

Staco Insurance Company (SL) Limited

Financial Statements
for the year ended 31 December 2021

This report contains 57 pages
Supplementary information 1 page
Ref: S651/ank/eap

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General information

Directors : Mrs Emerica Karefa-Kargbo Chairman
Mr Adekunle Micheal Aderinola Managing Director
Mr Ehi Eguabor Director
Mr David Carew Director
Mr Rowland Wright Director
Mr Tarica Mpinga 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

Auditor : 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 2021.

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 2021 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.

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.

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.

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 Ehi Eguabor	2%
Mr David Carew	Nil
Mr Rowland Wright	Nil
Mr Tarica Mpinga	Nil

Dividend

In respect of the year ended 31 December 2021 result, the Board of Directors proposed a dividend of Le 4 billion to be paid to the existing shareholders as at 31 December 2021 (2020: Dividend of Le 4 billion).

Auditors


In accordance with Section 308 of the Companies Act 2009 of Sierra Leone 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 26 April, 2022 and signed on its behalf by:


.....
Director


.....
Director


.....
Secretary

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 57 which comprise the statement of financial position as at 31 December 2021, 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 (SL) Limited as at 31 December 2021, 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 (SL) Limited'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 skepticism 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 (SL) Limited'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 (SL) Limited 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.

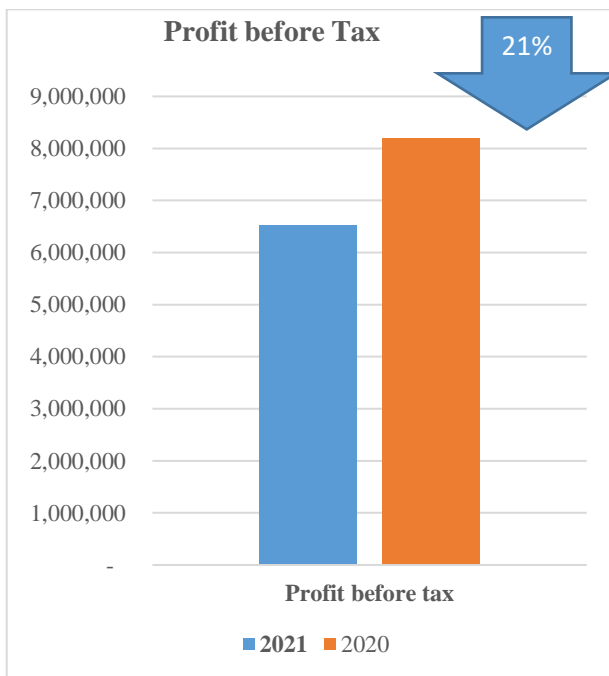
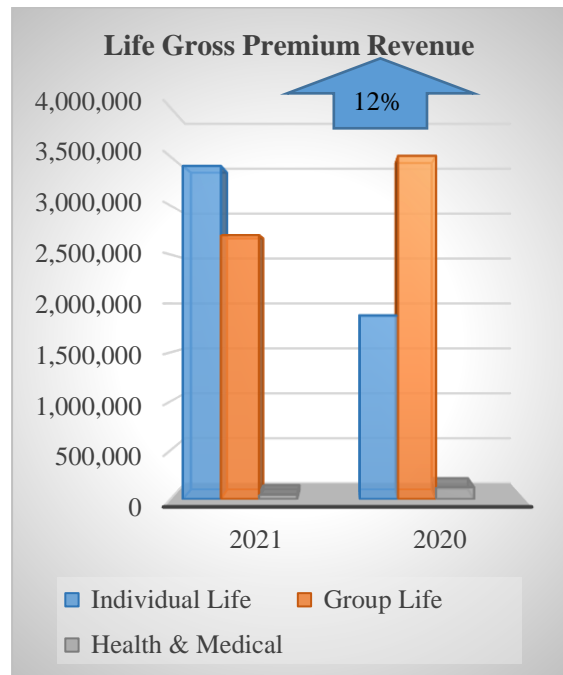
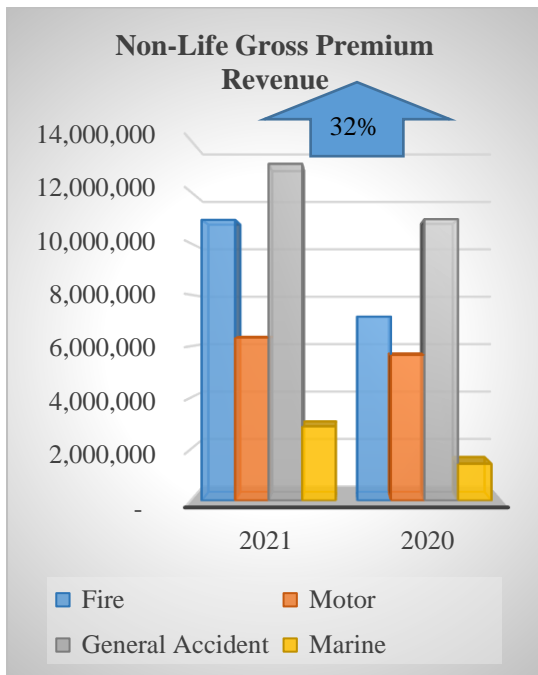
The Engagement Partner on the audit resulting in this independent auditor's report is Derrick Kawaley.

Freetown

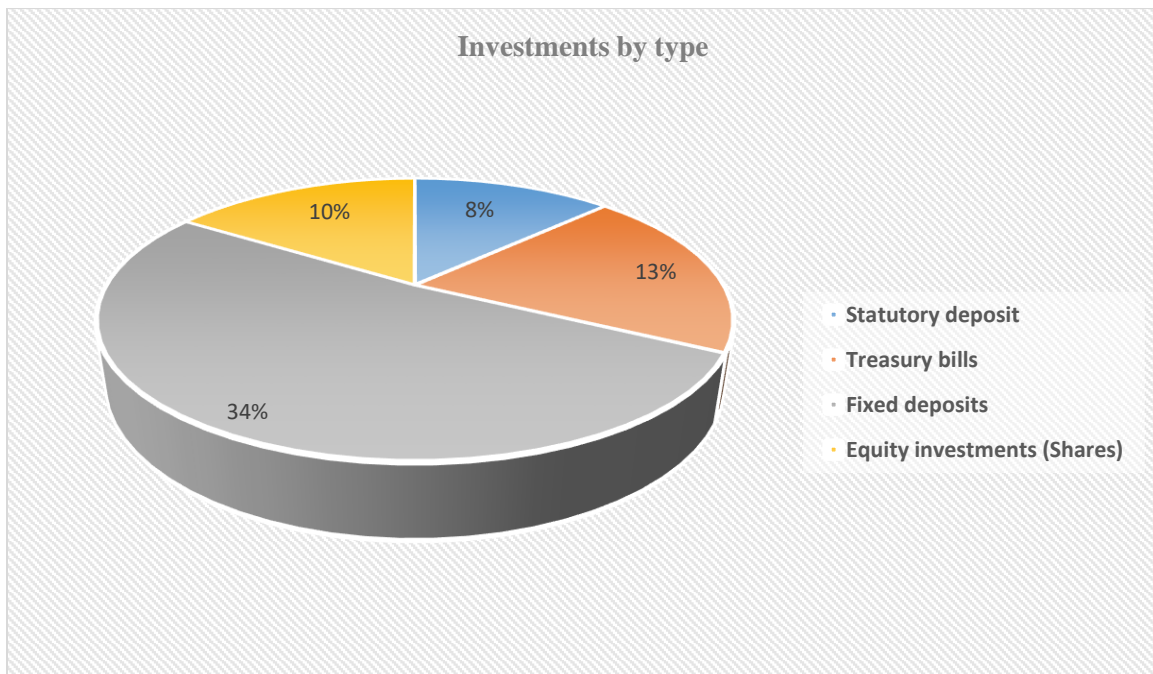
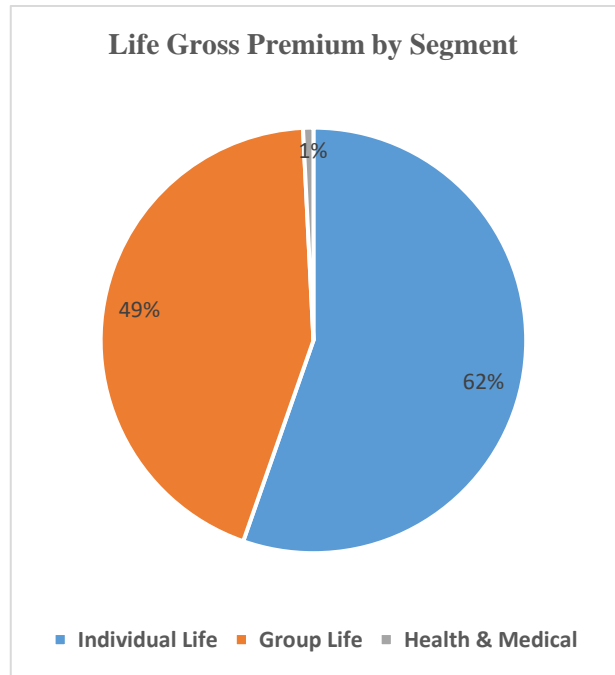
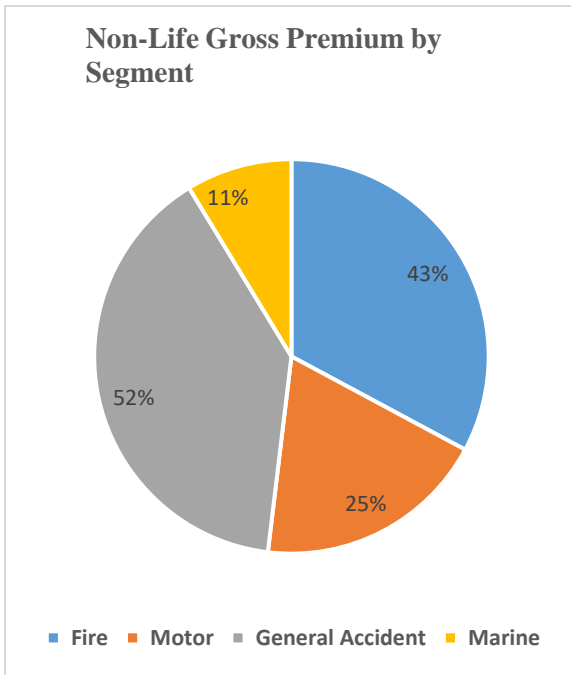

Chartered Accountants

Date: 26 APRIL 2022

Financial highlights



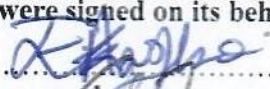
Financial highlights (continued)

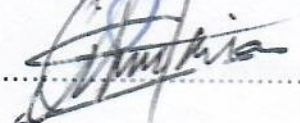


Statement of financial position
as at 31 December

<i>In thousands of Leones</i>	Note	2021	2020
Assets			
Property and equipment	13	972,028	1,471,655
Intangible assets	14	89,618	125,756
Investment property	15	5,411,354	2,650,000
Financial assets	16	17,794,851	11,726,237
Loans and receivables including insurance receivables	17	20,493,840	18,498,314
Cash and cash equivalent	18	20,647,698	20,099,922
Total assets		<u>65,409,389</u>	<u>54,571,884</u>
Equity			
Share capital	19	8,664,058	2,400,000
Retained earnings	20	3,900,275	10,264,058
Contingency reserve	21	5,879,428	4,842,836
Other reserves	22	(6,753)	(6,753)
Fair value reserve	23	1,903,708	886,521
Total equity		<u>20,340,716</u>	<u>18,386,662</u>
Liabilities			
Employee benefit provision	26	181,650	374,871
Insurance contract claim	27	2,616,605	2,515,107
Loan	28	205,714	342,857
Overdrawn bank balance	18	131,252	207,881
Trade and other payables	29	16,592,372	11,811,137
Income tax liability	12c	149,540	1,904,959
Deferred tax liability	12d	950,657	434,839
Insurance funds:		-	
Non-life	25a	14,076,788	12,030,581
Life	25b	10,164,095	6,562,990
Total liabilities		<u>45,068,673</u>	<u>36,185,222</u>
Total equity and liabilities		<u>65,409,389</u>	<u>54,571,884</u>

The financial statements were approved by the Board of Directors on 26 April, 2022 and were signed on its behalf by:

.....  Director

.....  Director

The notes on pages 17 to 57 are an integral part of these financial statements

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

<i>In thousands of Leones</i>	Note	2021	2020
Revenue			
Insurance premium revenue	<i>6a</i>	33,215,716	25,176,586
Insurance premium ceded to reinsurances		(7,706,642)	(3,634,754)
		<hr/>	<hr/>
Net insurance premium written		25,509,074	21,541,832
Movement in unearned premium	<i>5,25a</i>	(2,046,207)	(1,750,445)
		<hr/>	<hr/>
Net earned premium		23,462,867	19,791,387
Investment income	<i>7</i>	2,035,320	1,673,333
Net finance income/(cost)	<i>11a</i>	1,217,572	(454,257)
Commission income		2,449,150	1,105,070
		<hr/>	<hr/>
Net revenue		29,164,909	22,115,533
Expenditure			
Claims paid, outstanding and unincurred	<i>5</i>	(2,564,409)	(20,151)
Commission expense	<i>5</i>	(5,790,994)	(3,991,164)
Management expenses	<i>5&8a</i>	(15,311,934)	(8,645,926)
		<hr/>	<hr/>
		(23,667,337)	(12,657,241)
Amount transferred to insurance fund account		-	(1,565,784)
		<hr/>	<hr/>
		(23,667,337)	(14,223,025)
		<hr/>	<hr/>
Net income from operations - Non life		5,497,572	7,892,508
Other income	<i>5</i>	1,014,709	306,109
		<hr/>	<hr/>
Profit before tax		6,512,281	8,198,617
Tax expense	<i>12a</i>	(1,636,937)	(2,135,030)
		<hr/>	<hr/>
Profit for the year		4,875,344	6,063,587
		<hr/> <hr/>	<hr/> <hr/>

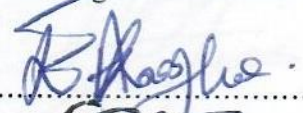
The notes on pages 17 to 57 are an integral part of these financial statements

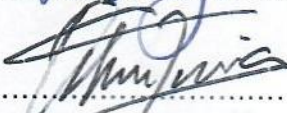
Statement of comprehensive income - Non-life (continued)

for the year ended 31 December

<i>In thousands of Leones</i>	Note	2021	2020
Profit for the year		4,875,344	6,063,587
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>	1,356,250	116,573
Related tax		(339,063)	(29,143)
Actuarial loss on defined benefits		-	(32,897)
Related tax		-	8,224
Total other comprehensive income for the year		1,017,187	62,757
Total comprehensive income for the year		5,892,531	6,126,344
Profit attributable to:			
Equity holders of the company		4,875,344	6,063,587
Profit for the year		4,875,344	6,063,587
Total comprehensive income attributable to:			
Equity holders of the company		5,892,531	6,126,344
Total comprehensive income for the year.		5,892,531	6,126,344

The financial statements were approved by the Board of Directors on 26 April, ...2022 and were signed on its behalf by:

.....  Director


.....  Director

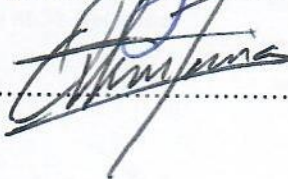
The notes on pages 17 to 57 are an integral part of these financial statements

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

<i>In thousands of Leones</i>	Note	2021	2020
Revenue			
Insurance premium revenue	6b	6,152,421	5,505,802
Insurance premium ceded to reinsurances		(437,976)	(629,632)
Net insurance premium written		<u>5,714,445</u>	<u>4,876,170</u>
Movement in unearned premium	25b	550,338	(2,061,277)
Net earned premium		<u>6,264,783</u>	<u>2,814,893</u>
Investment income	7b	26,487	-
Other income		99,025	-
		<u>125,512</u>	<u>-</u>
Expenditure			
Claims paid, outstanding and unintimated		(833,650)	(2,127,883)
Commission expense		(863,940)	(428,747)
Management expenses	8b	(491,876)	(620,875)
Net finance cost	11b	12,138	(11,511)
		<u>(2,177,328)</u>	<u>(3,189,016)</u>
Amount transferred to Life fund	25b	(4,212,967)	374,123
		<u>(6,390,295)</u>	<u>(2,814,893)</u>

The financial statements were approved by the Board of Directors on 26 April, 2022 and were signed on its behalf by:

.....  Director

.....  Director

Statement of changes in equity
 for the year ended 31 December 2021

	Share capital	Retained earnings	Contingency reserve	Fair value reserve	Other reserves	Total
<i>In thousands of Leones</i>						
Balance as at 1 January 2021	2,400,000	10,264,058	4,842,836	886,521	(6,753)	18,386,662
Total comprehensive income for the year						
Profit for the year	-	4,875,344	-	-	-	4,875,344
Other comprehensive income net of tax						
Fair value gain on equity instruments	-	-	-	1,017,187	-	1,017,187
Actuarial loss on defined benefits	-	-	-	-	-	-
Total other comprehensive income	-	-	-	1,017,187	-	1,017,187
Other transfers						
Transfer to contingency reserve (Non-Life)	-	(975,069)	975,069	-	-	-
Transfer to contingency reserve (Life)	-	-	61,523	-	-	61,523
Total other transfers	-	(975,069)	1,036,592	-	-	61,523
Total comprehensive income and other transfers	-	(975,069)	1,036,592	1,017,187	-	1,078,710
Transaction with owners, recorded directly in equity						
Dividend to equity holders	-	(4,000,000)	-	-	-	(4,000,000)
Capitalisation of retained earnings	6,264,058	(6,264,058)	-	-	-	-
Transaction with owners	6,264,058	(10,264,058)	-	-	-	(4,000,000)
Balances as at 31 December 2021	8,664,058	3,900,275	5,879,428	1,903,708	(6,753)	20,340,716

The notes on pages 17 to 57 are an integral part of these financial statements

Statement of changes in equity *(continued)*
for the year ended 31 December 2021

	Share capital	Retained earnings	Contingency reserve	Fair value reserve	Other reserves	Total
<i>In thousands of Leones</i>						
Balance as at 1 January 2020	2,400,000	8,563,188	3,575,061	799,091	17,920	15,355,260
Total comprehensive income for the year						
Profit for the year	-	6,063,587	-	-	-	6,063,587
Other comprehensive income net of tax						
Fair value gain on equity instruments	-	-	-	87,430		87,430
Actuarial loss on defined benefits	-	-	-	-	(24,673)	(24,673)
Total other comprehensive income	-	-	-	87,430	(24,673)	62,757
Other transfers						
Transfer to contingency reserve (Non-Life)	-	(1,212,717)	1,212,717	-	-	-
Transfer to contingency reserve (Life)	-	-	55,058	-	-	55,058
Total other transfers	-	(1,212,717)	1,267,775	-	-	55,058
Total comprehensive income and other transfers	-	4,850,870	1,267,775	87,430	(24,673)	6,181,402
Transaction with owners, recorded directly in equity						
Dividend to equity holders		(3,150,000)	-	-	-	(3,150,000)
Transaction with owners	-	(3,150,000)	-	-	-	(3,150,000)
Balances as at 31 December 2020	2,400,000	10,264,058	4,842,836	886,521	(6,753)	18,386,662

The notes on pages 17 to 57 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	2021	2020
Cash flows from operating activities:			
Profit for the year		4,875,344	6,063,587
Adjustments for:		-	
Depreciation	<i>13</i>	671,938	631,276
Amortisation	<i>14</i>	36,137	36,137
Net finance cost/(income)	<i>11b</i>	(1,229,710)	465,768
Income tax expense	<i>12a</i>	1,636,937	2,135,030
Cash flows from operating activities		5,990,646	9,331,798
Changes in operating assets and liabilities			
Change in receivables		(1,995,526)	(8,838,449)
Change in payables		4,781,235	7,437,206
Change in insurance fund - Non-Life		2,046,207	3,316,229
Change in end of service benefit		(193,220)	173,952
Change in insurance contract		101,498	(548,797)
Change in life fund		3,662,628	1,687,154
Change in fair value		1,356,250	116,573
Change in other reserves		-	(32,897)
		15,749,718	12,642,769
Interest and charges paid		(317,893)	(525,521)
Interest received		26,603	10,374
Income tax paid		(3,215,601)	(3,776,137)
Net cash from operating activities		12,242,827	8,351,485
Cash flow from investing activities			
Acquisition of property and equipment	<i>13</i>	(172,311)	(221,380)
Acquisition of intangible assets	<i>14</i>	-	(25,888)
Acquisition of investment property		(2,761,354)	-
Investment proceeds / purchase		(6,068,614)	5,142,934
Net cash used in investing activities		(9,002,279)	4,895,666
Cash flow from financing activities			
Dividend to owners		(4,000,000)	(3,150,000)
Loan (payments)/receipt		(137,143)	(137,143)
Cash flow from financing activities		(4,137,143)	(3,287,143)

The notes on pages 17 to 57 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>	Notes	2021	2020
Net increase/(decrease) in cash and cash equivalents		(896,595)	9,960,008
Cash and cash equivalents at 1 January		19,892,041	9,882,654
Exchange rate fluctuation	<i>11a</i>	1,521,000	49,379
Cash and cash equivalents at December	<i>18</i>	20,516,446	19,892,041

The notes on pages 17 to 57 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 2021 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 in note 35. 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 2021 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 is 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 2021

At 31 December 2021, 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 2021 are as follows:

<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Un allocated	Total
Revenue						
Premium less reinsurance	9,289,857	6,334,574	7,136,726	2,747,917	-	25,509,074
Unearned premium	(745,185)	(508,127)	(572,472)	(220,423)	-	(2,046,207)
Investment income	-	-	-	-	2,035,320	2,035,320
Total income earned	8,544,672	5,826,447	6,564,254	2,527,494	2,035,320	25,498,187
=====						
Expenditure						
Net commission paid						
Commission expense	(2,567,726)	(492,018)	(2,392,203)	(339,047)	-	(5,790,994)
Commission income	804,317	467,078	964,951	212,804	-	2,449,150
	(1,763,409)	(24,940)	(1,427,252)	(126,243)	-	(3,341,844)
=====						

Notes to the financial statements *(continued)*

5. Segment information (continued)

5.1 The segment results for the year ended 31 December 2021 (continued)

<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Un allocated	Total
Net claims incurred	(36,477)	(479,144)	(1,598,540)	(450,248)	-	(2,564,409)
Other income	-	-	-	-	1,014,709	1,014,709
Net finance cost	443,414	302,355	340,643	131,160	-	1,217,572
Management expenses	(5,576,278)	(3,802,356)	(4,283,850)	(1,649,450)	-	(15,311,934)
Total expenses	(6,932,750)	(4,004,085)	(6,968,999)	(2,094,781)	-	(20,000,615)
Income from non-life operations	1,611,922	1,822,362	(404,745)	432,713	3,050,029	6,512,281

Notes to the financial statements *(continued)*

5. Segment information (continued)

5.1 The segment results for the year ended 31 December 2020

<i>In thousands of Leones</i>	Fire	Motor	Accident	Marine	Un allocated	Total
Revenue						
Premium less reinsurance	5,562,493	5,659,373	8,901,520	1,418,446	-	21,541,832
Unearned premium	(652,468)	(342,600)	(647,764)	(107,613)	-	(1,750,445)
Investment income	-	-	-	-	1,673,333	1,673,333
Total income earned	4,910,025	5,316,773	8,253,756	1,310,833	1,673,333	21,464,720
Expenditure						
Net commission paid						
Commission expense	(1,522,424)	(349,986)	(1,933,462)	(185,292)	-	(3,991,164)
Commission income	476,800	-	625,176	3,094	-	1,105,070
	(1,045,624)	(349,986)	(1,308,286)	(182,198)	-	(2,886,094)
Transfer to insurance fund						
Unexpired risk reserve at 31 December 2020	(2,503,325)	(2,546,718)	(4,005,684)	(1,063,835)	-	(10,119,562)
Unexpired risk reserve at 1 January 2020	1,501,537	2,308,253	3,643,699	1,100,289	-	8,553,778
Amounts transferred to/ from insurance fund accounts	(1,001,788)	(238,465)	(361,985)	36,454	-	(1,565,784)

Notes to the financial statements *(continued)*

5. Segment information (continued)

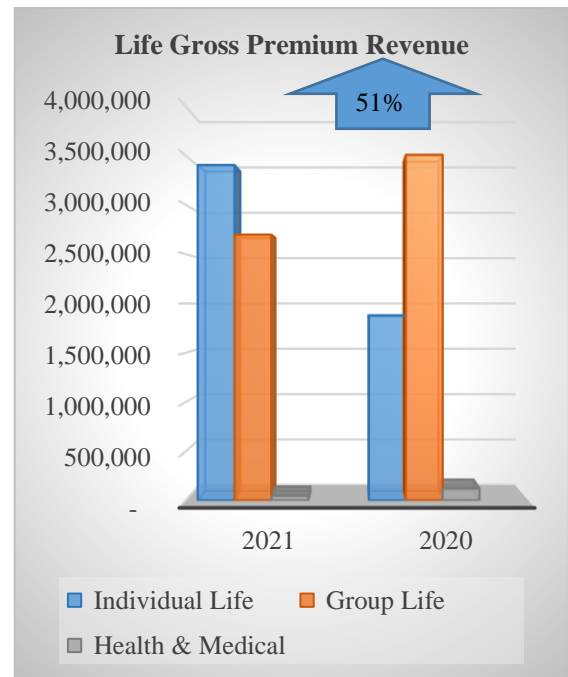
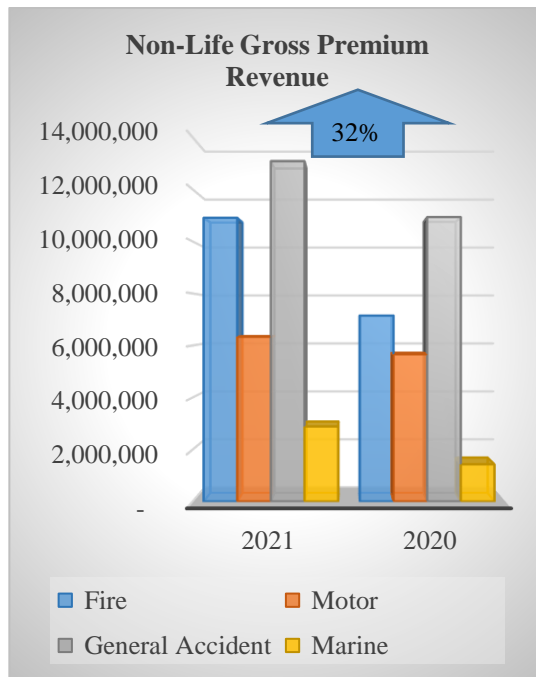
5.1 The segment results for the year ended 31 December 2020 (continued)

*In thousands of
Leones*

	Fire	Motor	Accident	Marine	Unallocated	Total
Net claims incurred	(240,679)	(412,757)	216,599	416,686	-	(20,151)
Other income	-	-	-	-	306,109	306,109
Net finance cost	(117,297)	(119,340)	(187,708)	(29,912)	-	(454,257)
Management expenses	(2,232,535)	(2,271,419)	(3,572,670)	(569,302)	-	(8,645,926)
Total expenses	(4,637,923)	(3,391,967)	(5,214,050)	(328,272)	-	(13,572,212)
Income from non-life operations	272,102	1,924,806	3,039,706	982,561	1,979,442	8,198,617

Notes to the financial statements (continued)

6. Revenue



6a. Non- Life

<i>In thousands of Leones</i>	2021	2020
Fire	10,908,257	7,148,845
Motor	6,334,574	5,659,373
General accident	13,086,800	10,936,297
Marine	2,886,085	1,432,071
	33,215,716	25,176,586

6b. Life

<i>In thousands of Leones</i>	2021	2020
Individual Life	3,405,521	1,874,400
Group Life	2,698,581	3,508,664
Health & Medical	48,319	122,738
	6,152,421	3,643,418

Notes to the financial statements *(continued)*

7. Investment income

Non-Life

<i>In thousands of Leones</i>	2021	2020
Interest received	2,035,320	1,483,241
Income from investment property	-	190,092
Total investment income Non-Life	2,035,320	1,673,333

8. Management expenses

8a. Non – life

<i>In thousands of Leones</i>	2021	2020
Advertising	367,267	281,732
Audit fees	149,500	133,900
Miscellaneous	1,804,032	1,210,414
Depreciation and amortisation	706,830	666,912
Entertainment	468,502	260,950
Utility bills	90,614	64,219
Legal and professional	65,938	109,670
Directors' fees	1,224,719	557,285
Motor expenses	132,014	32,177
Fuel cost	167,490	125,671
Repairs and maintenance	120,078	173,838
Staff costs (Note 9a)	3,164,245	2,734,260
Communication	207,182	219,868
Printing and stationery	207,059	99,195
Rent and rates	736,701	651,409
Subscription and donation	51,872	75,374
Traveling	354,294	176,161
Impairment loss on trade receivables	4,850,650	821,125
Bad debts written off	41,261	-
Registration fee	401,686	251,766
Non-life expenses	15,311,934	8,645,926

8b. Life

<i>In thousands of Leones</i>	2021	2020
Impairment loss/(recovery) on trade receivables	(18,267)	83,625
Bad debts written off	-	-
Staff costs (Note 9b)	317,591	342,531
Miscellaneous	191,307	194,217
Depreciation	1,245	502
Life expenses	491,876	620,875

Notes to the financial statement *(continued)*

8. Management expenses (continued)

8c. Impairment loss on trade receivables

<i>In thousands of Leones</i>	2021	2020
Non- life	4,850,650	821,125
Life	(18,267)	83,625
	<hr/> 4,832,383 <hr/>	<hr/> 904,750 <hr/>
	=====	=====

9. Staff costs

9a Non-Life

<i>In thousands of Leones</i>	2021	2020
Salaries and wages	897,156	737,290
Staff welfare	1,954,200	1,575,328
Medical	136,500	78,148
Training	34,613	106,584
Staff benefits	141,776	236,910
	<hr/> 3,164,245 <hr/>	<hr/> 2,734,260 <hr/>
	=====	=====

9b. Life

<i>In thousands of Leones</i>	2021	2020
Salaries and wages	126,405	118,411
Staff welfare	173,604	217,495
Medical	17,582	6,625
Training	-	-
	<hr/> 317,591 <hr/>	<hr/> 342,531 <hr/>
	=====	=====

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>	2021	2020
Directors' fees	1,224,719	557,285
Depreciation and amortisation	708,075	667,414
Auditor's fees	149,500	133,900
	<hr/> ===== <hr/>	<hr/> =====

Notes to the financial statement *(continued)*

11. Net finance cost/(income)

11a. Non-Life

<i>In thousands of Leones</i>	2021	2020
Net foreign exchange gain	(1,521,000)	(49,379)
Interest on loan received	-	-
Interest on loan paid	53,209	79,504
Bank charges	250,219	424,132
	<u>(1,217,572)</u>	<u>454,257</u>

11b. Life

<i>In thousands of Leones</i>	2021	2020
Interest on policy holders	8,247	13,902
Bank charges	6,218	7,983
Interest on loans received	(26,603)	(10,374)
	<u>(12,138)</u>	<u>11,511</u>
Total net finance cost/(income)	<u>(1,229,710)</u> =====	<u>465,768</u> =====

12. Tax account

12a. Current tax expense

<i>In thousands of Leones</i>	2021	2020
Income tax expense		
Current year at 25%	1,460,182	2,052,272
Deferred tax expense		
Originating and reversal of temporary differences	176,755	82,758
	<u>1,636,937</u> =====	<u>2,135,030</u> =====

Notes to the financial statement *(continued)*

12. Tax account (continued)

12b. Reconciliation of effective tax rate

<i>In thousands of Leones</i>	2021	2020
Profit before income tax	6,512,281	8,198,617
Income tax on profit before tax	1,628,070	2,049,654
Tax impact of permanent difference:		
Non-deductible expenses	9,050	84,978
Adjustment- due to change in tax rate	-	3,165
Tax incentives	(183)	(2,767)
	1,636,937	2,135,030
	=====	=====

12c. Income tax account

<i>In thousands of Leones</i>	2021	2020
Balance at 1 January	1,904,959	3,628,824
Tax charge for the year	1,460,182	2,052,272
	3,365,141	5,681,096
Payment during the year	(3,215,601)	(3,776,137)
Balance at 31 December	149,540	1,904,959
	=====	=====

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>	2021			2020		
	Assets	Liability	Net	Assets	Liability	Net
Property and equipment	-	2,068	2,068	-	81,268	81,268
Employee benefit plan	(140,199)	-	(140,199)	(91,894)	-	(91,894)
Recognized in other income-actuarial gain	-	(543)	(543)	-	(543)	(543)
Impairment allowance	(188,415)	-	(188,415)	(112,426)	-	(112,426)
Unrealised gain on revaluation of equity securities	-	710,673	710,673		371,610	371,610
Unrealised foreign exchange gains	567,073	-	567,073	186,824	-	186,824
	238,459	712,198	950,657	(17,496)	452,335	434,839
	=====	=====	=====	=====	=====	=====

12e. Movement in temporary differences during the year

2021

<i>In thousands of Leones</i>	Opening balance	Recognized in profit and loss	Recognized in equity	Closing balance
Property plant and equipment	81,268	(79,200)	-	2,068
Employee benefit plan	(91,894)	(48,305)	-	(140,199)
Recognized in other income- actuarial gain	(543)	-	-	(543)
Impairment allowance	(112,426)	(75,989)	-	(188,415)
Unrealised exchange gains - revaluation of equity securities	371,610	-	339,063	710,673
Unrealised foreign exchange gains	186,824	380,249	-	567,073
	434,839	176,755	339,063	950,657
	=====	=====	=====	=====

Notes to the financial statement *(continued)*

12. Tax account *(continued)*

Movement in temporary differences during the year *(continued)*

2020

<i>In thousands of Leones</i>	Opening balance	Recognized in profit and loss	Recognized in equity	Closing balance
Property plant and equipment	137,488	(56,220)	-	81,268
Employee benefit plan	(67,956)	(23,938)	-	(91,894)
Recognized in other income- actuarial gain	7,681	-	(8,224)	(543)
Impairment allowance	(88,518)	(23,908)	-	(112,426)
Unrealised exchange gains - revaluation of equity securities	342,467	-	29,143	371,610
Unrealised foreign exchange gains	-	186,824	-	186,824
	<u>331,162</u>	<u>82,758</u>	<u>20,919</u>	<u>434,839</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 2020	1,900,057	1,190,440	3,090,497
Additions	-	221,380	221,380
At 31 December 2020	<u>1,900,057</u>	<u>1,411,820</u>	<u>3,311,877</u>
At 1 January 2021	1,900,057	1,411,820	3,311,877
Additions	14,623	157,688	172,311
At 31 December 2021	<u>1,914,680</u>	<u>1,569,508</u>	<u>3,484,188</u>
Accumulated depreciation			
At 1 January 2020	474,475	734,471	1,208,946
Charge for the year	450,626	180,650	631,276
At 31 December 2020	<u>925,101</u>	<u>915,121</u>	<u>1,840,222</u>
At 1 January 2021	925,101	915,121	1,840,222
Charge for the year	449,216	222,722	671,938
At 31 December 2021	<u>1,374,317</u>	<u>1,137,843</u>	<u>2,512,160</u>
Carrying amount			
At 1 January 2020	1,425,582	455,969	1,881,551
At 31 December 2020	974,956	496,699	1,471,655
At 1 January 2021	<u>974,956</u>	<u>496,699</u>	<u>1,471,655</u>
At 31 December 2021	<u>540,363</u>	<u>431,665</u>	<u>972,028</u>

Notes to the financial statement (continued)

14. Intangible assets

<i>In thousands of Leones</i>	Computer Software
Cost	
At 1 January 2020	240,632
Acquisitions	25,888
At 31 December 2020	266,520
	=====
At 1 January 2021	266,520
Acquisitions	-
At 31 December 2021	266,520
	=====
Amortisation and impairment losses	
At 1 January 2020	104,627
Amortisation for the year	36,138
At 31 December 2020	140,765
	=====
At 1 January 2021	140,765
Amortisation for the year	36,137
At 31 December 2021	176,902
	=====
Carrying Amount	
At 1 January 2020	72,933
	=====
At 31 December 2020	125,756
	=====
At 1 January 2021	125,756
	=====
At 31 December 2021	89,618
	=====

15. Investment property

<i>In thousands of Leones</i>	2021	2020
At 1 January	2,650,000	2,650,000
Acquisitions	2,761,354	-
At 31 December	5,411,354	2,650,000
	=====	=====

During 2019, 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>	2021	2020
Held to maturity	14,572,510	9,860,146
Equity investments	3,222,341	1,866,091
	<u>17,794,851</u>	<u>11,726,237</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>	2021	2020
Statutory deposit	1,500,000	1,500,000
Treasury bills	3,951,044	2,312,872
Fixed deposits	9,121,466	6,047,274
	<u>14,572,510</u>	<u>9,860,146</u>
	=====	=====

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

16b. Equity investment

Company	Number of shares	Percentage of shares held
WAICA Reinsurance Corporation PLC	83,709	0.17%
	=====	=====
<i>In thousands of Leones</i>	2021	2020
At 1 January	1,866,091	1,749,518
Fair value gain	1,356,250	116,573
	<u>3,222,341</u>	<u>1,866,091</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>	2021	2020
Due from agents and brokers	20,374,107	16,346,639
Allowance for impairment	(12,722,380)	(7,889,997)
	<u>7,651,727</u>	<u>8,456,642</u>
Other loans and receivables:		
Prepayments	601,069	483,936
Loans to staff	1,390,427	1,556,880
Others	10,850,617	8,000,856
	<u>12,842,113</u>	<u>10,041,672</u>
Total loans and receivables including insurance receivables	20,493,840	18,498,314
	=====	=====

17b. Allowance for impairment

<i>In thousands of Leones</i>	2021	2020
At 1 January	7,889,997	6,985,247
Charge for the year	4,832,383	904,750
	<u>12,722,380</u>	<u>7,889,997</u>
	=====	=====

17c. Allowance for impairment

<i>In thousands of Leones</i>	2021	2020
Specific allowance for impairment		
At 1 January	7,440,287	6,690,185
Charge for the year	5,136,339	750,102
	<u>12,576,626</u>	<u>7,440,287</u>
Collective allowance for impairment		
At 1 January	449,710	563,279
Charge /(release) for the year	(303,956)	(113,569)
	<u>145,754</u>	<u>449,710</u>
Total allowance for impairment	12,722,380	7,889,997
	=====	=====

Notes to the financial statement *(continued)*

18. Cash and cash equivalents

<i>In thousands of Leones</i>	2021	2020
Bank balances	20,647,266	20,098,886
Cash balances	432	1,036
	<hr/> 20,647,698 <hr/>	<hr/> 20,099,922 <hr/>
Overdrawn balance		
Bank of Sierra Leone	-	-
Cash at Bank - Access Bank	(131,252)	(207,881)
	<hr/> (131,252) <hr/>	<hr/> (207,881) <hr/>
Net cash and cash equivalents	<hr/> 20,516,446 <hr/> <hr/>	<hr/> 19,892,041 <hr/> <hr/>

19. Share capital

	2021		2020	
	Number of shares	Amount Le'000	Number of shares	Amount Le'000
Authorised:				
50 million ordinary shares of Le100 each	50,000,000	50,000,000	50,000,000	50,000,000
	<hr/>	<hr/>	<hr/>	<hr/>
Issued and fully paid:				
At 1 January	24,000,000	2,400,000	24,000,000	2,400,000
Issued during the year as bonus shares	62,640,580	6,264,058	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	86,640,580	8,664,058	24,000,000	2,400,000
	<hr/>	<hr/>	<hr/>	<hr/>

19.1 Shareholders and their shareholding

Shareholders	Shareholding
Righini Capital Limited	60%
Mr Dere Otubu	13%
Mr Sakiru O. Oyefeso	10%
Amb Henry Macauley	7%
Mr Ehi Eguabor	2%
Mr Adekunle Michael Aderinola	1.5%
Mrs Emerica Karefa-Kargbo	0.5%
The Estate of late Brima Ndoeka	2%
The Estate of late Foday Sesay	4%
	<hr/> 100% <hr/> <hr/>

Notes to the financial statement *(continued)*

20. Retained earnings

<i>In thousands of Leones</i>	2021	2020
At 1 January	10,264,058	8,563,188
Profit for the year	4,875,344	6,063,587
Transfer to contingency reserves	(975,069)	(1,212,717)
Dividend to owners	(4,000,000)	(3,150,000)
Bonus issues of shares	(6,264,058)	-
	<hr/>	<hr/>
At 31 December	3,900,275	10,264,058
	<hr/> <hr/>	<hr/> <hr/>

21. Contingency reserve

<i>In thousands of Leones</i>	2021	2020
At 1 January	4,842,836	3,575,061
Transfer from retain earnings - Non-Life	975,069	1,212,717
Transfer from life fund	61,523	55,058
	<hr/>	<hr/>
At 31 December	5,879,428	4,842,836
	<hr/> <hr/>	<hr/> <hr/>

22. Other reserves

<i>In thousands of Leones</i>	2021	2020
At 1 January	(6,753)	17,920
Actuarial loss on defined benefits	-	(32,897)
Related tax	-	8,224
	<hr/>	<hr/>
At 31 December	(6,753)	(6,753)
	<hr/> <hr/>	<hr/> <hr/>

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>	2021	2020
At 1 January	886,521	799,091
Fair value gain	1,017,187	87,430
	<hr/>	<hr/>
At 31 December	1,903,708	886,521
	<hr/> <hr/>	<hr/> <hr/>

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

Notes to the financial statement *(continued)*

24. Reserves and retained earnings

<i>In thousands of Leones</i>	2021	2020
Contingency reserve	5,879,428	4,842,836
Fair value reserve	1,903,708	886,521
Other reserve	(6,753)	(6,753)
Retained earnings	3,900,275	10,264,058
Balance at 31 December	11,676,658	15,986,662
	=====	=====

25. Insurance funds

25a Non-Life (General business)

<i>In thousands of Leones</i>	2021	2020
Balance at 1 January	12,030,581	8,714,352
Increase arising from changes in net premium	-	1,565,784
Movement in unearned premium	2,046,207	1,750,445
Balance at 31 December	14,076,788	12,030,581
	=====	=====

25b Life business

<i>In thousands of Leones</i>	2021	2020
Balance at 1 January	6,562,990	4,930,894
(Decrease)/increase arising from changes in net premium	4,212,967	(374,123)
Transfer to contingency reserve	(61,524)	(55,058)
Movement in unearned premium	(550,338)	2,061,277
Balance at 31 December	10,164,095	6,562,990
	=====	=====

Notes to the financial statement *(continued)*

26. Employee benefit provision

	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) liability
<i>In thousands of Leones</i>	2021			2020		
Balance at 1 January	374,871	-	374,871	200,919	-	200,919
	374,871	-	374,871	200,919	-	200,919
Included in profit or loss						
Current service cost	46,347	-	46,347	43,907		43,907
Interest cost	-	-	-	66,532		66,532
Employee contributions	-	-	-	-		-
Past service cost	-	-	-	56,878	-	56,878
	46,347	-	46,347	167,317	-	167,317
Included in Other comprehensive income						
Actuarial loss/(gain)	-	-	-	32,897	-	32,897
	-	-	-	32,897	-	32,897
Other						
Benefits paid	(39,568)	-	(39,568)	(26,262)	-	(26,262)
Contributions paid by employer	-	(200,000)	(200,000)	-	-	-
	(39,568)	(200,000)	(239,568)	(26,262)	-	(26,262)
Balance at 31 December	381,650	(200,000)	181,650	374,871	-	374,871
	=====	=====	=====	=====	=====	=====

Notes to the financial statement *(continued)*

27. Insurance contracts claims

2021

In thousands of Leones

	Fire	Motor	Accident	Marine	Life	Total
At 1 January	42,363	562,097	1,660,853	-	249,794	2,515,107
Claims incurred during the year	36,477	859,596	1,598,540	450,248	833,650	3,778,511
Claims paid during the year	(64,440)	(190,226)	(2,084,382)	(450,248)	(887,717)	(3,677,013)
Claims outstanding at 31 December 2021	14,400	1,231,467	1,175,011	-	195,727	2,616,605

2020

In thousands of Leones

	Fire	Motor	Accident	Marine	Life	Total
At 1 January	150,755	423,023	1,945,707	416,686	127,733	3,063,904
Claims incurred during the year	240,679	412,757	(216,599)	(416,686)	2,127,883	2,148,034
Claims paid during the year	(349,071)	(273,683)	(68,255)	-	(2,005,822)	(2,696,831)
Claims outstanding at 31 December 2020	42,363	562,097	1,660,853	-	249,794	2,515,107

28. Loan

In thousands of Leones

	2021	2020
Balance at 1 January	342,857	480,000
Payment during the year	(137,143)	-137,143
Balance at 31 December	205,714	342,857

Notes to the financial statement *(continued)*

28. Loan (continued)

On 25 June 2019, Staco Insurance Company (SL) Limited obtained a Le 560 million loan from Access Bank SL Limited at an interest rate of 19% over a repayment period of three years for the purchase of a vehicle.

<i>In thousands of Leones</i>	2021	2020
Amount due within one year	137,148	137,143
Amount due over one year	68,566	205,714
	<u>205,714</u>	<u>342,857</u>
	=====	=====

29. Trade and other payables

<i>In thousands of Leones</i>	2021	2020
Commission outstanding	2,031,650	2,708,843
Accruals	306,672	339,699
Other creditors	14,254,050	8,762,595
	<u>16,592,372</u>	<u>11,811,137</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 2021

<i>In thousands of Leones</i>	Le	USD	Euro	GBP	Naira	Total
Property and equipment	972,028	-	-	-	-	972,028
Intangible assets	89,618	-	-	-	-	89,618
Investment property	5,411,354	-	-	-	-	5,411,354
Financial assets	17,794,851	-	-	-	-	17,794,851
Loans and receivables including insurance receivables	20,493,840	-	-	-	-	20,493,840
Cash and cash equivalent	4,592,198	14,689,706	102,207	145,180	1,118,407	20,647,698
Total assets	49,353,889	14,689,706	102,207	145,180	1,118,407	65,409,389
Employee benefit provision	181,650	-	-	-	-	181,650
Insurance contract	2,616,605	-	-	-	-	2,616,605
Short - term loan	205,714	-	-	-	-	205,714
Overdrawn bank balance	131,252	-	-	-	-	131,252
Trade and other payables	15,499,240	1,093,132	-	-	-	16,592,372
Income tax liability	149,540	-	-	-	-	149,540
Deferred tax liability	950,657	-	-	-	-	950,657
Non-life fund	14,076,788	-	-	-	-	14,076,788
Life fund	10,164,095	-	-	-	-	10,164,095
Total liabilities	43,975,541	1,093,132	-	-	-	45,068,673
Net exposure	5,378,348	13,596,574	102,207	145,180	1,118,407	20,340,716

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
2020

<i>In thousands of Leones</i>	Le	USD	Euro	GBP	Naira	Total
Property and equipment	1,471,655	-	-	-	-	1,471,655
Intangible assets	125,756	-	-	-	-	125,756
Investment property	2,650,000	-	-	-	-	2,650,000
Financial assets	11,726,237	-	-	-	-	11,726,237
Loans and receivables including insurance receivables	18,498,314	-	-	-	-	18,498,314
Cash and cash equivalent	6,420,992	13,365,744	46,596	131,528	135,062	20,099,922
Total assets	40,892,954	13,365,744	46,596	131,528	135,062	54,571,884
Employee benefit provision	374,871	-	-	-	-	-
Insurance contract	2,515,107	-	-	-	-	374,871
Short - term loan	342,857	-	-	-	-	2,515,107
Overdrawn bank balance	207,881	-	-	-	-	342,857
Trade and other payables	11,545,991	265,146	-	-	-	207,881
Income tax liability	1,904,959	-	-	-	-	11,811,137
Deferred tax liability	434,839	-	-	-	-	1,904,959
Non-life fund	12,030,581	-	-	-	-	434,839
Life fund	6,562,990	-	-	-	-	12,030,581
Total liabilities	35,920,076	265,146	-	-	-	29,622,232
Net exposure	4,972,878	13,100,598	46,596	131,528	135,062	24,949,652

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:

2021

<i>In thousands of Leones</i>	USD	Euro	GBP	Naira	Total
Loans and receivables including insurance receivables	-	-	-	-	-
Cash and cash equivalents	14,689,706	102,207	145,180	1,118,407	16,055,500
Total assets	14,689,706	102,207	145,180	1,118,407	-
Trade and other payables	1,093,132	-	-	-	1,093,132
Total liabilities	1,093,132	-	-	-	-
Net on financial position exposure	13,596,574	102,207	145,180	1,118,407	-
	=====	=====	=====	=====	=====

2020

<i>In thousands of Leones</i>	USD	Euro	GBP	Naira	Total
Loans and receivables including insurance receivables	-	-	-	-	-
Cash and cash equivalents	13,365,744	46,596	131,528	135,062	-
Total assets	13,365,744	46,596	131,528	135,062	-
Trade and other payables	265,146	-	-	-	-
Total liabilities	265,146	-	-	-	-
Net on financial position exposure	13,100,598	46,596	131,528	135,062	-
	=====	=====	=====	=====	=====

Notes to the financial statements *(continued)*

30. Management of insurance and financial risk (continued)

30.2 Financial risk (continued)

2020

<i>In thousands of Leones</i>	USD	Euro	GBP	Naira	Total
Loans and receivables including insurance receivables	-	-	-	-	-
Cash and cash equivalents	13,365,744	46,596	131,528	135,062	13,678,930
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	13,365,744	46,596	131,528	135,062	13,678,930
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Trade and other payables	265,146	-	-	-	265,146
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net on financial position exposure	13,100,598	46,596	131,528	135,062	13,413,784
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

31. Capital commitments

There were no capital commitments at 31 December 2020 (2019: 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) and based on legal advice, management believes that the case will be unsuccessful. No provision has therefore been made for the claim in the financial statements.

33. Related party disclosures

The following transactions were carried out with related parties:

(a) Key management compensation

<i>In thousands of Leones</i>	2021	2020
Salaries and other short term employee benefits	1,865,243	1,011,195
	<hr/>	<hr/>
	1,865,243	1,011,195
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements *(continued)*

33. Related party disclosures *(continued)*

b) Intercompany loan

In December 2017, Staco Insurance Company (SL) Limited 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 2020.

<i>In thousands of Leones</i>	2021	2020
At 1 January	-	2,000,000
Interest earned during the year	-	-
Payments during the year	-	(1,302,083)
Exchange(loss)/ gain	-	(697,917)
	-----	-----
At 31 December	-	-
	=====	=====

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. 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 and equipment	47
(c) Investment property	48
(d) Investment	48
(e) Impairment of assets	49
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(g) Cash and cash equivalents	50
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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 are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

A. IFRS 17 Insurance Contracts and amendments to 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 2023 with earlier application permitted as long as IFRS 9 is also applied.

Other new standards effective for annual periods beginning after 1 January 2021 include the following:

B. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The Company accounts for deferred tax on leases applying the ‘integrally linked’ approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Company will recognise a separate deferred tax asset and a deferred tax liability. There will be no impact on retained earnings on adoption of the amendments.

C. Other standards

The following new and amended standards are not expected to have a significant impact on the Company’s financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

Notes to the financial statements *(continued)*

36. New standards and interpretations not yet adopted *(continued)*

- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8)

Other supplementary information

Other supplementary information

Five-year financial summary

<i>In thousands of Leones</i>	2021	2020	2019	2018	2017
Total Assets	65,409,389	54,571,884	46,156,309	33,832,385	26,339,931
Financial Assets	17,794,851	11,726,237	16,869,171	13,539,899	9,937,772
Shareholders Fund	20,340,716	18,386,662	15,357,260	11,118,423	7,481,056
Insurance Funds:					
<i>Non-Life</i>	14,076,788	12,030,581	8,714,352	8,218,847	8,403,946
<i>Life</i>	10,164,095	6,562,987	4,930,894	3,775,172	4,051,089
Gross Premium	39,368,137	30,682,388	19,326,085	14,820,195	13,127,534
Net Premium after Re-insurance	31,223,519	26,418,002	18,030,360	14,062,896	12,487,148
Investment Income	2,035,320	1,673,333	2,010,352	2,599,805	923,936
Claims Expense	3,398,059	2,148,034	1,787,995	2,104,407	721,232
Management Expenses	15,803,810	9,266,801	8,094,115	7,799,414	4,429,391
Net Profit before Tax	6,512,281	8,198,617	5,710,492	4,378,046	3,038,051
Dividend Declared	4,000,000	4,000,000	3,150,000	1,800,000	1,000,000