2012
ANNUAL REPORT & ACCOUNTS

WAICA RE
WAICA REINSURANCE CORPORATION PLC

WAICA REINSURANCE CORPORATION PLC

Our Vision

The vision of the company is "To develop a diversified insurance sector in the sub region providing greater reinsurance capacity with a view to widening economic and financial development of West Africa".

Our Mission

Our mission is to provide reinsurance capacity through a highly motivated workforce and the use of advanced technologies to deliver unparallel service to our clients while creating value for our shareholders.

Our tag line is "Surely Reinsured".

Our Philosophy

The philosophy of the company is to provide greater insurance and reinsurance capacity in the West African region in the context of the continued integration of the West African financial sector. The guiding principle is 'going the extra mile' for our clients who should receive even better service than they currently do with existing reinsurers. Our priority is to build customer relationships based on trust and value and which will be delivered using cutting edge technology.

Our Core Values

The core values of the company includes: Excellence, Integrity, Commitment, Professionalism and Team Spirit

Headquarters:
Maritime House,
Government Wharf,
Wallace Johnson Street,
Freetown,
Sierra Leone.
P.O. Box 1135

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Chairman's Statement

■ Kofi Duffuor
(Chairman)

INTRODUCTION

It is my greatest pleasure to welcome you all to our first ever Annual General Meeting and present to you the Annual Report and Financial Statements of WAICA Reinsurance Corporation Plc for the year ended 31st December, 2012. It is indeed exciting to see how quickly your esteem organization has started showing such remarkable financial results just within one year of full operation.

As you may recall the history of WAICA Re; in the years following the creation of West African Insurance Companies Association (WAICA) in 1973, the founding fathers had the desire to establish a reinsurance organization to help mitigate the effects of the lack of reinsurance capacity within the West African Insurance industry. To fulfill this ambition, a reinsurance pool was created which today, has metamorphosed into a fully fledged and recognized reinsurance corporation-WAICA Reinsurance Corporation Plc.

I say congratulations to our founding fathers as we celebrate the success we are beginning to see.

ECONOMIC PERFORMANCE

Four years after the eruption of the global financial crisis, the world economy is still struggling to recover. During the year 2012, global economic growth weakened further. A growing number of developed economies fell into a double-dip recession. Those in severe sovereign debt distress moved even deeper into recession, caught in the downward spiraling dynamics from high unemployment, weak aggregate demand compounded by fiscal austerity, high public debt burdens, and financial sector fragility. Growth in the major developing countries and economies in transition has also decelerated notably, reflecting both external vulnerabilities and domestic challenges.

Robust Growth in West Africa

African economies were however marked with significant growth and relatively strong macroeconomic indicators in 2012. The economic performance of the West African sub-region in these last few years has seen dynamic and healthy average growth rate of about 7-10%. The year 2012 was no exception as the sub-region experienced one of its best growths. Indeed, Sierra Leone and Niger achieved impressive double digit growth rates of 18.3% and 11.6% respectively.

The other remarkable growth rates were 9.5% for Liberia, 8.6% for Cote d'Ivoire, 8.1% for Ghana whilst Nigeria and Burkina Faso recorded 7.1% and 7% respectively. All these growth rates exceeded the 7% threshold established by ECOWAS as the minimum required reduction in the West African sub-region.

This growth is explained by the increased external demand for natural resources, notably in mining, thus resulting in world prices and the recovery of the agricultural sector following the high rainfall of the growing season of 2012/2013. Investments planned in the sectors of electrical energy and the measures of support in favour of agriculture to ease the difficulties in electricity supply and to re-launch agricultural activities were positive. The development of the telecommunications sector in almost all countries and the large investments made in projects of reconstruction or development have contributed to re-launching growth in the sub-region.

Also, to some extent, the economic performance of the sub-region is largely dependent on the economic conditions of advanced countries and donor agencies in spite of certain modifications in the trade flows in favour of emerging countries into areas such as the road construction, infrastructural development and mining among others.

For instance, in Ghana, the expanding oil and gas sector is expected to boost growth over the medium term, supported by a relatively stable political environment. In

Nigeria, oil and gas is still the major denominator to the progress of the economy. There is also a very favourable outlook coupled with ongoing domestic reforms which points to huge potential for growth rates.

Certainly, all these growths and investments in developing the economies of the sub-region are achieved on the back of providing proper and adequate insurance supports and protection.

2012 FINANCIAL PERFORMANCE

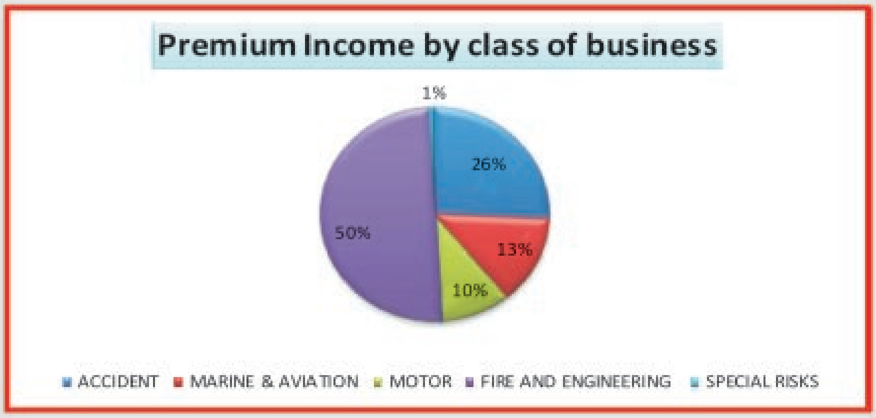
INCOME

The Corporation's gross premium income shot up very significantly from a 10 month performance of USD35, 057 in 2011 to USD7, 169,345 in 2012 full year. Premium ceded to retrocessionnaires during the year 2012 was USD636, 076 representing 8.87% of Gross Premium. Net Premium Written therefore stood at USD6, 533,269.

OUTGO

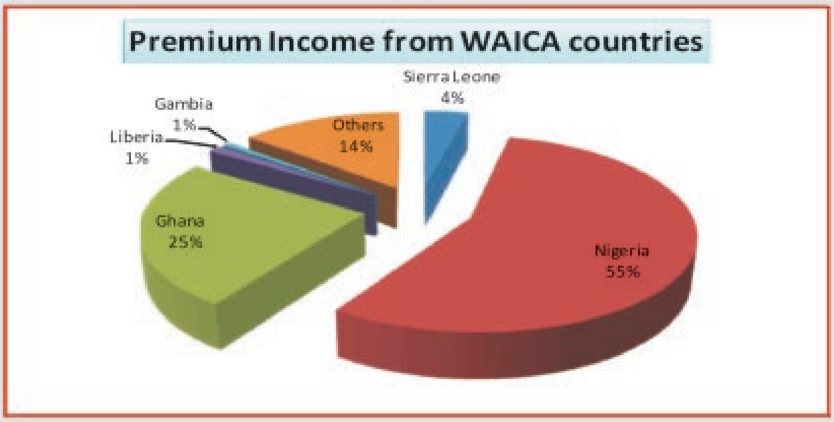
The Net Claims incurred stood at USD1, 555,198 in 2012 representing 21.69% of gross premium. This includes claims paid, outstanding and unintimated claims for our Fire, Motor, Accident and Marine portfolios. Indeed, we have so far shown our ability and prowess of paying genuine claims to all our business partners, and this is the promise we propagate highly to all our cherished cedants.

Our Commission and Management expenses also stood at USD1, 034,282 and USD1, 275,306 respectively.



This remarkable performance confirms that:

- **The transition and formation of WAICA RE was timely and an excellent move.**
- **Our cedants confidence and support to the Corporation is phenomenal**
- **Investor interest and assurance in WAICA RE is high**
- **An effective Board and Management in operation**
- **A very sound corporate governance structure is in place, and**
- **Investor interests are being carefully guarded for higher returns in the very near future.**



PROFIT

Ladies and gentlemen, insurance accounting, revenue recognition principle of accounting as well as the Sierra Leone Insurance Act requires that we defer $3,205,080 of our net premium income as unearned premium. This being our first year of full operation means there are no such reserves in prior years to be earned in 2012. In spite of this, I am delighted to inform you that your Corporation recorded a profit of USD 374,169 in 2012 from a loss of USD787,443 in 2011 which was principally due various expenses incurred in establishing the Corporation. Though this is a remarkable performance, we are challenged to do much greater this year. We see more opportunities out there and again it confirms the hope we all have in WAICA Re.

CONTACT OFFICES

So far two contact offices have been opened in Ghana and Nigeria to take advantage of the volume of businesses within these countries. The opening of these two offices has greatly improved the fortunes of the company. Just within a year, many treaty accounts and facultative businesses have been won from key insurance companies within the sub-region.

OTHER ACTIVITIES DURING THE YEAR

Your Corporation was officially launched on 19th April, 2012 by His Excellency Dr Earnest Bai Koroma, the President of the Republic of Sierra Leone, in a colourful ceremony held at the forecourt of the Maritime House. As part of our objective to engage in capacity building of insurance professionals within the sub-region, we undertook a training programme in August 2012 during which various aspects of reinsurance business were taught. In the same vein, your Corporation has taken its rightful position in the West African Sub region reinsurance market by giving assistance to its various cedants in the areas of rating, product development, and portfolio management among others.

The Corporation's website, www.waicare.com , has been launched; you can visit there for more information on the operations and activities of your firm. We are also deploying cutting edge technology in our operations to ensure unparalleled customer service delivery.

	2011		2012	
Total Assets	6,333,704		12,612,680	
Shareholders Funds	6,215,007		7,335,423	

CAPITALIZATION

The organization is currently working to raise an amount of USD25,000,000 to capitalize its operations. This will improve the capital base of the Corporation to write larger businesses thereby remaining competitive in the global reinsurance market. It will also augment working capital and boost investment to support our operations. It is our singular hope that upon the injection of more capital into the operations of the company we would be able to take advantage of greater opportunities within the sub-region especially in the areas of Oil and Gas and Mineral explorations. It will also assist in submitting the Corporation for security rating which is in high demand by our numerous cedants worldwide

OUTLOOK FOR 2013

2013 looks much more exciting. First quarter 2013 financial result is a true attestation of dividends our cherished shareholders will enjoy. With a much stronger capital base, we plan to open a French regional office in one of the Francophone countries. By this also, we will start to write larger profitable businesses.

APPRECIATION

Finally, on behalf of the Board of Directors, I would like to take this opportunity to thank you, our clients and business partners for your support so far, the loyalty and trust you have given to us. I also wish to thank management and staff for their hard work and commitment to the success of WAICA Re.

May God bless us all.

General information

Directors	:	Kofi Duffuor	- Chairman
		Abiola Ekundayo	- Managing Director/CEO
		Solomon Samba	
		Rotimi Fashola	
		Sam. O. Mintah	
		Alice Onomake	
		David A. Johnson	
		Fatai Kayode Lawal	
		Senor Thomas-Sowe	
		William Coker	

Bankers : Access Bank Ghana Limited
Access Bank Sierra Leone Limited
Ecobank Sierra Leone Limited
Union Trust Bank Sierra Leone Limited
Standard Chartered Bank Sierra Leone Limited
Trust Bank Gambia Limited
Guaranty Trust Bank Plc, Nigeria
Bank of Sierra Leone

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

Auditors : KPMG
Chartered Accountants
Bicentenary House
17 Wallace Johnson Street
Freetown
Sierra Leone.

Registered Office : Maritime House (2nd floor)
Government Wharf,
Wallace Johnson Street,
Freetown, Sierra Leone.

Report of the Directors

The directors present their report and audited financial statements for the year ended 31 December 2012.

Directors responsibility statement
The Corporation'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 Sierra Leone Companies Act 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.

Principal activity
The principal activities of the Corporation are to operate international, national, regional and sub regional reinsurance offices and institutions and to provide technical assistance to members of West Africa Insurance Companies Association (WAICA) and any other insurance and reinsurance institutions from around the world.

Results
The results for the year are shown in the attached financial statements.

Share capital
Details of the Corporation's share capital are shown in note 21 to these financial statements.

Dividends
The directors do not recommend payment of dividend.

Board Committees
The Board Committees have been delegated with the responsibility to assist the Board in carrying out its duties and to enhance the effectiveness of the Board. The Board Committees periodically meet to achieve its objectives and also perform self evaluation to assess the effectiveness of their functioning, these committees are:

Strategy and operations committee
The Committee meets quarterly to assist the Board of Directors to exercise oversight responsibility of the Corporation's strategy, investment and operational system.

Finance and Audit Committee
The Finance and Audit Committee meets quarterly to support the Board in fulfilling its oversight responsibility with regard to financial reporting, the system of internal control and the process for monitoring compliance with laws and regulations.

Remuneration Committee
The Remuneration Committee meets quarterly to help ensure appropriate oversight of human resources functions including policy and practice of the Corporation's Management.

Property and equipment
Details of the Corporation's property, plant and equipment are shown in note 17 to these financial statements.

Employment of disabled people
WIACA Reinsurance Corporation PLC does not discriminate against disable persons as it's clearly stated in the Corporation's staff hand book, section 1.2j 'The Corporation shall not discriminate against a qualified individual with disability with regards to recruitment, advancement, training, compensation, discharge or other terms, conditions or privileges of employment'. There were no disabled persons employed during the year.

Report of the Directors (Continued)

Health, safety and welfare at work
WAICA Reinsurance Corporation PLC has retained the services of a medical doctor for all employees of the Corporation and a condusive office environment is maintained for staff and visitors, with adequate lighting and ventilation.

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

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

Directors and their interests
The following directors served during the year:

Kofi Duffuor- Chairman
Abiola Ekundayo
Solomon Samba
Rotimi Fashola
Sam. O. Mintah
Alice Onomake
David A. Johnson
Fatai Kayode Lawal
Senor Thomas-Sowe
William Coker

Auditors
In accordance with Section 308 of the Sierra Leone Companies Act 2009 a resolution for the re-appointment of KPMG as auditors of the Corporation 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 ...14th March..2013 and are signed on their behalf by:

....
Chairman

....
Director

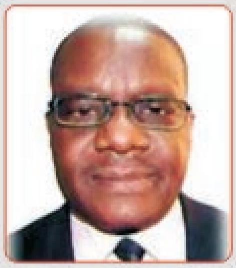
....
Director

FREETOWN NOMINEES LIMITED

....
Corporate Secretaries

Board Members


Kofi Duffuor (Chairman)


Abiola Ekundayo


Solomon J. Samba


Fatai Kayode Lawal


Rotimi Fashola


Senor Thomas - Sowe

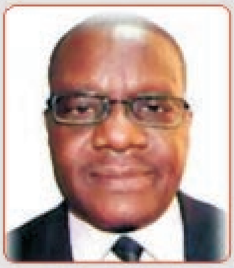

William Coker


Alice Onomake


David A. Johnson


Samuel O. Mintah

Management


Abiola Ekundayo
(Managing Director)


Rotimi Adenayajo
(Chief Underwriter)


Samuel Jasper Baidoo (CFO)
(Chief Financial Officer)

Report of the independent auditors

To the members of WAICA Reinsurance Corporation PLC

We have audited the financial statements of WAICA Reinsurance Corporation PLC, which comprise the financial position at 31 December 2012, and the statements of comprehensive income, statement of changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 50.

Directors' Responsibility for the Financial Statements

The Corporation'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 Sierra Leone Companies Act 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.

Auditor's Responsibility

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

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

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

KPMG
cutting through complexity™

Report of the independent auditor's
to members of WAICA Reinsurance Corporation PLC

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as of 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2009 of Sierra Leone.

KPMG
Chartered Accountants

Freetown

Date: 14th March 2013

Statement of financial position
as at 31 December

In United States Dollars	Note	2012	2011
Assets			
Cash and cash equivalents	*14*	**1,082,656**	1,588,153
Financial assets	*15*	***6,261,563***	*4,341,335*
Loans and receivables including reinsurance receivables	*16*	**3,870,216**	359,204
Deferred acquisition costs	*17*	**987,889**	7,284
Property, plant and equipment	*18*	**291,992**	37,728
Intangible assets	*19*	**118,364**	-
Total assets		**12,612,680**	6,333,704
Liabilities			
Outstanding claims	*20*	**211,558**	575
Reinsurance payables	*21*	**1,677,773**	10,838
Trade and other payables	*22*	**182,846**	83,720
Unexpired risk liabilities	*11*	**3,205,080**	23,564
Total liabilities		**5,277,257**	118,697
Equity			
Share capital	*23*	**7,748,697**	7,002,450
Retained loss	*24*	**(547,013)**	(787,788)
Contingency reserve	*25*	**133,739**	345
Total equity		**7,335,423**	6,215,007
Total liabilities and equity		**12,612,680**	6,333,704

The financial statements were approved by the Board of Directors on 14th March **2013 and were signed on its behalf by:**

.... **Chairman**

.... **Director**

.... **Director**

The notes on pages 12 to 50 are an integral part of these financial statements

Statement of comprehensive income

for the year ended 31 December

In United States Dollars	Note	2012	10 months to 31 December 2011
Revenue			
Gross premium written	*7*	**7,169,345**	35,057
Less: retrocession premium		**(636,076)**	-
Net written premium	*5.1*	***6,533,269***	35,057
Movement in net unearned premium reserve		**(2,086,817)**	(23,564)
Net earned premium		**4,446,452**	11,493
Investment income	*8*	***833,745***	23,457
Commission earned		**226,346**	-
Total income		**5,506,543**	34,950
Expenditure			
Net claims incurred	*5.1*	**1,555,198**	575
Commission expenses	*5.1*	**1,034,282**	3,554
Management expenses	*5.1 & 9*	***1,275,306***	674,867
Net finance cost	*10*	***172,889***	*143,397*
		4,037,675	822,393
Amounts transferred to Reinsurance fund account	*11.2*	***1,094,699***	-
		5,132,374	822,393
Profit/ (loss) before income tax		***374,169***	(787,443)
Income tax expense	*12*	-	-
Profit/ (loss) *for the period*		***374,169***	(787,443)
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income/ (loss) for the period		***374,169***	(787,443)

The notes on pages 12 to 50 are an integral part of the financial statements

WAICA RE
WAICA REINSURANCE CORPORATION PLC

Statement of comprehensive income *(continued)*

In United States Dollars	Note	2012	10 months to 31 December 2011
***Profit/(loss)* attributable to:**			
Equity holders of the Corporation		*374,169*	(787,443)
***Profit/(loss)* for the period**		*374,169*	(787,443)
Total comprehensive income attributable to:			
Equity holders of the Corporation		*374,169*	(787,443)
Total comprehensive income/ (loss)for the period		*374,169*	(787,443)
Basic and diluted earnings per share	*13*	**0.05**	(0.11)

The financial statements were approved by the board of directors on 14th March **2013 and were signed on its behalf by:**

.... **Chairman**

.... **Director**

.... **Director**

The notes on pages 12 to 50 are an integral part of these financial statements

Statement of changes in equity

for the year ended 31 December

In United States Dollars	Share capital	Retained earnings	Contingency reserve	Total
Balance at 7 March 2011	-	-	-	-
Total comprehensive income for the period				
Net loss for the period	-	(787,443)	-	(787,443)
Other comprehensive income net of income tax				
Transfer to contingency reserve	-	(345)	345	-
Total other comprehensive income	-	(345)	345	-
Total comprehensive income	-	(787,788)	345	(787,443)
Transaction with owners, recorded directly in equity				
Issue of share capital	7,002,450	-	-	7,002,450
Balance at 31 December 2011	**7,002,450**	**(787,788)**	**345**	**6,215,007**
Balance at 1 January 2012	7,002,450	(787,788)	345	6,215,007
Total comprehensive income for the year				
Net profit for the year	-	374,169	-	*374,169*
Other comprehensive income net of income tax				
	-	(133,394)	133,394	-
Total other comprehensive income	-	(133,394)	133,394	-

Statement of cash flows
for the year ended 31 December

In United States Dollars	Note	2012	2011
Cash flows from operating activities			
Profit/(loss) for the year		**374,169**	(787,443)
Adjustment for:			
Depreciation	*18*	***64,689***	-
Net finance cost		***172,889***	143,397
Cash flows from operating activities		**611,747**	(644,046)
Changes in operating assets and liabilities			
Changes in receivables		**(3,511,012)**	(359,204)
Changes in deferred acquisition costs		**(980,605)**	(7,284)
Changes in trade and other payables		**99,126**	83,720
Changes in reinsurance payables		**1,666,935**	10,838
Changes in outstanding claims		**210,983**	575
Changes in reinsurance funds		**3,181,516**	23,564
		1,278,690	(891,837)
Interest received		-	16,240
Interest paid		**(12,545)**	(15,439)
Income tax paid		-	-
Net cash from operating activities		**1,266,145**	(891,036)
Cash flow from investing activities			
Net acquisition of investment		**433,593**	(4,330,836)
Acquisition of property, plant and equipment	*18*	**(318,953)**	(37,728)
Acquisition of intangible assets		**(118,364)**	-
Net cash used in investing activities		**(3,724)**	(4,368,564)
Cash flows from financing activities			
Issued of share capital		**746,247**	7,002,450
Cash flow from financing activities		**746,247**	7,002,450
Net increase in cash and cash equivalents		**2,008,668**	1,742,850
Cash and cash equivalents at beginning of the year		**1,598,652**	-
Effect of exchange rate fluctuations on cash and cash equivalent held		**(160,344)**	(144,198)
Cash and cash equivalents at end of the period	*14*	**3,446,976**	1,598,652

The notes on pages 12 to 50 are an integral part of these financial statements

1. Reporting entity

WAICA Reinsurance Corporation PLC is a corporation domiciled in Sierra Leone. The address of the Corporation's registered office is Maritime house Government wharf, Freetown. The Corporation is primarily established to operate international, national, regional and sub regional reinsurance offices and institutions and to provide technical assistance to members of West Africa Insurance Companies Association and any other insurance and reinsurance institutions from around the world.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Held to maturity investments are measured at amortised cost using effective interest method.

(c) Functional and presentation currency

These financial statements are presented in United Stated Dollars which is the Corporation's functional currency. Except as otherwise indicated the financial information presented in United Stated Dollars has been rounded for the nearest decimals.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual reports may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect in the amount recognised in the financial statements are described in the following notes:

Note 3 (g) and (h)	-	Impairment of assets
Note 3 (j) and 22	-	Reinsurance contracts
Note 3 (j) and 22		- Claims
Note 3 (l), (m), and 10		- Unexpired risk liabilities
Note 3 (b) and 11	-	Income taxes
Note 3 (n) and 20	-	Employee benefits
Note 3 (o) and 15	-	Provisions and contingencies
Note 3 (p) and 6		- Revenue recognition
Note 4		- Management of reinsurance and financial risks

(e) Determination and presentation of operating segment

The Corporation determines and presents operating segments, based on the information that is internally presented to management.

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses; including revenues and expenses that relate to transactions with any of the Corporation's other component whose operating results are reviewed regularly by the Corporation's management committee to make decisions about resources allocated to the segment and assess its performance and for which discrete financial

3. Significant accounting polices

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been consistently applied by the Corporation.

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Corporation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as the hedging instrument in a hedge, which are recognised directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Income tax expense

The Corporation's property, other assets, income from operation and transactions are exempted from all taxation and from all customs duties as per the Head quarters agreement between the Government of the Republic of Sierra Leone and the WAICA Reinsurance Corporation Plc.

(c) Financial instruments

(i) Non-derivative financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Corporation has the following non-derivative financial assets.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

3. **Significant accounting policies (continued)**

(c) **Financial instruments (continued)**

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposit with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) **Financial liabilities**

Financial liabilities are recognised initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(Iii) **Derivative financial instruments**

The Corporation does not hold derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

(Iv) **Share capital**

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) **Property, plant and equipment**

(i) **Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

The gains or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised net within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this mostly closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Motor vehicle	-	4 years
Furniture, fixtures and equipment	-	5 years
Computer equipment	-	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position date.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An 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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

These are included in the statement of comprehensive income.

Depreciation methods useful lives and residual values are reassessed at each financial year end and adjusted if appropriate.

3. Significant accounting policies (continued)

(e) Investments

The Corporation classifies its investments into the following categories: held-to-maturity financial assets and deposit with the Central Bank. The classification depends on the purpose for which the investments are held. 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 Corporation's management has the positive intention and ability to hold to maturity.

(ii) Held-*to-maturity financial assets (continued)*

Investment in government securities such as treasury bills and bearer bonds are held at cost and fixed deposits with banks.

(iii) Deposit with the Central Bank

The Corporation maintains a special account with the Central Bank of Sierra Leone wherein all investments related transactions with regards to investment in Treasury bills are recorded.

(iv) 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 reinsurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Purchases and sales of investments are recognized on the trade date, that is the date on which the Corporation 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 Corporation has also transferred substantially all risks and rewards of ownership.

(f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

3. **Significant accounting policies (continued)**

(f) Investment property (continued)

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing cost.

When the use of the property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(g) Impairment of assets

The Corporation 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 Corporation about the following events:

(i) significant financial difficulty of the issuer or debtor;

(ii) a breach of contract, such as a default or delinquency in payments;

(iii) it is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

(iv) the disappearance of an active market for that financial asset because of financial difficulties; or

(v) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Corporation, 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 Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Corporation determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

3. Significant accounting policies (continued)

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

(h) Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

3. **Significant accounting policies (continued)**

(h) Impairment of non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(i) Cash and cash equivalents

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

(j) Reinsurance contracts

A reinsurance contracts is a contract under which the Corporation accepts significant insurance risks from a cedant by agreeing to compensate the cedant or other beneficiary if a specified uncertain future event (the insured event) occurs.

(i) Short-term Reinsurance contracts

These contracts are casualty, property and personal accident reinsurance contracts.

Casualty reinsurance contracts protect the cedants against ceded risk of claims made by primary policyholders for causing harm to third parties as a result of the legitimate activities of the primary policyholder.

Under property reinsurance contracts, the Corporation mainly compensates cedants of a portion of claims payable to primary policyholders for damage suffered to their properties or for the value of property lost or the loss of earnings caused by the inability of the primary policyholder to use the insured properties in their business activities (business interruption cover)

Personal accident reinsurance contracts compensate the cedants for a portion of claims made by primary policyholders for bodily injuries suffered by the primary policyholder or his/her family members or employees.

3. **Significant accounting policies (continued)**

(j) **Reinsurance contracts (continued)**

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

Premiums are shown before deduction of commission.

(ii) Retrocession contracts held

Contracts entered into by the Corporation with retrocessionaires under which the Corporation is compensated for losses which meet the classification requirement for reinsurance contracts are classified as retrocession insurance contracts held. Contracts that do not meet these classifications are classified as financial assets.

The Corporation uses retrocession arrangements to increase its aggregate underwriting capacity to diversify its risk and to reduce its risk of catastrophic loss on reinsurance assumed. The ceding of risk to retrocessionaires does not relieve the Corporation of its obligation to its cedants. The Corporation regularly reviews the financial condition of its retrocessionnaires. Premiums and losses ceded to retrocessionaires are reported as reductions in gross premium and claims incurred.

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

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

3. Significant accounting policies (continued)

(j) Reinsurance contracts (continued)

(iii) Receivables and payables related to reinsurance contracts

Receivables and payables are recognised when due. These include amounts due to and from cedants, brokers and retrocessionaires. If there is objective evidence that a cession/retrocession receivable is impaired, the Corporation reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the statement of comprehensive income. The Corporation gathers the objective evidence that a cession/retrocession receivable is impaired using the same process adopted for loans and receivables.

(k) Claims

Claims incurred comprise of claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payment made during the year, whether arising from events during that or earlier years.

Provision is made by management for the estimated cost of claims notified but not settled at the date of the financial position date using all the information available at that time. Provision is also made by management for claims incurred but not yet reported (IBNR) at financial position date. The IBNR claims are computed at 20% of outstanding claims at the financial position date.

(l) Reserves for unexpired risks

In accordance with statute, when the unearned premium provision is less than forty-five percent (seventy-five percent for marine business) of the net premium of the Corporation's short-term reinsurance contracts, additional provision is made for unexpired risks.

(m) Contingency reserve

In accordance with statute, provision for contingency reserve is made at higher of three percent of the total earned premium or twenty percent of the net profit from the Corporation's short-term reinsurance business for the year subject to the higher of minimum paid-up capital or fifty percent of the net premium.

3. **Significant accounting policies (continued)**

(n) **Employee benefits**

Pension Obligations

The Corporation operates a defined contribution scheme. The scheme is generally funded through payments to the National Social Security and Insurance Trust or trustee administered funds. A defined contribution is a pension plan under which the Corporation pays fixed contribution into the separate entity. The Corporation has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefit relating to employees service in the current and prior period.

The Corporation makes contribution for all staff at the rate of 10% of employees' basic salary. In addition the employees also contribute 5% of their basic salary to the scheme.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognized post service costs and the fair value of any plan assets are deducted.

The calculation is performed annually by a qualified actuary using the projected unit credit method.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

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. The Corporation recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(o) **Provisions**

Restructuring costs and legal claims

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

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

3. Significant accounting policies (continued)

(p) Revenue recognition

Revenue is recognised as follows:

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

(i) The underwriting result is net of reinsurance, provisions for unearned premium and outstanding claims.

(ii) Investment income is shown gross before the deduction of income tax and is accounted for on an accruals basis.

(q) Leases

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

(r) Dividend income

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

(s) Dividend distribution

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

(t) Earnings per share

The Corporation presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Corporation by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3. Significant accounting policies (continued)

(u) New standards and interpretation not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. Those which may be relevant to the Corporation are set out below. The Corporation does not plan to adopt these standards early.

(i) IFRS 9 Financial Instruments (2010) and IFRS 9 Financial Instruments (2009) (continued)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relation to financial liabilities.

The IFRS 9 (2009) requirements contain two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015. Given the nature of the Corporation's operations, this standard is expected to have a little impact on the Corporation's financial statements.

3. Significant accounting policies (continued)

(u) New standards and interpretations not yet adopted (continued)

(ii) Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)

Disclosures offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Based on the new disclosure requirements the Corporation will have to provide information about what amounts have been offset in the statements of financial position and the nature and extent of rights of set-off under master netting arrangements or similar arrangements.

Offsetting financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods.

Given the nature of the Corporation's operation the Corporation is not expecting a significant impact from the adoption of the amendments to IAS 32 and to IFRS 7.

(iii) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. This standard is not expected to have any impact on the Bank as the Corporation does not have any subsidiaries.

IFRS 11 is not expected to have any impact on the bank because the Group does not have interest in joint ventures. IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests. This standard is not expected to have any impact on the Corporation as the Corporation does not have any interests in other entities.

These standards are effective for annual periods beginning on or after 1 January 2013.

3. Significant accounting policies (continued)

(u) New standards and interpretations not yet adopted (continued)

(iv) IAS 19 Employee Benefits (20110

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal for the accounting policy choice for recognition of actuarial gains and losses is not expected to have a great impact on the Corporation. IAS 19 (2011) is effective for annual periods beginning on or after 1 January 2013.

(v) IAS 27 (2011) Separate Financial Statements

IAS 27 (2011) supersedes IAS 27 (2008) and carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

This amendment will not have an impact on the Corporation's financial statements. IAS 27 (2011) is effective for the financial reporting period ending 31 December 2013.

(vi) IAS 28 (2011) Investments in Associates and Joint Ventures

IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. These include:

- IFRS 5 which is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and
- On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest should not be re-measured.
- This amendment will not have an impact on the Corporation's financial statements as it has no associates or joint venture partners. IAS 28 (2011) is effective for the financial reporting period ending 31 December 2013.

(vii) IFRS 13 Fair Value Measurement

IFRS 13 will be adopted for the first time for the financial reporting period ending 31 December 2013. The standard will be applied prospectively and comparatives will not be restated.

3. **Significant accounting policies (continued)**

(u) **New standards and interpretations not yet adopted (continued)**

(vii) **IFRS 13 Fair Value Measurement (continued)**

IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosure requirements for fair value measurements. The key principles in IFRS 13 are as follows:

- Fair value is an exit price;
- Measurement considers characteristics of the asset or liability and not entity-specific characteristics;
- Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants;
- Measurement maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs
- Price is not adjusted for transaction costs; and
- The three-level fair value hierarchy is extended to all fair value measurements.

This amendment of IFRS 13 will not have an impact on the **Corporation**'s financial statements.

4. **Management of insurance and financial risks**

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

4.1 **Insurance risk**

Insurance risk arises from claims and underwriting profit experience being adversely different from those anticipated in the premiums rating and retrocession programme. The insurance risk under any reinsurance contract are the risk of the insured event occurring and the uncertainty of the amount of the resulting claim. Essentially, the principal risk that the Corporation faces under its reinsurance contracts is that the actual claims payments may exceed the carrying amount of the insurance liabilities.

When accepting risks, the Corporation follows its underwriting guidelines strictly. The guidelines cover risk acceptance criteria, pricing, accumulation controls, authority levels, reinsurance protection, among others. It guides the underwriters in their acceptances on the principles of prudence and professionalism within the overall objective of diversifying the type of insurance risks accepted within each of the short-term reinsurance contracts, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Management consistently reviews its insurance risk exposures and report same on quarterly bases to the Operations and Strategies Committee of the Board of Directors.

4. Management of insurance and financial risks (continued)

4.1 Insurance risk (continued)

Further mitigating measures adopted by the Corporation is to hedge against the risk of catastrophic loss on reinsurance assumed by entering into retrocession arrangements with reputable reinsurance companies. The retrocession arrangements do not relieve the Corporation of its obligation to cedants. Hence if the retrocessionaires default on their obligations to the Corporation, this risk mitigation measure would not be effective. As a result, the Corporation ensures that the financial conditions of retrocessionaires are reviewed annually and placements are carefully made with companies who are financially secure, credible and experienced in the industry.

4.2 Financial risk

The Corporation is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and reinsurance 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 reinsurance contracts. The most important components of this financial risk are credit risk, currency risk and liquidity risk.

Credit risk

The Corporation has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due and these risks arise principally from investment securities and the Corporations cession and retrocession receivables.

The Corporation has policies in place to ensure that short-term bank deposits are placed with financial institutions of very high credit rating and are spread over a number of them across the WAICA member countries to avoid undue concentration.

Credit risk relating to receivables is mitigated by the large number of cedants and their dispersion across the African continent. A good number of the cedants from whom receivables are due are equally shareholders and or members of WAICA. In addition, the liability for outstanding claims is in respect of reinsurance contracts with the same counter parties. A periodic evaluation of cedants and retrocessionaires is carried out to minimise exposure to significant losses from insolvencies. Transactions are also closely monitored to keep balances as current as possible.

Set out below is an analysis of various credit exposures of reinsurance receivables that are neither past due nor impaired, the aging of assets that are past due but not impaired and assets that have been impaired.

In United States Dollars	**2012**	**2011**
Impairment allowance		
Balance at start	-	-
Addition during the period	**17,250**	-
Balance at 31 December	**17,250**	-

4. Management of insurance and financial risks (continued)

4.2 Financial risk management (continued)

Ageing of unimpaired receivables

In United States Dollars	2012	2011
0 90 days	**371,311**	35,056
91 - 180 days	**545,069**	-
181 270 days	**708,504**	-
271 360 days	**626,312**	-
361 365 days	**1,040,571**	-
Balance at 31 December	**3,291,767**	**35,056**

Interest rate risk

Fixed interest rate financial instruments carried at fair value expose the Corporation to interest rate risk. The Corporation's fixed interest rate financial instruments are government securities and deposits with financial institutions. Changes in interest rates will have an immediate effect on the Corporation's comprehensive income and shareholders' funds. The Corporation's approach to managing interest rate risk is the maintenance of highly liquid short-term investment portfolio. The company monitors the investment portfolio closely to redirect to investment vehicles with high returns.

Liquidity risk

The Corporation is exposed to daily calls on its available cash resources mainly from claims arising from reinsurance 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 Corporation manages this risk by maintaining sufficient cash, and investing any excess cash over its anticipated requirements. Set out below is the maturity profile of the Corporation's current assets and liabilities

4. Management of insurance and financial risks (continued)

4.2 Financial risk management (continued)

Liquidity risk

In United States Dollars	Note	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years
Financial Assets							
31 December 2012							
Cash and cash equivalent	*14*	1,082,655	1,082,655	-	-	-	-
Financial assets	*15*	6,261,563	2,364,320	752,449	3,144,794	-	-
Loans and receivables including insurance receivables	*16*	3,911,607	371,311	1,158,328	2,374,389	7,579	-
		11,255,825	3,818,286	1,910,777	5,519,183	7,579	-
Financial Liabilities							
Outstanding claims	*19*	211,558	-	211,558	-	-	-
Reinsurance payables	*20*	1,677,773	-	1,677,773	-	-	-
Trade and other payables	*21*	214,292	-	214,292	-	-	-
		2,103,623	-	2,103,623	-	-	-
Total liquidity gap		9,152,202	3,818,286	(192,846)	5,519,183	7,579	-

4. Management of insurance and financial risks (continued)

4.2 Financial risk management (continued)

Liquidity risk (continued)

In United States Dollars	Note	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years
Financial assets							
31 December 2011							
Cash and cash equivalent	*14*	1,588,153	1,588,153	-	-	-	-
Financial assets	*15*	4,341,335	10,499	4,254,706	76,130	-	-
Loans and receivables including reinsurance receivables	*16*	359,204	35,056	324,148	-	-	-
		6,288,692	1,633,708	4,578,854	76,130	-	-
Financial liabilities							
Outstanding claims	*20*	575	-	575	-	-	-
Reinsurance payables	*21*	10,838	-	10,838	-	-	-
Trade and other payables	*22*	83,720	-	83,720	-	-	-
		95,133	-	95,133	-	-	-
Total liquidity gap		6,193,559	1,633,708	4,483,721	76,130	-	-

4. Management of reinsurance and financial risks (continued)

4.2 Financial risk management (continued)

Currency risk

The Corporation maintains assets and liabilities in several currencies and thus is exposed to the risk of exchange rate movements associated with assets and liabilities matching. The Corporation does not apply hedging techniques to mitigate its currency risks but ensures the net exposure to this risk it within acceptable levels by constantly reviewing the level of mismatch.

The table below shows the various currencies in which assets and liabilities were denominated as at 31 December 2012

	Note	United States Dollars	Sterling pounds	Euro	Ghanaian Cedis	Leones	Nigerian Naira	Other	Total
Assets									
Cash and cash equivalent	*14*	779,882	92,031	8,304	17,508	33,064	131,400	395	1,082,656
Financial assets	*15*	2,474,144	-	-	52,238	2,780,458	879,435	75,288	6,261,563
Loans and receivables including reinsurance receivables	*16*	1,787,047	-	54,179	427,084	304,752	1,273,409	23,745	3,870,216
		5,041,073	92,031	62,483	496,830	3,118,274	2,284,244	99,428	11,214,435
Liabilities									
Outstanding claims	*20*	11,291	-	-	9,048	2,720	188,499	-	211,558
Reinsurance payable	*21*	943,588	-	18,319	140,109	23,917	545,207	6,633	1,677,773
		954,879	-	18,319	149,157	26,637	733,706	6,633	1,889,331

4. Management of insurance and financial risks (continued)

4.2 Financial risk management (continued)

Currency risk (continued)

The table below shows the various currencies in which assets and liabilities were denominated as at 31 December 2011

	Note	United States Dollars	Sterling pounds	Euro	Ghanaian Cedis	Leones	Nigerian Naira	Other	Total
Assets									
Cash and cash equivalent	*14*	1,343,195	89,315	-	65,193	88,588	-	1,862	1,588,153
Financial assets	*15*	-	-	-	1,811,430	2,175,761	278,014	76,130	4,341,335
Loans and receivables including reinsurance receivables	*16*	57,317	-	1,418	67,742	229,975	1,275	1,477	359,204
		1,400,512	**89,315**	**1,418**	**1,944,365**	**2,494,324**	**279,289**	**79,469**	**6,288,692**
Liabilities									
Outstanding claims	*20*	575	-	-	-	-	-	-	575
Reinsurance payable	*21*	10,339	-	319	-	-	180	-	10,838
		10,914	**-**	**319**	**-**	**-**	**180**	**-**	**11,413**

4. Management of insurance and financial risks (continued)

4.3 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the corporation's operations.

The corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the corporation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the corporation. This responsibility is supported by the development of overall Corporation standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including reinsurance whether this is effective.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Corporation's regulation, the Sierra Leone Insurance Commission sets and monitors capital requirement of the Corporation as a whole.

In implementing current capital requirements, the Sierra Leone Insurance Commission requires the Corporation to maintain a prescribed capital base as follows:

- A minimum of $ 348,837 for each class of business the Corporation underwrites $2,093,023 for the six classes of business as at 31 December 2012.(2011: $2,076,550)

5. Segment information

5.1 The segments for the year ended 31 December 2012 are as follows:

At 31 December 2012, the Corporation carries on reinsurance business in the following areas:

- Fire and engineering
- Motor
- Accident
- Marine & Aviation and
- Special risks

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

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

In United States Dollars	**Fire & engineering**	**Motor**	**Accident**	**Marine & Aviation**	**Special risk**	**Unallocated**	**Total**
Revenue							
Net Gross premiums less retrocession	3,103,456	722,741	1,769,266	883,696	54,110	-	6,533,269
Less: unearned premium	(1,023,844)	(233,512)	(512,335)	(292,776)	(24,350)	-	(2,086,817)
Net earned premium	**2,079,612**	**489,229**	**1,256,931**	**590,920**	**29,760**	**-**	**4,446,452**
Investment income	-	-	-	-	-	833,745	833,745
Commission earned	174,105	-	27,190	25,051	-	-	226,346
Total income	**2,253,717**	**489,229**	**1,284,121**	**615,971**	**29,760**	**833,745**	**5,506,543**

5. Segment information (continued)

5.1 The segments for the year ended 31 December 2012 are as follows: (continued)

In United States Dollars	Fire & engineering	Motor	Accident	Marine & Aviation	Special risk	Unallocated	Total
Expenditure							
Commissions expense	1,035,603	158,790	543,581	270,633	6,280	-	2,014,887
Deferred acquisition cost	(267,864)	(71,322)	(435,831)	(202,762)	(2,826)	-	(980,605)
	767,739	**87,468**	**107,750**	**67,871**	**3,454**	**-**	**1,034,282**
Reserve for unexpired risk 31 December	350,490	91,323	283,836	369,050	-	-	1,094,699
Reserve for unexpired risks at 1 Jan	-	-	-	-	-	-	-
Amounts transfer to unexpired risk accounts	**350,490**	**91,323**	**283,836**	**369,050**	**-**	**-**	**1,094,699**
Claims paid, outstanding and unintimated	645,772	81,144	615,300	212,982	-	-	1,555,198
Management expenses	639,000	128,564	327,767	170,350	9,625	-	1,275,306
Net financial cost	86,627	17,429	44,434	23,094	1,305	-	172,889
Total expenses	**2,489,628**	**405,928**	**1,379,087**	**843,347**	**14,384**	**-**	**5,132,374**
Income from operations	**(235,911)**	**83,301**	**(94,966)**	**(227,376)**	**15,376**	**833,745**	**374,169**

5. Segment information (continued)

5.1 The segments for the year ended 31 December 2011 are as follows:

In United States Dollars	Fire & engineering	Motor	Accident	Marine & Aviation	Special risk	Unallocated	Total
Revenue							
Gross premiums less retrocession	32,841	798	-	1,418	-	-	35,057
Less: unearned premium	(22,221)	(398)	-	(945)	-	-	(23,564)
Net earned premium	**10,620**	**400**	-	**473**	-	-	**11,493**
Investment income	-	-	-	-	-	23,457	23,457
Total income	**10,620**	**400**	-	**473**	-	**23,457**	**34,950**
Expenditure							
Commissions expense	10,253	266	-	319	-	-	10,838
Deferred acquisition cost	(6,938)	(133)	-	(213)	-	-	(7,284)
	3,315	**133**	-	**106**	-	-	**3,554**
Claims paid, outstanding and unintimated	531	20	-	24	-	-	575
Management expenses	632,208	15,362	-	27,297	-	-	674,867
Net finance cost	134,333	3,264	-	5,800	-	-	143,397
Total expenses	**770,387**	**18,779**	-	**33,227**	-	-	**822,393**
Income from operations	**(759,767)**	**(18,379)**	-	**(32,754)**	-	**23,457**	**(787,443)**

6. **Disclosable items**

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

In United States Dollars	2012	2011
Directors' fees	**80,829**	69,500
Depreciation	**64,689**	-
Auditors' fees	**20,000**	12,000

7. **Gross premium written**

In United States Dollars	*2012*	*2011*
West Africa	**6,293,583**	6,389
East Africa	**682,999**	26,083
North Africa	**19,109**	-
Others	**173,654**	2,585
	7,169,345	35,057

8. **Investment income**

In United States Dollars	*2012*	*2011*
Interest received	**833,745**	23,457
Total investment income	**833,745**	23,457

9. **Management expenses**

In United States Dollars	*2012*	*2011*
Advertising	**65,556**	576
Audit fees	**20,000**	12,000
Depreciation	**64,689**	-
Utility bills	**15,091**	768
Legal and professional fees	**41,256**	172,275
Directors' fees	**80,829**	69,500
Motor running expenses	**14,876**	1,217
Staff costs	**589,851**	90,384
Postage and telephone	**21,568**	1,907
Printing and stationery	**9,254**	125
Traveling	**57,390**	35,384
Miscellaneous	**261,237**	81,318
Pre-establishment expense	-	209,413
Insurance	**16,459**	-
Impairment allowance for bad debt	**17,250**	-
Total expenses	**1,275,306**	674,867

10. Net finance cost

In United States Dollars	2012	2011
Foreign exchange loss	**160,344**	144,198
Bank charges	**12,545**	15,439
Bank interest	-	(16,240)
	172,889	143,397

11. Unexpired risk liabilities

11.1 Unearned premium reserve

In United States dollars	2012	2011
Balance at start of the period	**23,564**	-
Increase in the period	**2,086,817**	23,564
	2,110,381	23,564

11.2 Unexpired risk reserve

Balance at start of the period	-	-
Increase in the period	**1,094,699**	-
	1,094,699	-
Total reserve for unexpired risk	**3,205,080**	23,564

The amount represents the liability for reinsurance business contracts where the Corporation's obligations are not expired at the year end.

12. Tax account

Current tax expense

In United States Dollars	*2012*	*2011*
Current year at 30%	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
	-	-

The Corporation's property, other assets, income from operation and transactions are exempted from all taxation and from all customs duties as per the Head quarters agreement between the Government of the Republic of Sierra Leone and the WAICA Reinsurance Corporation Plc.

13. Earnings per share

In United States Dollars	**2012**	2011
Profit/(loss) attributed to equity holders	***374,169***	(787,443)
Weighted average number of ordinary shares in issue (thousands)	***7,748,697***	7,002,450
Basic earnings per share (expressed in USD per share)	**0.05**	(0.11)

Earnings per share is calculated by dividing the net profit attributable to the equity holders of the Corporation by the weighted average number of shares in issue during the year.

There were no potential dilutive shares outstanding at 31 December 2012 and 31 December 2011.

14. Cash and cash equivalents

In United States Dollars	**2012**	2011
Bank balance	**1,082,169**	1,588,151
Cash balances	**487**	2
Cash and cash equivalents	**1,082,656**	1,588,153

Cash in hand and balances with the central bank are non-interest-bearing.

For the purpose of the cash flow statement, cash and cash equivalent comprise the following balances with three months or less maturity from the date of acquisition

In United States Dollars	**2012**	2011
Cash and cash equivalent	**1,082,656**	1,588,153
Investment securities	**2,364,320**	10,499
Cash and cash equivalents in the statement of cash flows	**3,446,976**	1,598,652

Analysis by currency denomination:

In United States Dollars	**2012**	2011
United States Dollars	**799,882**	1,343,195
Sterling pounds	**92,031**	89,315
Euro	**8,304**	-
Ghanaian Cedi	**17,580**	65,193
Nigerian Naira	**131,400**	-
Sierra Leone leones	**33,064**	88,589
Gambian Dalasi	**395**	1,861
Cash and cash equivalents	**1,082,656**	1,588,153

15. Financial assets

a. Investments by category

In United States Dollars	**2012**	2011
Investment securities	**686,966**	79,212
Statutory deposit	**2,093,023**	2,076,550
Bank deposits	**3,481,574**	2,185,573
	6,261,563	4,341,335

The statutory deposit of USD 2,093,023 (2011: USD 2,076,550) was made with the Bank of Sierra Leone in compliance with Section 23(1) of the Insurance Act 2000. The deposit will continue to be maintained at the Bank of Sierra Leone, so long as the Corporation continues to transact insurance business in Sierra Leone. The deposits are invested in treasury bills (Government Securities) by the Bank of Sierra Leone on behalf of the Corporation.

b. The Corporation's financial assets are summarised below by measurement category:

In United States Dollars	***2012***	2011
Available for sale	**2,779,989**	2,155,762
Held to maturity	**3,481,574**	2,185,573
Equity securities at cost	-	-
Total financial assets	**6,261,563**	4,341,335

Held to maturity constitutes assets expected to be realized within one year.

c. Available for sale financial assets

In United States Dollars	***2012***	2011
Unlisted debt securities - fixed interest rate:		
Treasury bills	**2,779,989**	2,155,762
Total available for sale financial assets	**2,779,989**	2,155,762

d. Held to maturity financial assets

In United States Dollars	***2012***	2011
Unlisted debt securities - fixed interest rate:		
Fixed deposits	**3,481,574**	2,185,573
Total held to maturity financial assets	**3,481,574**	2,185,573

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

15. Financial assets (continued)

e. Maturity profile of financial assets

In United States Dollars	***2012***	2011
Available for sale Treasury bills maturing:		
Within 6 months	**2,184,827**	2,155,762
In 6 months to 1 year	**595,162**	-
Total available for sale financial assets	**2,779,989**	2,155,762

In United States Dollars	***2012***	2011
Held to maturity fixed deposits maturing:		
Within 6 months	**931,942**	2,109,443
In 6 months to 1 year	**2,549,632**	76,130
Total held to maturity financial assets	**3,481,574**	2,185,573

16. Loans and receivables including reinsurance receivables

In United States Dollars	***2012***	2011
Receivables arising from reinsurance contracts		
Due from cedants and brokers	**3,299,350**	35,057
Less provision for impairment of receivables from cedants and brokers**(17,250)**		-
	3,282,100	35,057
Other loans and receivables		
Sundry receivables	**538,972**	388,659
Prepayments	**42,240**	14,700
Loans to staff	**6,904**	-
Total loans and receivables including reinsurance receivables	**3,870,216**	**359,204**

The total amount of receivables is deemed current.

16. **Loans and receivables including reinsurance receivables (continued)**

In United States Dollars	**2012**	2011
Impairment allowance		
Balance at start	-	-
Addition during the period	**17,250**	-
Balance at 31 December	**17,250**	-
Ageing of unimpaired receivables		
0 90 days	**371,311**	35,057
91 - 180 days	**545,069**	-
181 270 days	**708,504**	-
271 360 days	**626,312**	-
361 365 days	**1,040,571**	-
Balance at 31 December	**3,291,767**	**35,057**

17. **Deferred acquisition costs**

In United States Dollars	***2012***	2011
Balance at start	**7,284**	-
Additions during the period	**2,014,887**	10,838
Released during the period	**(1,034,282)**	(3,554)
Balance at 31 December	**987,889**	**7,284**

This amount represents reinsurance commissions; brokerage and other related expenses incurred that related to un-expired policies at year end.

18. Property, plant and equipment

In United States Dollars	Computer *hardware*	Motor vehicle	Furniture and equipment	Work-in progress	Total
Cost					
At 7 March 2011	-	-	-	-	-
Additions	5,179	-	32,549	-	37,728
Disposal	-	-	-	-	-
At 31 December 2011	**5,179**	**-**	**32,549**	**-**	**37,728**
At 1 January 2012	**5,179**	**-**	**32,549**	**-**	**37,728**
Additions	**28,749**	**215,526**	**74,678**	**-**	**318,954**
Disposal	-	-	-	-	-
At 31 December 2012	**33,928**	**215,526**	**107,227**	**-**	**356,681**
Accumulated depreciation					
At 7 March 2011	-	-	-	-	-
Charge for the period	-	-	-	-	-
Disposal	-	-	-	-	-
At 31 December 2011	-	-	-	-	-
At 1 January 2012	-	-	-	-	-
Charge for the year	3,947	43,148	17,594	-	64,689
Disposal	-	-	-	-	-
At 31 December 2012	3,947	43,148	17,594	-	64,689
Carrying amounts					
At 31 December 2011	5,179	-	32,549	-	37,728
At 1 January 2012	5,179	-	32,549	-	37,728
At 31 December 2012	**29,981**	**172,378**	**89,633**	**-**	**291,992**

There were no capitalized borrowing costs related to the acquisition of equipment during the year.

19. Intangible assets

In United States Dollars	Computer software	Total Cost
Balance at 7 March 2011	-	-
Acquisitions	-	-
Balance at 31 December 2011	-	-
Balance at 1 January 2012	-	-
Acquisitions	**118,364**	118,364
Balance at 31 December 2012	**118,364**	118,364
Amortisation and impairment losses		
Balance at 7 March 2011	-	-
Amortisation for the period	-	-
Balance at 31 December 2011	-	-
Balance at 1 January 2012	-	-
Amortisation for the period	-	-
Balance at 31 December 2012	-	-
Carrying amount		
At 7 March 2011	-	-
At 31 December 2011	-	-
At 1 January 2012	-	-
At 31 December 2012	**118,364**	**118,364**

There were no capitalized borrowing costs related to the acquisition of computer software during the year.

20. Outstanding claims

2012

In United States Dollars	**Fire & *Engineering***	**Motor**	**Accident**	**Marine & Aviation**	**Total**
Claims at start of the period	531	20	-	24	575
Claims incurred during the year	645.772	81,144	615,300	212,982	1,555,198
Claims paid during the year	(506,896)	(33,059)	(615,300)	(188,960)	(1,344,215)
Claims outstanding at 31 December	**139,407**	**48,105**	**-**	**24,046**	**211,558**

2011

In United States Dollars	**Fire & Engineering**	**Motor**	**Accident**	**Marine & Aviation**	**Total**
Claims at start of the period	-	-	-	-	-
Claims incurred during the period	531	20	-	24	575
Claims paid during the period	-	-	-	-	-
Claims outstanding at 31 December	**531**	**20**	**-**	**24**	**575**

21. **Reinsurance payables**

In United States Dollars	**2012**	*2011*
Payable under reinsurance arrangements	**1,194,149**	10,838
Payable under retrocession arrangements	**483,624**	-
	1,677,773	10,838

22. Trade and other payables

In United States Dollars	**2012**	*2011*
Accruals	**49,465**	83,095
Other creditors	**109,006**	625
Defined benefit obligation (a)	**24,375**	-
	182,846	83,720

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.

22a. Defined benefit obligation

Movement in the present value of defined benefit obligation

In United States Dollars	**2012**	2011
Present value of unfunded obligations **24,375**	-	
Present value of funded obligations -	-	
Total present value of obligation	**24,375**	-
Fair value of plan assets	-	-
Present value of net obligations	-	-
Unrecognised actuarial losses	-	-
Recognised liability for defined benefit obligation	**24,375**	-

Plan assets consist of the following:

In United States Dollars	**2012**	2011
Equity securities	-	-
Government bonds	-	-
Property occupied by the group	-	-
Bank's own ordinary shares	-	-
Liability for defined benefit obligation -	-	

Movement in the present value of defined benefit obligations

In United States Dollars	**2012**	2011
Liability at the beginning of the period	-	-
Actuarial (gain)/loss	-	-
Benefits paid by the plan	-	-
Current service cost and interest	24,375	-
Liability for defined benefit obligation	24,375	-

Movement in plan assets

Fair value of plan assets at the beginning of the reporting period	-	-
Contribution paid into the plan	-	-
Benefits paid by the plan	-	-
Actuarial (losses)/gains	-	-
Expected return on plan assets	-	-
Fair value of plan assets	-	-

22a. Defined benefit obligation (continued)

In United States Dollars	**2012**	2011
Expense recognised in comprehensive Income statement		
Current service cost	**24,375**	-
Interest on obligation	-	-
Expected return on plan assets	-	-
	24,375	-

Estimate has not been actuarially valued.

23. Share capital

In United States Dollars	**2012 No of shares**	2011 No. of shares	**2012**	2011
Authorised:				
Ordinary shares of USD 1each	**100,000,000**	100,000,000	**100,000,000**	100,000,000
Issued and fully paid: 100 million ordinary shares of USD 1each				
Balance at start of the period	7,002,450	-	7,002,450	-
Additions during the period	**746,247**	7,002,450	**746,247**	7,002,450
At 31 December	**7,748,697**	7,002,450	**7,748,697**	7,002,450

24. Retained loss

In United States Dollars	**2012**	2011
Balance at start of the period	**(787,788)**	-
Net profit/(loss) for the period	**374,169**	(787,443)
Transfer to contingency reserve	**(133,394)**	(345)
	(547,013)	(787,788)

25. Contingency reserves

In United States Dollars	**2012**	2011
Balance at start of the period	**345**	-
Addition during the period	**133,394**	345
	133,739	345

Amount represents contingent reserves to cover fluctuations in securities and variations in statistical estimates.

26. Capital commitment

There were no capital commitments at 31 December 2012 (2011: Nil).

27. Contingent liabilities

There were no contingent liabilities at 31 December 2012 (2011: Nil).

28. Related party disclosure

The following transactions were carried out with related parties:

(a) Key management compensation

In United States Dollars	**2012**	2011
Salaries and other short-term employee benefits	**374,291**	89,416
	374,291	89,416

(b) Director's remuneration

In United States Dollars	**2012**	2011
Director's remuneration paid during the year	**80,829**	69,500
	80,829	69,500

29. Events after the financial position date

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