology that all companies reporting under IFRS will be required to follow.</p> <p>IFRS 16 will eliminate the current dual accounting model for leases, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting will remain similar to current practice; that is lessors continue to classify leases as finance and operating leases.</p> <p>For Lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new asset on the other side of the balance sheet. In other words, lessees will appear more asset-rich but also more heavily indebted. The impacts would not be limited to the balance sheet. There would also be changes in accounting over the life of the lease. In particular, companies will now recognize a front-loaded pattern of the expense for most leases, even when they pay constant annual rents.</p> <p>The new standard takes effect in January 2019</p>	<p>The impact on the financial statements is yet to be assessed.</p>

Other supplementary information

Other Supplementary Information

FIVE YEAR FINANCIAL SUMMARY	2017	2016	2015	2014	2013	2012
<i>in thousands of Leones</i>						
Total assets	26,339,932	16,898,846	15,311,437	9,848,781	5,300,986	4,156,930
Total Investments	9,937,774	8,523,620	5,634,837	3,736,825	2,853,429	2,271,041
Shareholders fund	7,481,057	4,900,014	3,945,004	2,558,167	1,874,839	2,150,105
Insurance funds:						
<i>Non-Life</i>	8,403,946	5,392,381	5,313,103	4,109,971	1,735,184	1,336,903
<i>Life</i>	4,051,089	1,878,210	957,018	486,484	83,542	69,352
Gross Premium	13,127,534	9,500,862	9,365,583	8,108,270	4,076,670	3,096,114
Net premium after re-insurance	12,487,148	8,643,844	8,783,826	7,483,769	3,934,925	3,005,402
Investment income	923,936	496,567	249,879	196,156	231,320	241,537
Claims expense	721,232	329,319	794,871	628,147	1,329,896	390,880
Management expenses	4,429,391	4,954,488	3,422,877	2,541,206	2,098,922	1,798,452
Net profit/(loss) after tax	3,314,650	1,776,936	1,623,842	675,181	(125,266)	696,125