

Staco Insurance Company (SL) Limited

Financial Statements
for the year ended 31 December 2019

This report contains 56 pages
Supplementary information 1 page
Ref: S651/isl/eap

Contents	Page
General information	1
Report of the Directors	2 - 3
Independent Auditors Report	4 – 6
Financial highlights	7 - 8
Statement of financial position	9
Statement of profit or loss and other comprehensive income – Non life	10 - 12
Statement of profit or loss and other comprehensive income – Life	13
Statement of changes in equity	14 - 15
Statement of cash flows	16
Notes to the financial statements	17 - 56
Other supplementary information	57

Notes	Pages
Basis of preparation	
1. Reporting entity	17
2. Basis of accounting	17
3. Functional and presentation currency	17
4. Use of judgements and estimates	17
Performance for the year	
5. Segment information	20
6. Revenue	24
7. Investment income	25
8. Management expenses	25
9. Staff cost	26
10. Disclosable items	27
11. Net finance cost	27
Income tax	
12. Tax account	27
Assets	
13. Property and equipment	31
14. Intangible	32
15. Financial assets	32
16. Loans and receivables	33
17. Cash and cash equivalent	34
Equity and Liabilities	
18. Share capital	35
19. Contingency reserves	35
20. Retained earnings	35
21. Contingency reserve	36
22. Other reserves	36
23. Fair value reserve	36
24. Deposit for shares	36
Financial risk review	
25. Insurance funds	37
Other information	
26. Employee benefit provision	37
27. Insurance contracts claims	38
28. Laon	38
29. Trade and other payables	39
30. Management of insurance and financial risk	39
Accounting policies	
31. Capital commitments	45
32. Contingent liabilities	45
33. Related party disclosures	45
34. Subsequent events	46
35. Significant accounting policies	46
36. New standards and interpretations not yet adopted	56

General information

Directors : Mrs Emerica Karefa-Kargbo Chairman
Mr Adekunle Micheal Aderinola Managing Director
Mr Solomon Ogba Director
Mr S.O. Oyefeso Director
Mr Ehi Eguabor Director
Mr David Carew Director
Mr Rowland Wright Director

Registered Office : 24 Upper Brook Street
Freetown.
Sierra Leone

Bankers : Access Bank (SL) Limited
Ecobank (SL) Limited
Ecobank (Nig) Limited
Guaranty Trust 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
55 Sir Samuel Lewis Road
Aberdeen
Freetown
Sierra Leone

Auditors : Baker Tilly SL
Chartered Accountants
Baker Tilly 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 2019.

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 are the provision of life and general insurance services. The Company and its activities are regulated by and subject to the provisions of the Insurance Act 2016.

Results

The results for the year ended 31 December 2019 are shown in the attached financial statements.

Property and equipment

Details of the Company's property and equipment and intangible assets are shown in notes 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)

Directors and their interests

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

Directors	Percentage shareholding
Mrs Emerica Karefa-Kargbo	0.5%
Mr Adekunle Michael Aderinola	1.5%
Mr Solomon Ogba	Nil
Mr Sakiru O. Oyefeso	10%
Mr Ehi Eguabor	2%
Mr David Carew	Nil
Mr Roland Wright	Nil

Shareholders and their shareholdings as at 31 December 2019 were as follows:

Shareholders	Percentage shareholding
Staco Insurance Plc	60%
Mr Dere Otubu	13%
Mr. Sakiru O. Oyefeso	10%
Amb Henry Macauley	7%
Mr Brima Ndoeka	2 %
Mr Ehi Eguabor	2 %
Mr Adekunle Michael Aderinola	1.5%
Mrs Emerica Karefa-Kargbo	0.5%
The Estate of late Foday Sesay	4%
	100%

Dividends

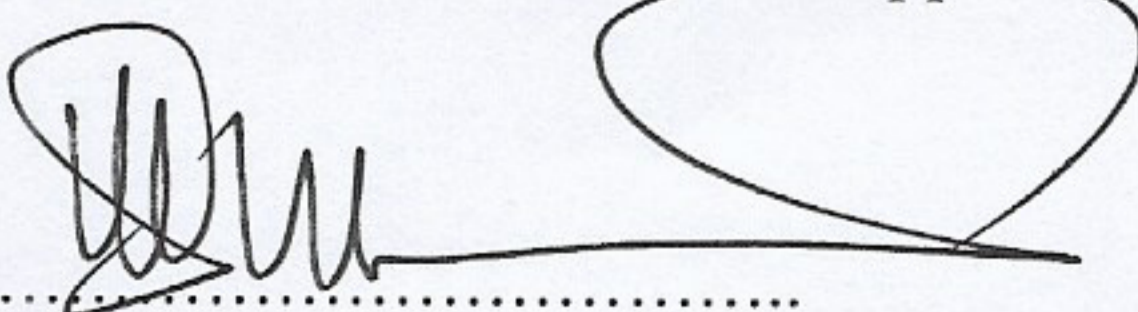
In respect of the year ended 31 December 2019 result, the Board of Directors proposed a dividend of Le3.15 billion to be paid to the existing shareholders as at 21 April 2020 (2018: Dividend of Le 1.8 billion).

Auditors

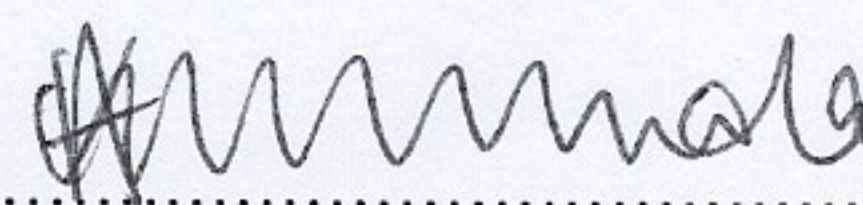
In accordance with Section 308 of the Sierra Leone Companies Act 2009 a resolution for the re-appointment of Baker Tilly as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approval of the financial statements

The financial statements were approved by the Board of Directors on ^{21st APRIL}2020.



 Director



 Director

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 56 which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Staco Insurance Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (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 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 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.
- 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.

Independent Auditors' report to the Shareholders of

Staco Insurance Company (SL) Limited *(continued)*

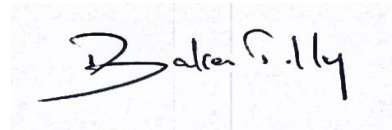
Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the 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.

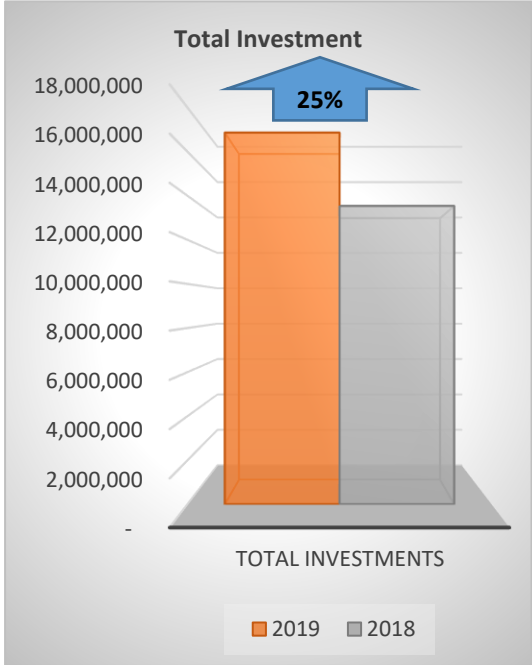
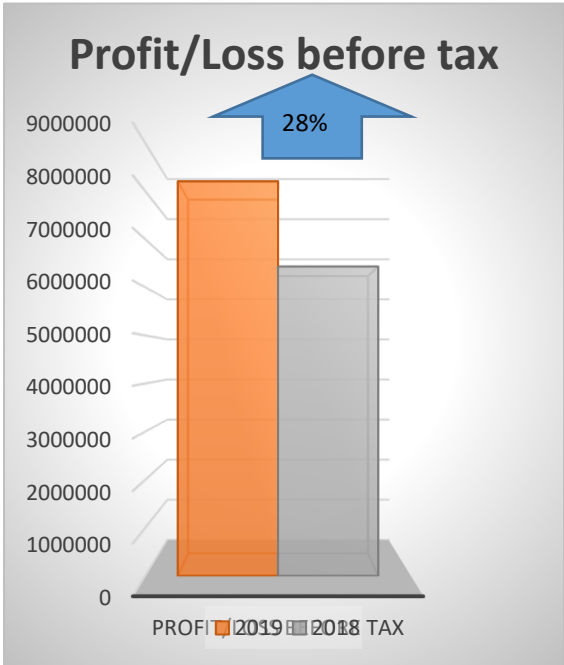
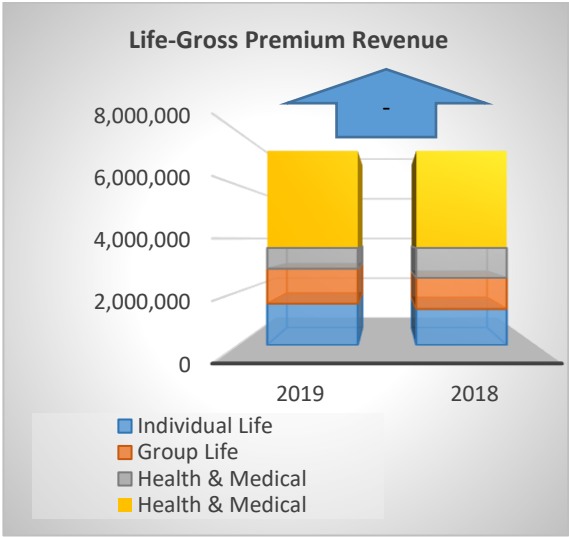
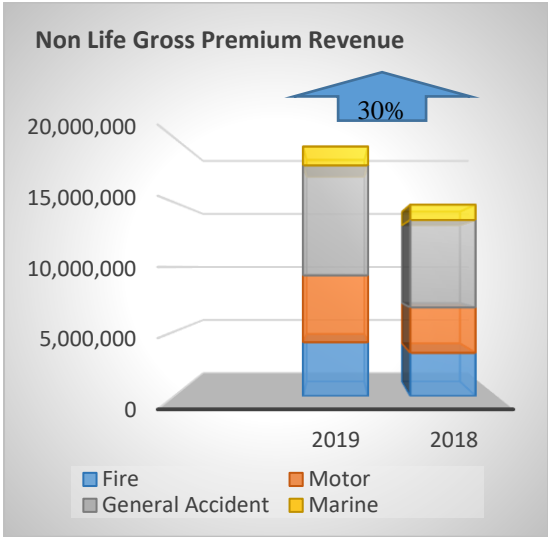


Chartered Accountants

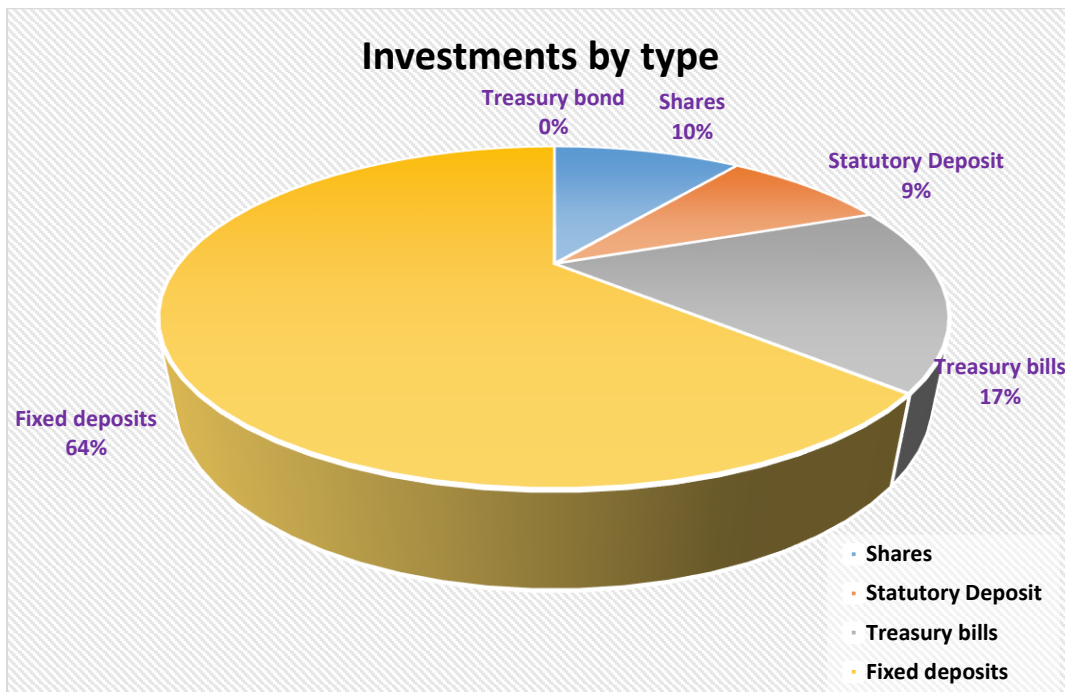
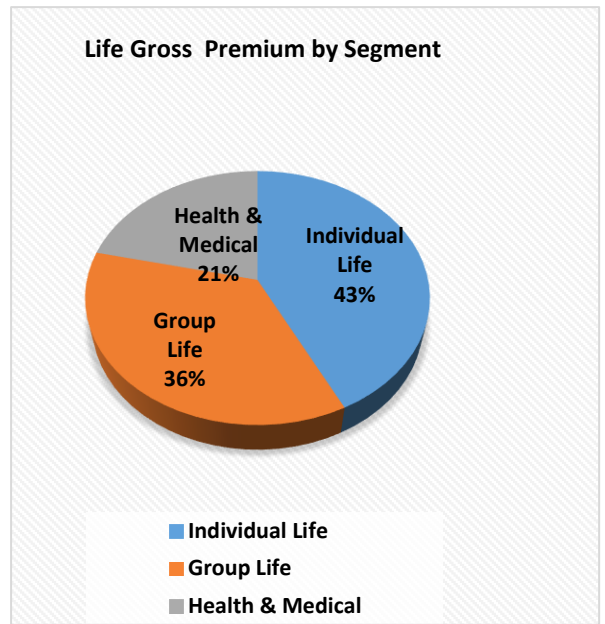
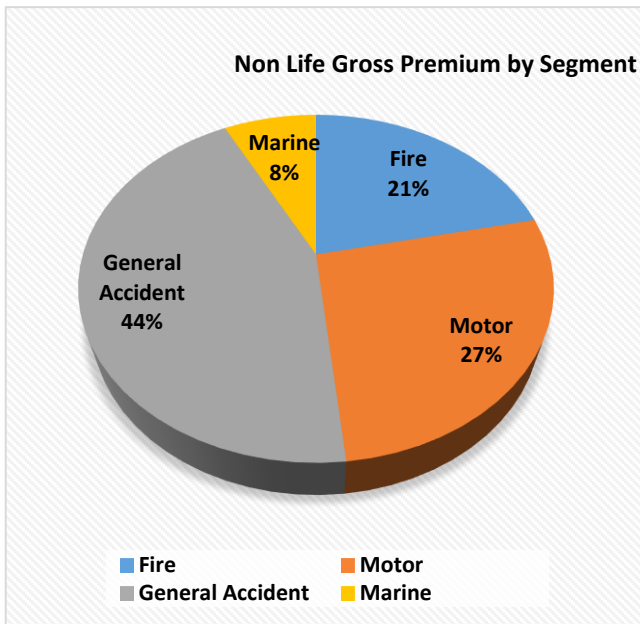
Freetown

Date: 21 April 2020

Financial highlights



Financial highlights (Continued)



Statement of financial position
as at 31 December

<i>In thousands of Leones</i>	<i>Notes</i>	2019	2018
Assets			
Plant and equipment	13	1,881,551	714,310
Intangible assets	14	136,005	72,933
Investment property	15	2,650,000	-
Financial assets	16	16,869,171	13,539,899
Loans and receivables including insurance receivables	17	9,659,865	6,696,443
Cash and cash equivalent	18	9,904,858	12,808,800
Total assets		<u><u>41,101,450</u></u>	<u><u>33,832,385</u></u>
Equity			
Share capital	19	1,449,618	1,449,618
Retained earnings	20	9,513,570	6,745,176
Contingency reserve	21	3,575,061	2,396,529
Other reserves	22	17,920	17,920
Fair value reserve	23	799,091	509,180
Total equity		<u><u>15,355,260</u></u>	<u><u>11,118,423</u></u>
Liabilities			
Employee benefit provision	26	200,919	180,156
Insurance contract claim	27	3,063,904	2,454,714
Loan	28	480,000	-
Overdrawn bank balance	18	22,204	-
Trade and other payables	29	4,373,931	5,100,420
Income tax liability	12c	3,628,824	2,912,687
Deferred tax liability	12d	331,162	71,966
Insurance funds:			
Non-life	25a	8,714,352	8,218,847
Life	25b	4,930,894	3,775,172
Total liabilities		<u><u>25,746,190</u></u>	<u><u>22,713,962</u></u>
Total equity and liabilities		<u><u>41,101,450</u></u>	<u><u>33,832,385</u></u>

The financial statements were approved by the Board of Directors on 21st APRIL2020 and were signed on its behalf by:

..... Director
 Director

The notes on pages 17 to 56 are an integral part of these financial statements

Statement of comprehensive income - Non-life
for the year ended 31 December

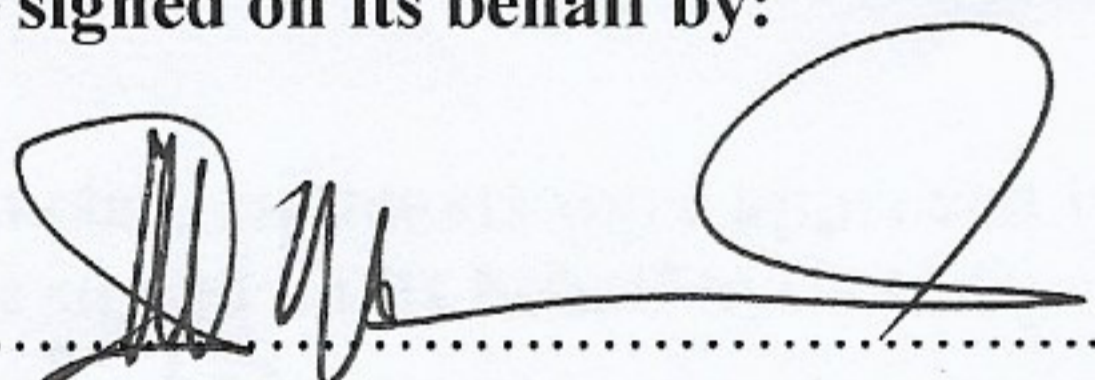
<i>In thousands of Leones</i>	<i>Notes</i>	2019	2018
Revenue			
Insurance premium revenue	<i>6a</i>	19,326,085	14,820,195
Insurance premium ceded to reinsurances		(1,295,725)	(757,299)
		<hr/>	<hr/>
Net insurance premium written		18,030,360	14,062,896
Movement in unearned premium	<i>5</i>	1,415,840	962,065
		<hr/>	<hr/>
Net earned premium		19,446,200	15,024,961
Investment income	<i>7a</i>	2,010,352	2,599,805
Net finance income	<i>11a</i>	1,059,876	1,498,426
Commission income		366,770	392,889
		<hr/>	<hr/>
Net revenue		22,883,198	19,516,081
		<hr/>	<hr/>
Expenditure			
Claims paid, outstanding and unexpired	<i>5</i>	(1,787,995)	(2,104,407)
Commission earned/paid	<i>5</i>	(3,163,852)	(2,443,275)
Management expenses	<i>5&8</i>	(8,094,115)	(7,799,414)
		<hr/>	<hr/>
		(13,045,962)	(12,347,096)
Amount transferred to insurance fund account		(1,911,345)	(776,966)
		<hr/>	<hr/>
		(14,957,307)	(13,124,062)
		<hr/>	<hr/>
Net income from operations - Non life		7,925,891	6,392,019
Other income	<i>5</i>	275,687	39,065
		<hr/>	<hr/>
Profit before tax		8,201,578	6,431,084
Tax expense	<i>12a</i>	(2,491,086)	(2,053,038)
		<hr/>	<hr/>
Profit for the year		5,710,492	4,378,046
		<hr/> <hr/>	<hr/> <hr/>

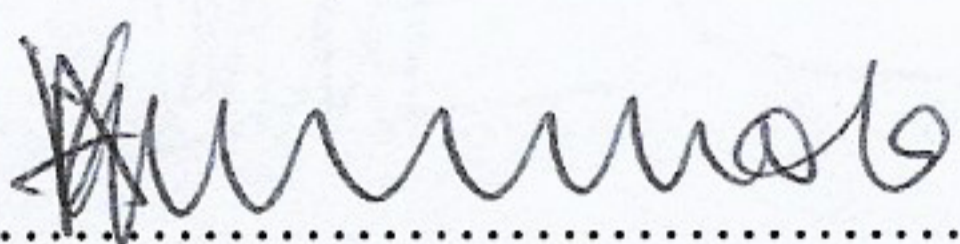
The notes on pages 17 to 56 are an integral part of these financial statements

Statement of comprehensive income - Non-life (continued)
for the year ended 31 December

<i>In thousands of Leones</i>	<i>Notes</i>	2019	2018
Profit for the year		5,710,492	4,378,046
Other comprehensive income; Items that will never be classified to profit and loss:		-	-
Items that are or may be classified subsequently to profit and loss:			
Fair value gain on equity instruments	<i>16b</i>	414,158	318,394
Related tax		(124,247)	(95,518)
Total other comprehensive income for the year		289,911	222,876
Total comprehensive income for the year		6,000,403	4,600,922
Profit attributable to:			
Equity holders of the company		5,710,492	4,378,046
Profit for the year		5,710,492	4,378,046
Total comprehensive income attributable to:			
Equity holders of the company		6,000,403	4,600,922
Total comprehensive income for the year.		6,000,403	4,600,922

The financial statements were approved by the Board of Directors on *21st APRIL*2020
and were signed on its behalf by:

.....  Director

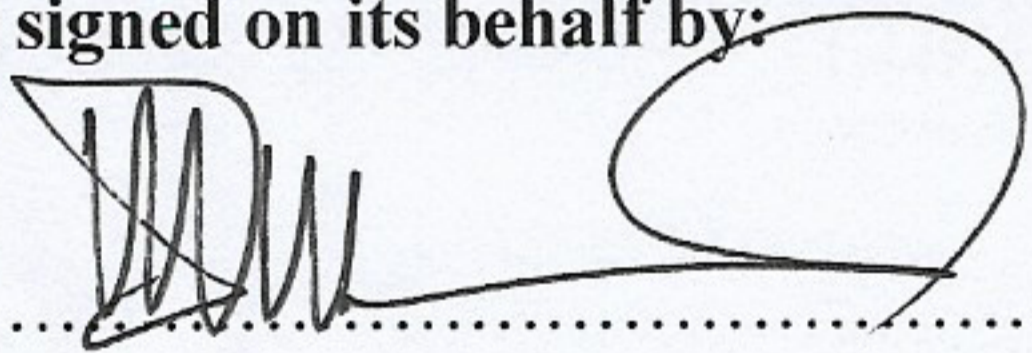
.....  Director

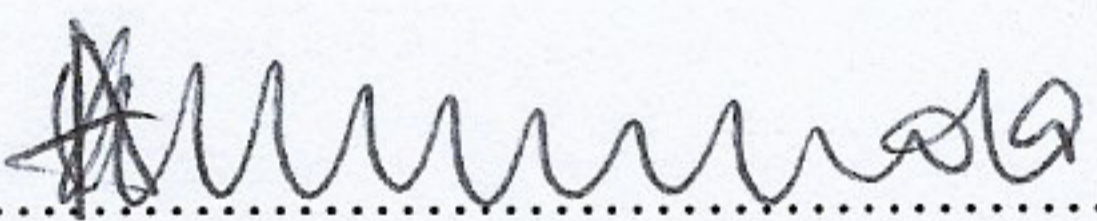
The notes on pages 17 to 56 are an integral part of these financial statements

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

<i>In thousands of Leones</i>	<i>Notes</i>	2019	2018
Revenue			
Insurance premium revenue	6b	3,643,418	3,644,408
Insurance premium ceded to reinsurances		(40,027)	-
		<hr/>	<hr/>
Net insurance premium written		3,603,391	3,644,408
Movement in unearned premium		426,185	(426,596)
		<hr/>	<hr/>
Net earned premium		4,029,576	3,217,812
Investment income	7b	-	835
Other income		-	165
		<hr/>	<hr/>
Net revenue		4,029,576	3,218,812
		<hr/>	<hr/>
Expenditure			
Claims paid, outstanding and unincurred		(1,731,598)	(3,328,012)
Commission expense		(479,580)	(317,664)
Management expenses	8	(195,572)	(238,447)
Net finance cost	11b	(4,485)	(758)
		<hr/>	<hr/>
Amount transferred to Life fund	25b	(1,618,341)	666,069
		<hr/>	<hr/>
		4,029,576	3,218,812
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board of Directors on 21st APRIL2020 and were signed on its behalf by:

.....  Director

.....  Director

The notes on pages 17 to 56 are an integral part of these financial statements

Statement of changes in equity
for the year ended 31 December 2019

	Share capital	Retained earnings	Contingency reserve	Fair value reserve	Other reserves	Total
Balance as at 1 January 2019	1,449,618	6,745,176	2,396,529	509,180	17,920	11,118,423
Total comprehensive income for the year						
Profit for the year	-	5,710,492	-	-	-	5,710,492
Other comprehensive income net of tax						
Fair value gain on equity instruments	-	-	-	289,911	-	289,911
Total other comprehensive income	-	-	-	289,911	-	289,911
Other transfers						
Transfer to contingency reserve (Non-Life)	-	(1,142,098)	1,142,098	-	-	-
Transfer to contingency reserve (Life)	-	-	36,434	-	-	36,434
Total other transfers	-	(1,142,098)	1,178,532	-	-	36,434
Total comprehensive income and other transfers	-	4,568,394	1,178,532	289,911	-	6,036,837
Transaction with owners, recorded directly in equity						
Dividend to equity holders	-	(1,800,000)	-	-	-	(1,800,000)
Transaction with owners	-	(1,800,000)	-	-	-	(1,800,000)
Balances as at 31 December 2019	1,449,618	9,513,570	3,575,061	799,091	17,920	15,355,260

The notes on pages 17 to 56 are an integral part of these financial statements.

Statement of changes in equity *(continued)*
for the year ended 31 December 2018

<i>In thousands of Leones</i>	Share capital	Retained earnings	Contingency reserve	Fair value	Other reserves	Total
Balance as at 1 January 2018	1,449,618	4,242,740	1,484,475	286,304	17,920	7,481,057
Total comprehensive income for the year						
Profit for the year	-	4,378,046	-	-	-	4,378,046
Other comprehensive income net of tax						
Net gain available for on financial assets	-	-	-	222,876		222,876
Total other comprehensive Income	-	-	-	222,876	-	222,876
Other transfers						
Transfer to contingency reserve (Non-Life)	-	(875,610)	875,610	-	-	-
Transfer to contingency reserve (Life)	-	-	36,444	-	-	36,444
Total other transfers	-	(875,610)	912,054	-	-	36,444
Total comprehensive income and other transfers	-	3,502,436	912,054	222,876	-	4,637,366
Transaction with owners, recorded directly in equity						
Dividend to equity holders	-	(1,000,000)	-	-	-	(1,000,000)
Transactions with owners	-	(1,000,000)	-	-	-	(1,000,000)
Balance as at 31 December 2018	1,449,618	6,745,176	2,396,529	509,180	17,920	11,118,423

The notes on pages 17 to 56 are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December

<i>In thousands of Leones</i>	<i>Notes</i>	2019	2018
Cash flows from operating activities:			
Profit for the year		5,710,492	4,378,046
Adjustments for:			
Depreciation	<i>13</i>	459,639	249,329
Amortisation	<i>14</i>	31,983	14,558
Net finance gain	<i>11b</i>	(1,055,391)	(1,497,668)
(Profit) /loss on disposal		(5,808)	11,000
Income tax expense	<i>12a</i>	2,491,086	2,053,038
Cash flows from operating activities		7,632,001	5,208,303
Changes in operating assets and liabilities			
Changes in receivables		(2,963,422)	845,616
Changes in payables		(726,489)	1,966,882
Changes in insurance fund - Non-Life		495,505	(185,099)
Changes in end of service benefit		20,763	51,571
Changes in insurance contract		609,190	1,337,677
Changes in life fund		1,192,156	(239,473)
Changes in fair value		414,158	318,394
		6,673,862	9,303,871
Interest and charges paid		(430,861)	(223,569)
Interest received		28,154	212,287
Income tax paid		(1,640,000)	(1,144,442)
Net cash from operating activities		4,631,155	8,148,147
Cash flow from investing activities			
Acquisition of property and equipment	<i>13</i>	(1,626,880)	(438,603)
Acquisition of intangible assets	<i>14</i>	(95,055)	-
Acquisition of investment property		(2,650,000)	-
Acquisition of investment		(3,329,272)	(3,607,125)
Proceeds from sale of property and equipment		5,808	-
Net cash used in investing activities		(7,695,399)	(4,045,728)
Cash flow from financing activities			
Dividend to owners		(1,800,000)	(1,000,000)
Loan receipts		480,000	-
Cash flow from financing activities		(1,320,000)	(1,000,000)

The notes on pages 17 to 56 are an integral part of these financial statements

Statement of cash flows *(continued)*
for the year ended 31 December

<i>In thousands of Leones</i>	<i>Notes</i>	2019	2018
Net increase/decrease in cash and cash equivalents		(4,384,244)	3,102,419
Cash and cash equivalents at 1 January		12,808,800	8,197,431
Exchange rate fluctuation	<i>11a</i>	1,458,098	1,508,950
Cash and cash equivalents at December	<i>16</i>	9,882,654	12,808,800
		=====	=====

The notes on pages 17 to 56 are an integral part of these financial statements.

Notes to the financial statements

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 2019 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.

(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 35 (p) – Revenue: whether the Company acts as an agent in the transaction rather than as a principal.

Note 35 (r) Lease: whether an arrangement contains a lease.

Notes to the financial statements *(continued)*

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

(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 2019 is included in the following notes:

- Note 35(n) - measurement of defined contribution obligations: key assumptions
- Note 35(m) - recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.
- Note 35(o) - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 35(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 assists 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 meets the requirements of IFRS, including the level in the fair value hierarchy in which such valuation should be classified.

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 statements *(continued)*

5. Segment information

5.1 The segments for the year ended 31 December 2019 are as follows:

At 31 December 2019, the company carried on non-life business in the following areas:

- Fire insurance;
- Motor insurance;
- Accident insurance; and
- Marine insurance

The four-business segment shown above captions all underwriting revenue sources.

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

The segment results for the year ended 31 December 2019 are as follows:

<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Un allocated	Total
Revenue						
Premium less reinsurance	3,336,748	5,129,451	8,097,108	1,467,053	-	18,030,360
Unearned premium	370,814	377,990	540,865	126,171	-	1,415,840
Investment income	-	-	-	-	2,010,352	2,010,352
Total income earned	3,707,562	5,507,441	8,637,973	1,593,224	2,010,352	21,456,552
Expenditure						
Net commission paid						
Commissions paid	(912,471)	(509,813)	(1,593,071)	(148,497)	-	(3,163,852)
Commission income	234,785	12,738	118,928	319	-	366,770
	(677,686)	(497,075)	(1,474,143)	(148,178)	-	(2,797,082)
Transfer to insurance fund						
Reserve of unexpired risks at 31 December 2019	(1,501,537)	(2,308,253)	(3,643,699)	(1,100,289)	-	(8,553,778)
Reserve of unexpired risks at 1 January 2019	1,348,528	1,583,082	2,925,496	785,327	-	6,642,433
Amounts transferred to/ from insurance fund accounts	(153,009)	(725,171)	(718,203)	(314,962)	-	(1,911,345)

Notes to the financial statements *(continued)*

5. Segment information *(continued)*

5.1 The segment results for the year ended 31 December 2019 *(continued)*

<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Un allocated	Total
Net claims incurred	(15,300)	(226,150)	(1,468,058)	(78,487)	-	(1,787,995)
Other income	-	-	-	-	275,687	275,687
Net finance income	196,144	301,524	475,970	86,238	-	1,059,876
Management expenses	(1,497,919)	(2,302,692)	(3,634,920)	(658,584)	-	(8,094,115)
Total expenses	(2,147,770)	(3,449,564)	(6,819,354)	(1,113,973)	-	(13,530,661)
Income from non-life operations	1,559,792	2,057,877	1,818,619	479,251	2,286,039	8,201,578

Notes to the financial statements *(continued)*

5. Segment information (continued)

5.1 The segment results for the year ended 31 December 2018

<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Un allocated	Total
Revenue						
Premium less reinsurance	2,996,729	3,517,961	6,501,103	1,047,103	-	14,062,896
Unearned premium	287,668	205,217	407,971	61,209		962,065
Investment income	-	-	-	-	2,599,805	2,599,805
Total income earned	3,284,397	3,723,178	6,909,074	1,108,312	2,599,805	17,624,766
Expenditure						
Net commission paid						
Commissions paid	(662,298)	(344,970)	(1,256,582)	(179,425)	-	(2,443,275)
Commission Income	88,718	93,262	179,531	31,378	-	392,889
	(573,580)	(251,708)	(1,077,051)	(148,047)	-	(2,050,386)
Transfer to insurance fund						
Reserve of unexpired risks at 31 December	(1,348,528)	(1,583,082)	(2,925,496)	(785,327)		(6,642,433)
Reserve of unexpired risks at 1 January	1,227,279	888,840	3,133,721	615,627		5,865,467

Notes to the financial statements *(continued)*

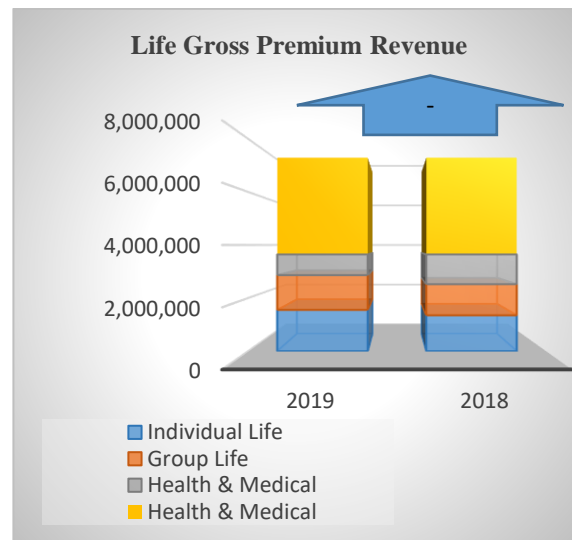
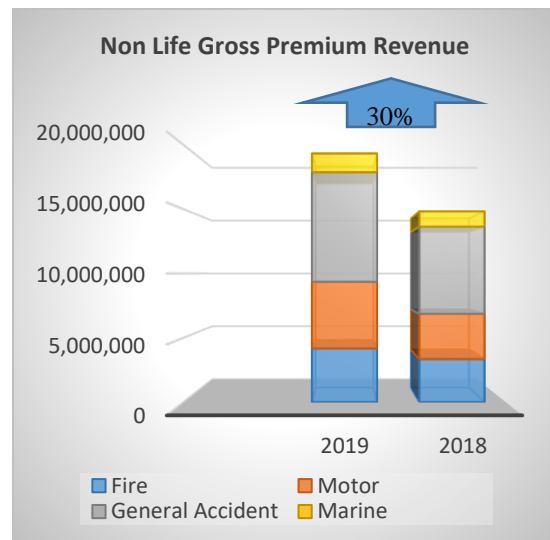
5. Segment information *(continued)*

5.1 The segment results for the year ended 31 December 2018 *(continued)*

<i>In thousands of Leones Amounts transferred to/ from insurance fund accounts</i>	Fire	Motor	Accident	Marine	Un allocated	Total
	(121,249)	(694,242)	208,225	(169,700)	-	(776,966)
Net claims incurred	(48,971)	(452,887)	(1,377,262)	(225,287)	-	(2,104,407)
Other income	-	-	-	-	39,065	39,065
Finance income	319,307	374,845	692,704	111,570	-	1,498,426
Management expenses	(1,662,014)	(1,951,094)	(3,605,573)	(580,733)	-	(7,799,414)
Total expenses	(2,086,507)	(2,975,086)	(5,158,957)	(1,012,197)	39,065	(11,193,682)
Income from non-life operations	1,197,890	748,092	1,750,117	96,115	2,638,870	6,431,084

Notes to the financial statements (continued)

6. Revenue



6a. Revenue by segment

Non- Life

In thousands of Leones

	2019	2018
Fire	4,166,198	3,346,536
Motor	5,174,451	3,517,961
General accident	8,517,258	6,772,105
Marine	1,468,178	1,183,593
	19,326,085	14,820,195

Life

In thousands of Leones

	2019	2018
Individual Life	1,554,290	1,353,049
Group Life	1,310,349	1,171,492
Health & Medical	778,779	1,119,867
	3,643,418	3,644,408

Notes to the financial statements *(continued)*

7. Investment income

7a. Non-Life

<i>In thousands of Leones</i>	2019	2018
Interest received	2,010,352	2,599,805
Total investment income Non-Life	2,010,352	2,599,805

7b. Life

<i>In thousands of Leones</i>	2019	2018
Interest received	-	835
Total investment income Life	-	835

8. Management expenses

8a. Non - life

<i>In thousands of Leones</i>	2019	2018
Advertising	248,009	403,912
Audit fees	144,040	98,800
Miscellaneous	1,141,212	1,807,470
Depreciation	491,512	263,887
Entertainment	177,344	437,862
Utility bills	65,378	52,668
Legal and professional	22,813	43,192
Directors' fees	641,120	308,616
Motor expenses	58,585	58,450
Fuel cost	111,442	100,162
Repairs and maintenance	114,856	52,245
Staff costs	2,066,277	1,718,393
Communication	212,938	117,516
Printing and stationery	46,012	50,593
Rent and rates	592,826	512,137
Subscription and donation	103,020	62,223
Traveling	295,097	292,113
Impairment loss on trade receivables	1,308,103	1,335,032
Bad debts written off	63,473	30,000
Registration fee	190,058	54,143
Non-life expenses	8,094,115	7,799,414

Notes to the financial statement *(continued)*

8a. Management expenses (continued)

8. Life

<i>In thousands of Leones</i>	2019	2018
(Reversal)/impairment loss on trade receivables	(181,768)	10,080
Bad debts written off	-	785
Staff costs (Note 9b)	255,765	142,666
Miscellaneous	121,575	84,916
Life expenses	195,572	238,447

8b. Impairment loss on trade receivables

<i>In thousands of Leones</i>	2019	2018
Non- life	1,308,103	1,335,032
Life	(181,768)	10,080
	1,126,335	1,345,112

9. Staff costs

(a) Non-Life

<i>In thousands of Leones</i>	2019	2018
Salaries and wages	573,190	460,254
Staff welfare	1,343,900	1,079,398
Medical	92,944	39,413
Training	14,139	86,621
Staff benefits	42,104	52,707
	2,066,277	1,718,393

(b) Life

<i>In thousands of Leones</i>	2019	2018
Salaries and wages	82,624	54,405
Staff welfare	141,188	87,957
Medical	21,589	304
Training	10,364	-
	255,765	142,666

Notes to the financial statement *(continued)*

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:

<i>In thousands of Leones</i>	2019	2018
Directors' fees	641,120	308,616
Depreciation & amortisation	491,622	263,887
Auditors' fees	144,040	98,800
	=====	=====

11. Net finance income

<i>In thousands of Leones</i>	2019	2018
-------------------------------	-------------	------

11a. Non-Life

Net foreign exchange gain	(1,458,098)	(1,508,950)
Interest on loan received	(17,732)	(207,313)
Interest on loan paid	51,014	-
Bank charges	364,940	217,837
	<u>(1,059,876)</u>	<u>(1,498,426)</u>

11b. Life

Interest on loan paid	6,762	(4,974)
Bank charges	8,145	5,732
Interest on loan received	(10,422)	-
	<u>4,485</u>	<u>758</u>
	<u>(1,055,391)</u>	<u>(1,497,668)</u>
	=====	=====

12. Tax account

12a. Current tax expense

<i>In thousands of Leones</i>	2019	2018
Income tax expense		
Current year at 30%	2,356,137	2,032,449
Deferred tax expense		
Originating and reversal of temporary differences	134,949	20,589
	<u>2,491,086</u>	<u>2,053,038</u>
	=====	=====

Notes to the financial statement *(continued)*

12. Tax account (continued)

12b. Reconciliation of effective tax rate

<i>In thousands of Leones</i>	2019	2018
Profit before income tax	8,201,578	6,431,084
Income tax on profit before tax	2,460,473	1,929,325
Tax impact of permanent difference:		
Non-deductible expenses	54,890	131,359
Adjustments	126	(1,067)
Tax incentives	(24,403)	(6,579)
	2,491,086	2,053,038
	=====	=====
12c. Income tax account		
<i>In thousands of Leones</i>	2019	2018
Balance at 1 January	2,912,687	2,024,680
Tax charge for the year	2,356,137	2,032,449
	5,268,824	4,057,129
Payment during the year	(1,640,000)	(1,144,442)
Balance at 31 December	3,628,824	2,912,687
	=====	=====

Notes to the financial statement *(continued)*

12. Tax account (continued)

12d. Deferred tax asset and liabilities

Recognised deferred tax asset and liabilities

<i>In thousands of Leones</i>	2019			2018		
	Assets	Liability	Net	Assets	Liability	Net
Property and equipment	-	137,488	137,488	-	76,775	76,775
Employee benefit plan	(67,956)	-	(67,956)	(61,727)	-	(61,727)
Recognise in other income- actuarial gain	-	7,681	7,681	-	7,681	7,681
Impairment allowance	(88,518)	-	(88,518)	(168,983)	-	(168,983)
Unrealised gain on revaluation of equity securities	-	342,467	342,467	-	218,220	218,220
	<u>(156,474)</u>	<u>487,636</u>	<u>331,162</u>	<u>(230,710)</u>	<u>302,676</u>	<u>71,966</u>
	=====	=====	=====	=====	=====	=====

12e. Movement in temporary differences during the year

2019

	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
Property plant and equipment	76,775	60,713	-	137,488
Employee benefit plan	(61,727)	(6,229)	-	(67,956)
Recognise in other income- actuarial gain	7,681	-	-	7,681
Tax loss carry forward	-	-	-	-
Impairment allowance	(168,983)	80,465	-	(88,518)
Deferred tax asset not recognised	-	-	-	-
Unrealised exchange gains - revaluation of equity securities	218,220	-	124,247	342,467
	<u>71,966</u>	<u>134,949</u>	<u>124,247</u>	<u>331,162</u>
	=====	=====	=====	=====

Notes to the financial statement *(continued)*

12. Tax account *(continued)*

Movement in temporary differences during the year (continued)

2018

<i>In thousands of Leones</i>	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
Property plant and equipment	89,125	(12,350)	-	76,775
Employee benefit plan	(46,256)	(15,471)	-	(61,727)
Actuarial gain	(217,393)	48,410	-	(168,983)
Impairment allowance	7,681	-	-	7,681
Unrealised gain on revaluation on investment assets	122,702	-	95,518	218,220
	<u>(44,141)</u>	<u>20,589</u>	<u>95,518</u>	<u>71,966</u>

Notes to the financial statement *(continued)*

13. Property and equipment

<i>In thousands of Leones</i>	Motor Vehicle	Office furniture and equipment	Total
Cost			
At 1 January 2018	394,163	933,357	1,327,520
Additions	380,000	58,603	438,603
Disposal	-	(11,000)	(11,000)
	-----	-----	-----
At 31 December 2018	774,163	980,960	1,755,123
	=====	=====	=====
At 1 January 2019	774,163	980,960	1,755,123
Additions	1,415,257	211,623	1,626,880
Disposal	(289,363)	(2,143)	(291,506)
	-----	-----	-----
At 31 December 2019	1,900,057	1,190,440	3,090,497
	=====	=====	=====
Accumulated depreciation			
At 1 January 2018	301,563	489,921	791,484
Charge for the year	133,457	115,872	249,329
Disposal	-	-	-
	-----	-----	-----
At 31 December 2018	435,020	605,793	1,040,813
	=====	=====	=====
At 1 January 2019	435,020	605,793	1,040,813
Charge for the year	328,818	130,821	459,639
Disposal	(289,363)	(2,143)	(291,506)
	-----	-----	-----
At 31 December 2019	474,475	734,471	1,208,946
	=====	=====	=====
Carrying amount			
At 1 January 2018	92,600	443,436	536,036
	=====	=====	=====
At 31 December 2018	339,143	375,167	714,310
	=====	=====	=====
At 1 January 2019	339,143	375,167	714,310
	=====	=====	=====
At 31 December 2019	1,425,582	455,969	1,881,551
	=====	=====	=====

Notes to the financial statement *(continued)*

14. Intangible assets

<i>In thousands of Leones</i>	Computer Software
Cost	
At 1 January 2018	145,577
Acquisitions	-
At 31 December 2018	<u>145,577</u>
	=====
At 1 January 2019	145,577
Acquisitions	95,055
At 31 December 2019	<u>240,632</u>
	=====
Amortisation and Impairment losses	
At 1 January 2018	58,086
Amortisation for the year	14,558
At 31 December 2018	<u>72,644</u>
	=====
At 1 January 2019	72,644
Amortisation for the year	31,983
At 31 December 2019	<u>104,627</u>
	=====
Carrying Amount	
At 1 January 2018	87,491
	=====
At 31 December 2018	72,933
	=====
At 1 January 2019	72,933
	=====
At 31 December 2019	<u>136,005</u>
	=====

15. Investment property

<i>In thousands of Leones</i>	2019	2018
At 1 January 2019	-	-
Acquisitions	2,650,000	-
At 31 December 2019	<u>2,650,000</u>	-
	=====	=====

During the year, the Company purchased a piece of land and building from Staco Insurance PLC for ₦ 105 million.

Notes to the financial statement *(continued)*

16. Financial assets

<i>In thousands of Leones</i>	2019	2018
Held to maturity	15,119,653	12,204,539
Equity investments	1,749,518	1,335,360
	<u>16,869,171</u>	<u>13,539,899</u>
	=====	=====

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. The Bank of Sierra Leone on behalf of the Company invests part of the statutory deposits in treasury bills (Government Securities).

16a. Held to maturity financial assets

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

<i>In thousands of Leones</i>	2019	2018
Statutory deposit	1,500,000	1,500,000
Treasury bills	2,924,770	2,202,032
Fixed deposits	10,694,883	8,502,507
	<u>15,119,653</u>	<u>12,204,539</u>
	=====	=====

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

16b. Equities investments

Company	Number of shares	Percentage of shares held
WAICA Reinsurance Corporation PLC	83,709	0.17%
	=====	=====

<i>In thousands of Leones</i>	2019	2018
At 1 January	1,335,360	1,016,966
Fair value gain	414,158	318,394
	<u>1,749,518</u>	<u>1,335,360</u>
	=====	=====

Notes to the financial statement *(continued)*

17. Loans and receivables including insurance receivables

17a. Loans and receivables including insurance receivables

<i>In thousands of Leones</i>	2019	2018
Due from agents and brokers	11,984,974	10,149,602
Allowance for impairment	(6,985,247)	(5,858,912)
	<hr/> 4,999,727	<hr/> 4,290,690
Other loans and receivables:		
Prepayments	297,870	306,513
Loans to staff	1,752,243	45,294
Intercompany loan	2,000,000	1,804,261
Others	610,025	249,685
	<hr/> 4,660,138	<hr/> 2,405,753
Total loans and receivables including insurance receivables	<hr/> 9,659,865 =====	<hr/> 6,696,443 =====

17b. Allowance for impairment

<i>In thousands of Leones</i>	2019	2018
At 1 January	5,858,912	4,513,800
Charge for the year	1,126,335	1,345,112
	<hr/> 6,985,247 =====	<hr/> 5,858,912 =====

17c. Allowance for impairment

<i>In thousands of Leones</i>	2019	2018
Specific allowance for impairment		
At 1 January	5,295,633	3,789,156
Charge for the year	1,394,552	1,506,477
	<hr/> 6,690,185	<hr/> 5,295,633
Collective allowance for impairment		
At 1 January	563,279	724,644
Charge /(release) for the year	(268,217)	(161,365)
	<hr/> 295,062	<hr/> 563,279
Total allowance for impairment	<hr/> 6,985,247 =====	<hr/> 5,858,912 =====

Notes to the financial statement *(continued)*

18. Cash and cash equivalents

<i>In thousands of Leones</i>	2019	2018
Bank balances	9,892,431	12,808,202
Cash balances	12,427	598
	<hr/> 9,904,858 <hr/>	<hr/> 12,808,800 <hr/>
Overdrawn balance		
Bank of Sierra Leone	(22,204)	-
	<hr/> (22,204) <hr/>	<hr/> - <hr/>
Net cash and cash equivalents	<hr/> 9,882,654 <hr/> <hr/>	<hr/> 12,808,800 <hr/> <hr/>

19. Share capital

<i>In thousands of Leones</i>		2019		2018	
Authorised:	No. of shares	Le'000	No. of shares	Le'000	
50 million ordinary shares of Le100 each	50,000,000	5,000,000	50,000,000	5,000,000	
	<hr/>	<hr/>	<hr/>	<hr/>	
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	<hr/> 14,496,180 <hr/>	<hr/> 1,449,618 <hr/>	<hr/> 14,496,180 <hr/>	<hr/> 1,449,618 <hr/>	

20. Retained earnings

<i>In thousands of Leones</i>	2019	2018
Balance at 1 January	6,745,176	4,242,740
Profit for the year	5,710,492	4,378,046
Transfer to contingency reserves	(1,142,098)	(875,610)
Dividend to owners	(1,800,000)	(1,000,000)
	<hr/> 9,513,570 <hr/> <hr/>	<hr/> 6,745,176 <hr/> <hr/>

Notes to the financial statement *(continued)*

21. Contingency reserve

<i>In thousands of Leones</i>	2019	2018
Balance at 1 January	2,396,529	1,484,475
Transfer from retain earnings - Non-Life	1,142,098	875,610
Transfer from life fund	36,434	36,444
	3,575,061	2,396,529
	=====	=====

22. Other reserves

<i>In thousands of Leones</i>	2019	2018
At 1 January	17,920	17,920
At 31 December	17,920	17,920
	=====	=====

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

23. Fair value reserve

<i>In thousands of Leones</i>	2019	2018
At 1 January	509,180	286,304
Fair value gain	289,911	222,876
	799,091	509,180
	=====	=====

The fair value reserves represent the fair value adjustments resulting from the fair valuation of the Company's investment in unquoted equity investments.

24. Reserves and retained earnings

<i>In thousands of Leones</i>	2019	2018
Contingency reserve	3,575,061	2,396,529
Fair value reserve	799,091	509,180
Other reserve	17,920	17,920
Retained earnings	9,513,570	6,745,176
	-----	-----
Balance at 31 December	13,905,642	9,668,805
	=====	=====

Notes to the financial statement *(continued)*

25. Insurance funds

<i>In thousands of Leones</i>	2019	2018
25a. Non-Life (General business)		
Balance at 1 January	8,218,847	8,403,946
Increase arising from changes in net premium	1,911,345	776,966
Movement in unearned premium	(1,415,840)	(962,065)
	<hr/>	<hr/>
Balance at 31 December	8,714,352	8,218,847
	<hr/> <hr/>	<hr/> <hr/>
25b. Life business	2019	2,018
Balance at 1 January	3,775,172	4,051,089
Increase arising from changes in net premium	1,618,341	(666,069)
Transfer to contingency reserve	(36,434)	(36,444)
Movement in unearned premium	(426,185)	426,596
	<hr/>	<hr/>
Balance at 31 December	4,930,894	3,775,172
	<hr/> <hr/>	<hr/> <hr/>

26. Employee benefit provision

<i>In thousands of Leones</i>	2019	2018
Present value of obligation	200,919	180,156
	<hr/>	<hr/>
Recognized liability for end of service benefit obligation	200,919	180,156
	<hr/> <hr/>	<hr/> <hr/>
Movement in the present value of end of service benefit		
Liability for end of service obligation at 1 January	180,156	128,585
Included in profit or loss		
Current service cost	42,104	52,707
Other		
Benefits paid	(21,341)	(1,136)
	<hr/>	<hr/>
	200,919	180,156
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statement *(continued)*

27. Insurance contracts claims

2019

<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Life	Total
At 1 January	150,755	437,663	1,433,459	416,687	16,150	2,454,714
Claims incurred during the year	15,300	226,150	1,468,058	78,487	1,731,598	3,519,593
Claims paid during the year	(15,300)	(240,790)	(955,810)	(78,488)	(1,620,015)	(2,910,403)
Claims outstanding at 31 December 2019	150,755	423,023	1,945,707	416,686	127,733	3,063,904

2018

<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Life	Total
At 1 January	105,698	380,197	423,592	191,400	16,150	1,117,037
Claims incurred during the year	48,971	452,887	1,377,262	225,287	-	2,104,407
Claims paid during the year	(3,914)	(395,421)	(367,395)	-	-	(766,730)
Claims outstanding at 31 December 2018	150,755	437,663	1,433,459	416,687	16,150	2,454,714

28. Loan

<i>In thousands of Leones</i>	2019	2018
Balance at 1 January	-	-
Loan during the year	560,000	-
Payment during the year	(80,000)	-
Balance at 31 December	480,000	-

On 25 June 2019, Staco Insurance SL obtained from Access Bank SL Ltd a Le 560 million loan with an interest rate of 19% and a repayment period of three years for the purchase of a vehicle.

Amount due within one year	137,143	-
Amount due over one year	342,857	-
	480,000	-

Notes to the financial statements *(continued)*

29. Trade and other payables

<i>In thousands of Leones</i>	2019	2018
Commission outstanding	2,237,836	550,723
Accruals	408,578	847,734
Other creditors	1,727,517	3,701,963
	<u>4,373,931</u>	<u>5,100,420</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.

30. 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.

30.1 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.

Notes to the financial statements (continued)

30. Management of insurance and financial risk (continued)

30.1.1 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.

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

Claims on insurance contracts are payable on a claim's 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 claim's 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 comprises 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.

Notes to the financial statements (continued)

30. Management of insurance and financial risk (continued)

30.1.1 Casualty insurance risks (continued)

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

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.

30.1.2 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.

30.2 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.

Notes to the financial statements (continued)

30. Management of insurance and financial risk (continued)

30.2 Financial risk

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.

As at 31 December 2019

	Le	USD	Euro	GBP	Naira	Total
Property and equipment	1,881,551	-	-	-	-	1,881,551
Intangible assets	136,005	-	-	-	-	136,005
Investment property	2,650,000	-	-	-	-	2,650,000
Financial assets	16,869,171	-	-	-	-	16,869,171
Loans and receivables including insurance receivables	14,714,724	-	-	-	-	14,714,724
Cash and cash equivalent	1,907,345	7,659,206	88,169	122,991	127,147	9,904,858
Total assets	<u>38,158,796</u>	<u>7,659,206</u>	<u>88,169</u>	<u>122,991</u>	<u>127,147</u>	<u>46,156,309</u>
Employee benefit provision	200,919	-	-	-	-	200,919
Insurance contract	3,063,904	-	-	-	-	3,063,904
Short - term loan	480,000	-	-	-	-	480,000
Bank overdraft	22,204	-	-	-	-	22,204
Trade and other payables	8,593,990	769,918	62,882	-	-	9,426,790
Income tax liability	3,628,824	-	-	-	-	3,628,824
Deferred tax liability	331,162	-	-	-	-	331,162
Non-life fund	8,714,352	-	-	-	-	8,714,352
Life fund	4,930,894	-	-	-	-	4,930,894
Total liabilities	<u>29,966,249</u>	<u>769,918</u>	<u>62,882</u>	<u>-</u>	<u>-</u>	<u>30,799,049</u>
Net exposure	<u>8,192,547</u>	<u>6,889,288</u>	<u>25,287</u>	<u>122,991</u>	<u>127,147</u>	<u>15,357,260</u>

Notes to the financial statements *(continued)*

30. Management of insurance and financial risk (continued)

30.2 Financial risk (continued)

Currency risk (continued)

As at 31 December 2018

	Le	USD	Euro	GBP	Naira	Total
Property and equipment	714,310	-	-	-	-	714,310
Intangible	72,933					72,933
Financial assets	13,539,899	-	-	-	-	13,539,899
Loans and receivables including insurance receivables	4,892,182	-	-	-	1,804,261	6,696,443
Cash and cash equivalent	868,890	10,826,532	61,957	102,202	949,219	12,808,800
Deferred tax assets	-	-	-	-	-	-
Total assets	<u>20,088,214</u>	<u>10,826,532</u>	<u>61,957</u>	<u>102,202</u>	<u>2,753,480</u>	<u>33,832,385</u>
Employee benefit provision	180,156	-	-	-	-	180,156
Insurance contract	2,454,714	-	-	-	-	2,454,714
Trade and other payables	5,001,620	98,800	-	-	-	5,100,420
Income tax	2,912,687	-	-	-	-	2,912,687
Deferred tax liability	(71,966)					(71,966)
Non-life fund	8,218,847	-	-	-	-	8,218,847
Life fund	3,775,172	-	-	-	-	3,775,172
Total liabilities	<u>22,471,230</u>	<u>98,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,570,030</u>
Net exposure	<u>(2,383,016)</u>	<u>10,727,732</u>	<u>61,957</u>	<u>102,202</u>	<u>2,753,480</u>	<u>11,262,355</u>

Notes to the financial statements (continued)

30. Management of insurance and financial risk (continued)

30.2 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:

2019

<i>In thousands of Leones</i>	USD	Euro	GBP	Naira	Total
Loans and receivables including insurance receivables	-	-	-	2,000,000	2,000,000
Cash and cash equivalents	7,659,206	88,169	122,991	127,147	7,997,513
Total assets	7,659,206	88,169	122,991	2,127,147	9,997,513
Trade and other payables	(769,918)	62,882	-	-	(707,036)
Total liabilities	(769,918)	(62,882)	-	-	(832,800)
Net on financial position exposure	6,889,288	25,287	122,991	2,127,147	9,164,713

2018

<i>In thousands of Leones</i>	USD	Euro	GBP	Naira	Total
Loans and receivables including insurance receivables	-	-	-	1,804,261	1,804,261
Cash and cash equivalents	10,826,532	61,957	102,202	949,219	11,939,910
Total assets	10,826,532	61,957	102,202	2,753,480	13,744,171
Trade and other payables	(98,800)	-	-	-	(98,800)
Total liabilities	(98,800)	-	-	-	(98,800)
Net on financial position exposure	10,727,732	61,957	102,202	2,753,480	13,645,371

Notes to the financial statement *(continued)*

31. Capital commitments

There were no capital commitments at 31 December 2019 (2018: Nil).

32. 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.

33. Related party disclosures

The following transactions were carried out with related parties:

(a) Key management compensation

<i>In thousands of Leones</i>	2019	2018
Salaries and other short term employee benefits	1,135,983	774,489
	<u>1,135,983</u>	<u>774,489</u>
	<u><u>=====</u></u>	<u><u>=====</u></u>

b) Intercompany loan

In December 2017, Staco SL granted Staco PLC a loan of ₦ 100,000,000 for a repayment period of two years at 15% interest rate per annum. The following is the outstanding balance on the loan as at 31 December 2018.

<i>In thousands of Leones</i>	2019	2018
At 1 January	1,804,261	2,083,335
Interest earned during the year	17,732	207,313
Payments during the year	(126,065)	(969,719)
Exchange gain	304,072	483,332
At 31 December	<u>2,000,000</u>	<u>1,804,261</u>
	<u><u>=====</u></u>	<u><u>=====</u></u>

Notes to the financial statement *(continued)*

34. 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.

35. 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	47
(b) Property & equipment	47
(c) Investment property	48
(d) Investment	48
(e) Impairment of assets	49
(f) Impairment of other non-financial assets	50
(g) Cash & cash equivalents	50
(h) Share capital	50
(i) Insurance contracts	51
(j) Claims	53
(k) Insurance funds	53
(l) Contingency reserve	53
(m) Deferred income tax	53
(n) Employee benefits	54
(o) Provisions	54
(p) Revenue recognition	54
(q) Dividend income	55
(r) Leases	55
(s) Dividend distribution	55

Notes to the financial statement *(continued)*

35. 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 the cost of motor vehicles and various office equipment. All 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 recognized 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)*

35. 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)*

35. 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)*

35. 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 include 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)*

35. 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)*

35. 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)*

35. 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. In accordance with statute, a further provision is also made by management representing twenty percent of the estimated amount of outstanding claims in respect of claims incurred but not reported at the end of the last preceding year;

k. Insurance funds

In accordance with statute, in the case of insurance business other than marine insurance business, forty-five percent of the total net premiums is provided as an estimate of premiums unearned at the financial position date.

In the case of marine hull insurance business, not less than seventy-five percent of the net premiums for the year is provided as an estimate of premiums unearned at the financial position date.

l. Contingency reserves

In accordance with statute, in the case of contingency reserves for general insurance business, reserves shall not be less than three percent of the total premiums or twenty percent of the net profits whichever is the greater; and such amount shall accumulate until it reaches the minimum paid-up capital or fifty percent of the net premiums, whichever is the greater.

For life insurance business, contingency reserve is credited with an amount equal to one percent of the premiums

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)*

35. 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 accrual basis.*

Notes to the financial statements *(continued)*

35. 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)*

36. New standards and interpretations not yet adopted

A number of new standards, and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted them in preparing these financial statements.

(i) IFRS 17 Insurance contracts

Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17:

- combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 17.

(ii) Amendments to reference to conceptual framework in IFRS Standards

(iii) Definition of a business (Amendment to IFRS 3)

Other supplementary information

Other Supplementary Information

Five-year financial summary

<i>In thousands of Leones</i>	2019	2018	2017	2016	2015
Total Assets	46,156,309	33,832,385	26,339,931	16,898,846	15,311,437
Total Investments	16,869,171	13,539,899	9,937,772	8,523,620	5,634,837
Shareholders Fund	15,357,260	11,118,423	7,481,056	4,900,014	3,945,004
Insurance Funds:					
<i>Non-Life</i>	8,714,352	8,218,847	8,403,946	5,392,381	5,313,103
<i>Life</i>	4,930,894	3,775,172	4,051,089	1,878,210	957,018
Gross Premium	19,326,085	14,820,195	13,127,534	9,500,862	9,365,583
Net Premium after Re-insurance	18,030,360	14,062,896	12,487,148	8,643,844	8,783,826
Investment income	2,010,352	2,599,805	923,936	496,567	249,879
Claims Expense	1,787,995	(2,104,407)	721,232	329,319	794,871
Management Expenses	8,094,115	(7,799,414)	4,429,391	4,954,488	3,422,877
Net Profit/(Loss) before tax	5,710,492	4,378,046	3,038,051	1,776,936	1,623,842