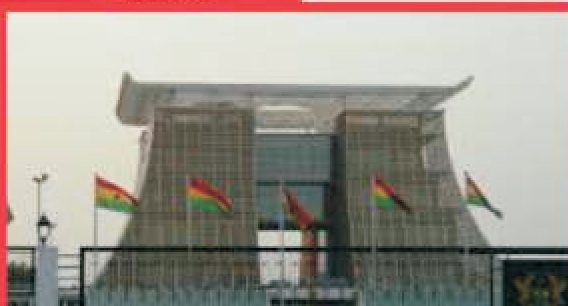
WAICA REINSURANCE CORPORATION PLC

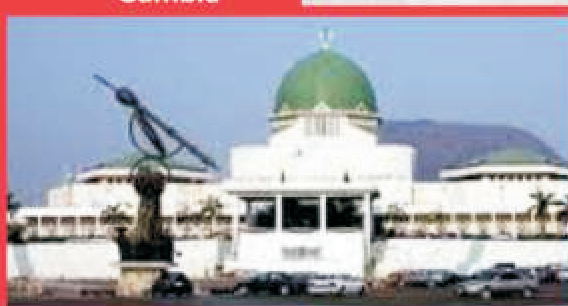
Sierra Leone

Liberia



Ghana

Gambia



Nigeria

Annual Report & Account 2014

WAICA Reinsurance Corporation PLC

Financial Statements
for the year ended 31 December 2014

WAICA Re

WAICA REINSURANCE CORPORATION PLC

Headquarters:
Maritime House (2nd Floor)
Government Wharf
Wallace Johnson Street
Freetown, Sierra Leone
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A Sub-Regional Financial Sector Initiative

CORE VALUES

Professionalism
Speed, Team Spirit, Integrity
Commitment

Creating a World Class Reinsurance Company
by providing
Capacity on a financially sound footing

WAICA Re, Surely Reinsured

Contents

THE CHAIRMAN'S REPORT

Kofi Duffuor (Chairman)

I give thanks to God Almighty that having gone through a very challenging year 2014, we are alive today to be part of the 3rd Annual General Meeting of our cherished Corporation-Waica Re. Unfortunately however, two of our shareholders passed on to eternity in 2014, they were: Mr. Remi Olowude, Executive Vice Chairman of IGI and Chief S. Sonny-Oyekunle, a private investor, both in Nigeria. Let us all stand up and observe a minute's silence for them as well as our brothers and sisters who lost their lives to the deadly Ebola virus epidemic that ravaged the West African sub-region in the year under review.

May their souls rest in perfect peace.

I now formally welcome you to this meeting and to present to you the annual report and audited financial statements for the year ended 31st December, 2014.

THE AMENDMENT OF OUR MEMORANDUM AND ARTICLES OF ASSOCIATION

Following the public health emergency declaration by the Government of Sierra Leone as a result of the outbreak of the Ebola virus in West Africa, an Extra Ordinary General Meeting was held on Friday 9th January, 2015 to amend Article 12 of the Corporation's Articles of Association by adding a new sub-article 12.4 i.e., "To allow Annual General Meetings and all other general meetings to be held outside of Sierra Leone. You voted overwhelmingly in support of the resolution and that was why we were able to hold the 2nd Annual General Meeting of the Corporation in Accra, Ghana on the 25th of February, 2015. We thank all of you for your cooperation.

GLOBAL ECONOMIC DEVELOPMENT

The fall in the international crude oil and other commodity prices shaped the global economy in 2014. Global economic growth stagnated at 3.3% in 2014 which was the same as the growth recorded in 2013. The growth was mixed in advanced economies. While the US posted a strong 3.6 percent performance, lower international oil prices and quantitative easing by the European Central Bank could not overturn a disappointing growth in the Euro area and Japan which registered 1.2 percent and 0.6 percent respectively. The effects of cyclical factors, political tensions and domestic policy tightening led to the fall in growth in Emerging Markets and Developing Economies from the 2013 level of 4.7 percent to 4.4 percent in 2014.

Sub-Saharan Africa's growth moderated to 4.8 percent in 2014 compared to the 5.2 percent growth in 2013. The region's GDP growth is projected to rise to 4.9 % and 5.2% in 2015 and 2016 respectively supported by infrastructural investment, increased agricultural production and buoyant services. However, there are downside risks to the outlook mainly arising from the Ebola epidemic, violent insurgencies, lower commodity prices and volatile global financial conditions.

WAICA MEMBER ECONOMIES IN 2014

NIGERIA

The GDP growth for Nigeria was 6.38 percent and this was fueled mainly by the non-oil sector particularly services, agriculture and trade. A major concern for the Nigeria economy was the weakening contribution of the oil sector to overall growth, which was exacerbated by the rapid drop in global oil prices. Another concern in 2014 was the security challenge in some parts of the country which contributed to the dampening effect on the overall growth in the country.

Headline inflation at the end of December, 2014 was 8.0 percent. The fall in oil prices and election concerns brought significant pressure on the Naira during year 2014 making it to depreciate against the US Dollar. The interbank selling rate opened at 165.7/US$ and closed at N180/US$, representing a depreciation of 8.63 percent in the period. In the interest rates market, the interbank call rate closed at 26.15 percent while 30 day NIBOR closed at 11.63 percent.

The gross official external reserves dropped from the 2013 amount of $ 42.85 Billion to $34.25 billion in 2014 due to increased funding of the foreign exchange market as an intervention to stabilize the exchange rate in the face of decline in reserve accretion. Despite the drop, the external reserves could still finance a 7.44 months import, which is considered to be very good.

GHANA

Ghana's economy went through challenging times with real GDP falling from 7.4 percent recorded in 2013 to 4.2 percent in 2014 on the back of energy supply constraints and rising input costs. Headline inflation rose to 16.4 percent from the 2013 figure of 13.5 percent. Interest rates continued to increase during the year. The 91 day Treasury bill which opened the year at 19.2 percent increased to 25.8 percent as at end of December, 2014 while the 182-day bill rose from 18.7 percent to 26.4 percent.

Ghana's total public debt also increased to GH 76.1 billion (67.1% of GDP) from GH 51.9 billion (55.3% of GDP) in 2013. The year closed with US 5.5 billion external reserves, equivalent to 3.2 months import cover. The challenges the cedi faced in 2013 continued as it depreciated by 31.2 % against the US dollar in 2014 compared to 14.6% depreciation in 2013.

SIERRA LEONE

2014 was a very challenging year for Sierra Leone against the backdrop of the twin shocks of the Ebola Virus Disease and the collapse of international commodity prices, particularly iron ore. The Ebola outbreak caused the departure of expatriate staff of some foreign concession companies from the country, the decline in the number of flights and vessels coming into the country coupled with the internal quarantine of some districts to contain the virus. This notwithstanding, the economy recorded a real GDP growth of 7.0 percent. According to the MPC there is however, evidence of an increase in spare capacity in the economy, attributable to the negative impact of the Ebola crisis which has the potential to significantly contract output in 2015 with implications for revenue and balance of payments position. The development, according to the Committee, may warrant monetary policy intervention to stimulate aggregate demand and growth.

Year-on-year inflation fell slightly from the 2013 figure of 8.23 percent to 7.85 percent in December, 2014. Disruptions in the mining sector and a fall in foreign direct investments and personal transfers due to the epidemic, exerted pressure on the exchange rate of the Leone to the US dollar and other international currencies. The Leone therefore depreciated from the official rate of Le 4,313.79/US$ in 2013 to Le4,898.06/US$ in December, 2014. The 3-months and 6 months Treasury bill rates were 2.36 percent and 2.83 percent respectively in December, 2014. The gross external reserves position at the end of December, 2014 was recorded at US $553.51 million, representing a 16.54 percent increase over the $474.96 million recorded in 2013. This upward movement in reserves position could be attributed to the increased inflows in Aid disbursement for budgetary support and emergency responses to the outbreak of the Ebola virus.

LIBERIA

Similar factors that affected the Sierra Leone economy also affected Liberia leading to a slowdown in activities in all sectors of the economy. The economy contracted significantly from 8.7 percent in 2013 to 0.3 percent at end of December, 2014. The deceleration resulted from a fall in the world prices of iron ore and rubber as well as the Ebola virus outbreak. Inflation increased slightly from 7.6 percent in 2013 to 9.9 percent in 2014. The Liberian currency also depreciated against the US$ by 0.9 percent to L$82.61/US$, compared to L$ 81.88/US$ at the end of December, 2013.

As a result of lower levels of intervention in the foreign exchange market by the government, gross external reserves increased from US$241.0 million in 2013 to US$290.5 in 2014. The weighted average yield on the one year Treasury bill was 6.85 percent.

THE GAMBIA

For the third year running, The Gambian economy contracted, recording a GDP growth of 4.5 percent compared to the 4.6 percent and 5.9 percent recorded in 2013 and 2012 respectively. Insufficient rains resulted in lower agricultural production and the Ebola epidemic negatively impacted on the tourism sector. These factors accounted for the deceleration in economy.

Consumer price inflation accelerated to 6.9 percent in December, 2014 from 5.6 percent in December, 2013. The Dalasi also depreciated against the US Dollar falling from D38.075/US$ December, 2013 to D43.2/US$ in December, 2014.
The yield on the 91-day and 182-day Treasury bill decreased from 15.95 percent and 17.11 percent in 2013 to 14.01 percent and 16.34 percent in December, 2014 respectively. At the end of December, 2014, gross international reserves totalled US$ 111.9 million equivalent to 4 months of import cover compared to US$ 161.06 million, or 5.5 months of import cover in December, 2013.

WAICA RE'S FINANCIAL PERFORMANCE

2014 was a challenging but fruitful year for the Corporation. The Ebola virus outbreak and currency depreciation in WAICA countries, as indicated in the economic reviews, impacted on our performance. While local currency production and collection were very encouraging, the dollar equivalents kept reducing. In spite of these challenges our premium income grew from $15,922,737 in 2013 to $24,124,158 in 2014, registering a growth rate of 51.5%. We expanded our retrocession programme to include oil and energy and businesses outside Africa as well as increasing our capacity. The retrocession outgo increased by 161% from $603,596 in 2013 to $1,580,334 in 2014. Total Income comprising Net Earned Premium, Retrocession Commission Earned and Investment income came to $21,170,244 which was 72.9% above the 2013 figure of $12,247,052. Underwriting expenses made up of commissions and claims amounted to $11,569,574 and was above the 2013 figure of $6,800,287 by 70.1%. Management expenses amounted to $4,155,718 which was above the 2013 figure of $3,168,156 by 31.2%.

The sharp depreciation of the Ghana Cedi and the Nigeria Naira as well as a strong dollar against the Euro and the GB Pound precipitated huge exchange losses in all the currencies that we deal in which resulted in net finance cost of $1,656,890.

Net profit however, grew by 73.0% to $3,788,061 in 2014 from **$2,190,118 in 2013.**

Shareholders' Funds increased by 12.5% from $29,872,700 in 2013, to $33,611,441 as at 31st December, 2014 while Total Asset increased by 26.9% from $41,401,786 to $52,557,273 over the same period.

DIVIDEND

As we promised at the last Annual General Meeting, we recommend for your approval, a dividend of $1,500,000 for the year. This is to ensure that we start rewarding our shareholders after three years of full operations.

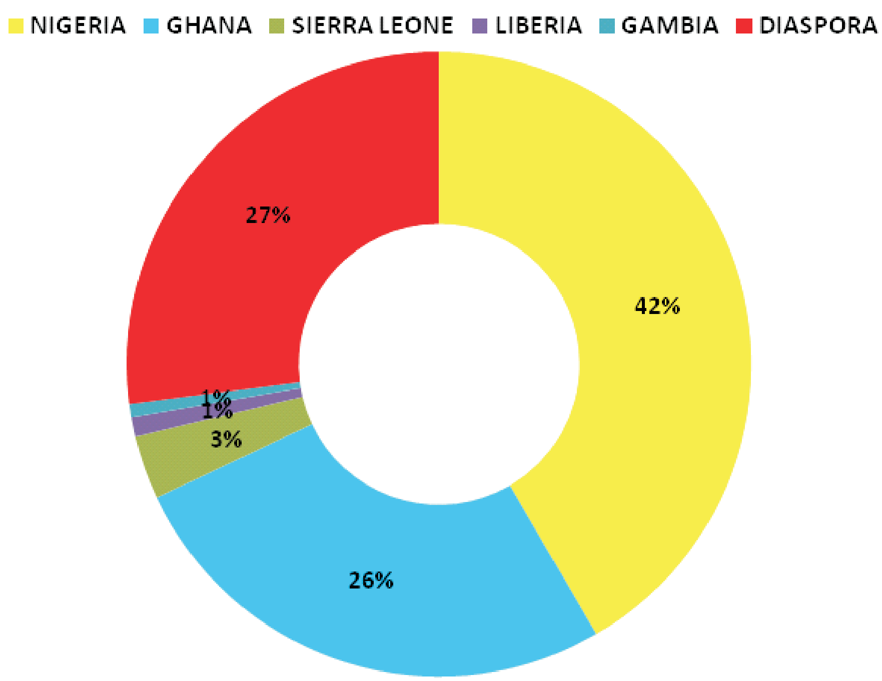
TECHNICAL ACTIVITIES

The Technical activities of the Corporation have remarkably outgrown our expectation and the best is yet to come. Our performance in the various market segments during the year was as follows:

PREMIUM INCOME BY COUNTRY

COUNTRY	USD
NIGERIA	10,035,471
GHANA	6,362,453
SIERRA LEONE	795,014
LIBERIA	243,218
GAMBIA	166,550
DIASPORA	6,521,452
	24,124,158

PREMIUM INCOME BY COUNTRY



MARKETING ACTIVITIES

There is no gainsaying that the business of reinsurance is all about marketing. Being an international business, efforts were made to reach out to our cedants and brokers on a regular basis. We therefore, continued with our marketing drive as the only option to grow the company and provide appropriate returns on investment even though we were seriously hampered as international travels became difficult due to the Ebola virus crisis. On the whole, there is no doubt that our marketing efforts yielded good rewards as can be seen from our premium production. We plan to capitalise on the gains of high profile marketing in 2015.

CORPORATE SOCIAL RESPONSIBILITY

We collaborated with the insurance industry in Sierra Leone and donated towards the fight against the Ebola virus. We also donated to the society for the welfare and care of the aged and destitute to enable them cater for the needs of the aged. We continued our support for various youth programmes in our quest to empower the youth for growth and development of Sierra Leone.

As part of our objective to help build the capacity of insurance professionals in the sub region, we donated to West Africa Insurance Institute (WAII) in The Gambia for a classroom block that upon completion would be named after the Corporation.

OFF-SHORE CONTACT OFFICES

We continued to equip and encourage our off-shore contact offices in Accra, Ghana and Lagos, Nigeria to enable them perform better. The French Contact office was expected to start full operations in 2015, with the Manager having already assumed office in Abidjan, Cote D'voire.

MANPOWER DEVELOPMENT PROGRAMME

While we could not hold our annual cedants training which was to take place in August 2014 in Liberia, we hope to organise the training programme for our various cedants in Africa and beyond in 2015. The programme is a valuable marketing tool to sell our brand to our numerous ceding companies and to appreciate their support and loyalty to WAICA Re.

We see our human resource base as the most valuable asset of the Corporation and would continue to equip them through internal, local and international training and courses to prepare them for the task ahead.

COMMUNICATION/INFORMATION TECHNOLOGY

Communication plays a vital role in the business of reinsurance because of the international nature it possesses. It is worthy of note that Information Technology has been a strong pillar of support through which the company has derived operational efficiency and effectiveness in order to achieve business growth and satisfy its clients around the globe. Without a robust, responsive and resourceful Information Technology infrastructure, no 21st century company would survive the fiercely competitive business landscape. In this vain we intend to web all the contact offices together with the headquarters as a result of which we have started to search for a more robust IT infrastructure with larger capacity to accommodate the anticipated growth in our activities.

AWARD WINNING

Ladies and Gentlemen, we are pleased to announce that WAICA Re recently won the Capital Finance International Company award for the "MOST INNOVATIVE REINSURANCE COMPANY IN WEST AFRICA IN 2014". The award was publicized and interestingly, all the leading International Reinsurance Brokers and Insurance companies in the United Kingdom, Asia, Middle East and Africa have all congratulated us on this achievement.

CREDIT RATING

Having operated fully for three years, and considering the continual demand by cedants and brokers for our credit rating report, we wish to submit the Corporation for rating in year 2015. In this light, initial discussions were held with a rating agency and a proposal received for the exercise. The purpose of this exercise is to create confidence in our financial soundness and ability to pay claims as well as use it as a marketing tool to retain and win more customers and to enable us beat the competition.

LIFE ASSURANCE OPERATION

We intend to start the process of setting up the life underwriting division in 2015 while the proper operation is expected to take off in 2016.

CAPITALISATION

To strategically position the Corporation to underwrite larger businesses especially in the oil and gas industry among others, and to ensure a strong balance sheet that will make us more competitive in the reinsurance market, the Board recommend the raising of additional capital by right issue and additional share in 2016 to bring our issued capital to $50,000,000. The additional capital will also augment our working capital and boost investments to support our operations.

APPRECIATION

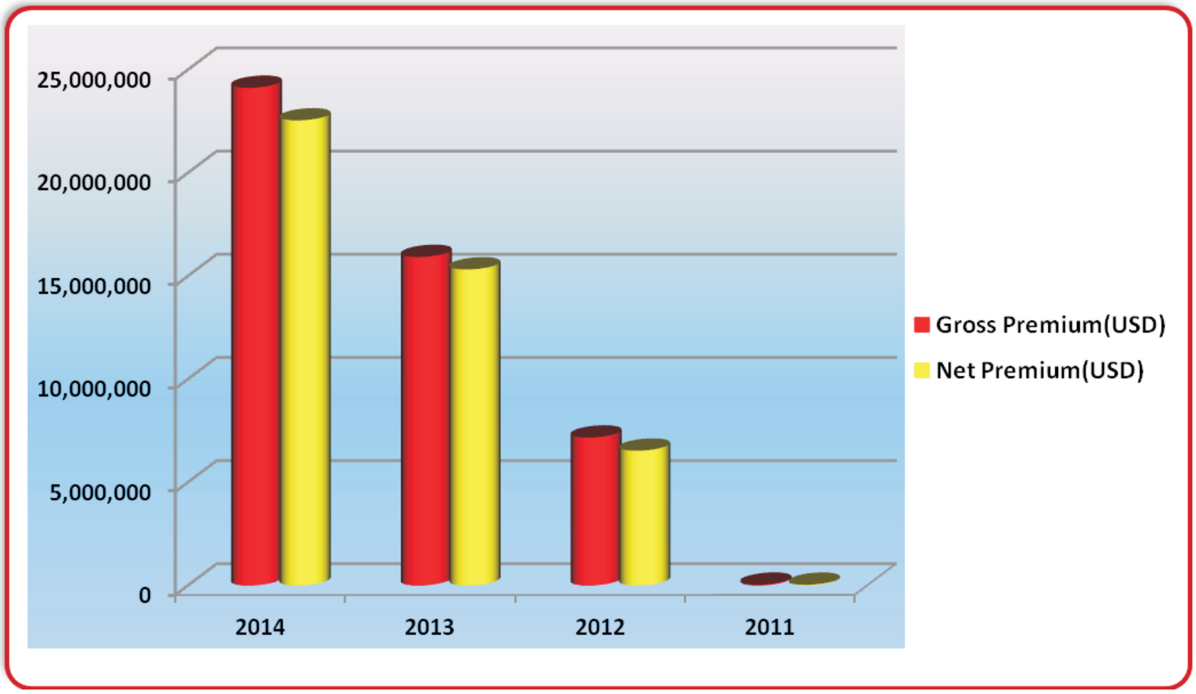
On behalf of the Board of Directors of Waica Re, I want to thank our cedants, brokers and you, our shareholders, for your support. I also register our appreciation for your concern during the Ebola crisis period. Although it is not yet over, we believe that it will soon be over and we will be able to do our business in a safe and secure environment to deliver yet another outstanding performance.

I wish everyone a healthy and prosperous 2015.

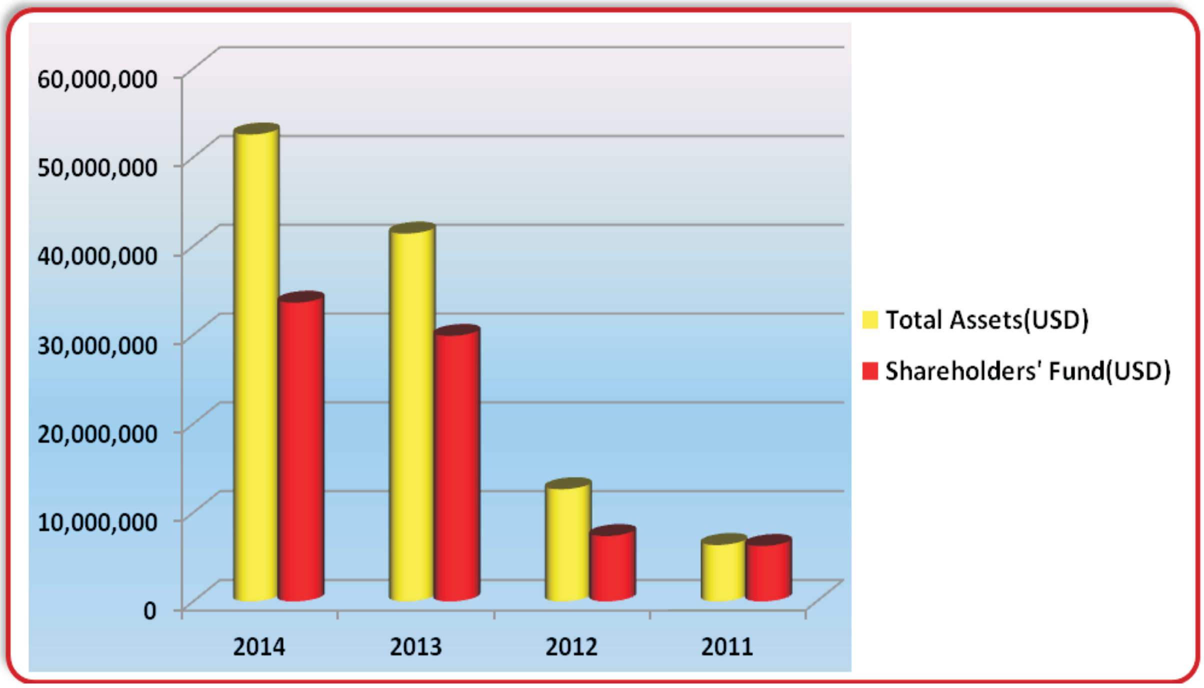
WAICA Re Performance Analysis

FOUR YEAR FINANCIAL SUMMARY	2014 USD	2013 USD	2012 USD	2011 USD
Gross Premium	24,124,158	15,922,737	7,169,345	35,057
Net Premium Earned	19,045,608	11,131,177	4,446,452	11,493
Underwriting Profit/(Loss)	3,522,740	1,158,267	(459,576)	(810,900)
Investment Income	1,831,594	1,031,851	833,745	23,457
Net Profit Before Tax	3,788,061	2,190,118	374,169	(787,443)
Total Assets	52,557,273	41,401,786	12,612,680	6,333,704
Total Investments	32,335,077	20,186,020	6,261,563	4,341,335
Shareholders' Funds	33,611,441	29,872,700	7,335,423	6,215,007
Combined Ratio	91.5%	90.35%	90.8%	7.155%
Return on Equity	11.1%	7.3%	5.1%	(12.7%)
Earnings per Share	0.16	0.09	0.05	(0.11)

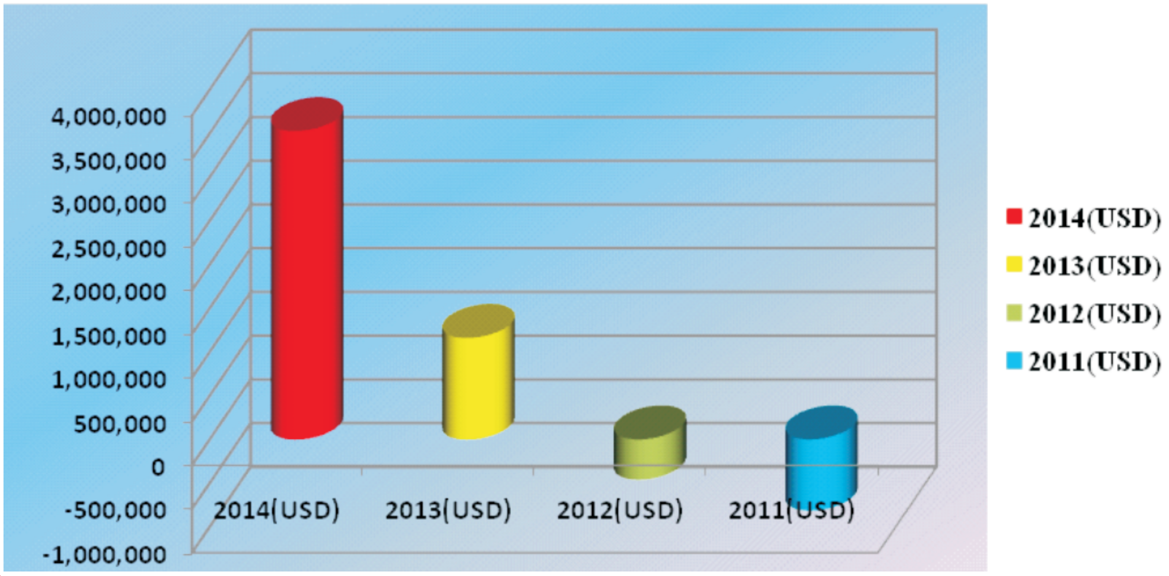
Gross Premium vs Net Premium Earned



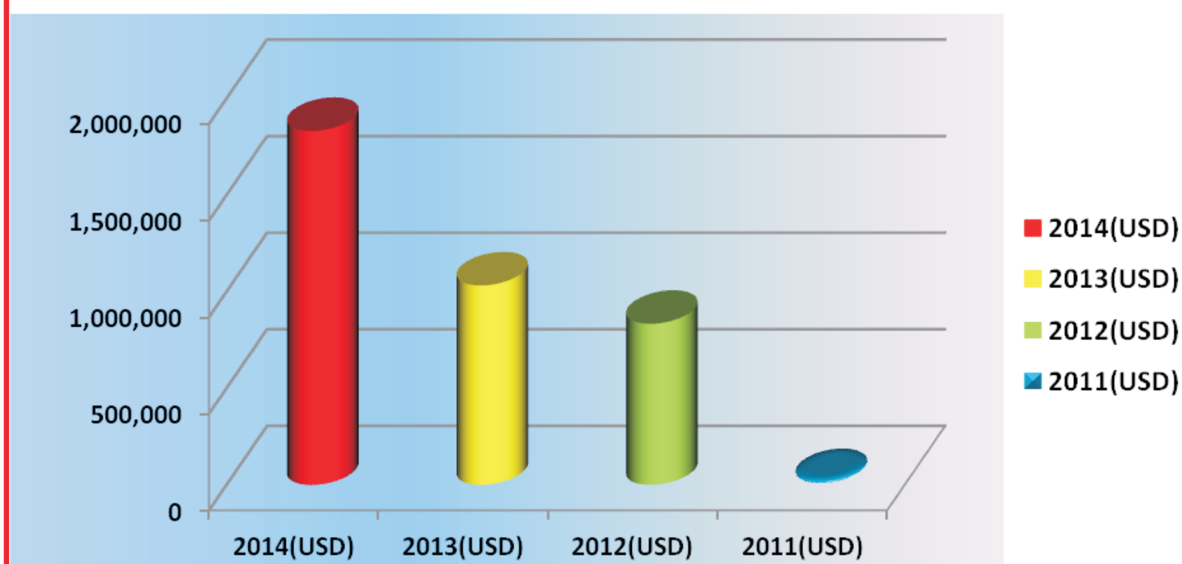
Total Assets vs Shareholders' Fund



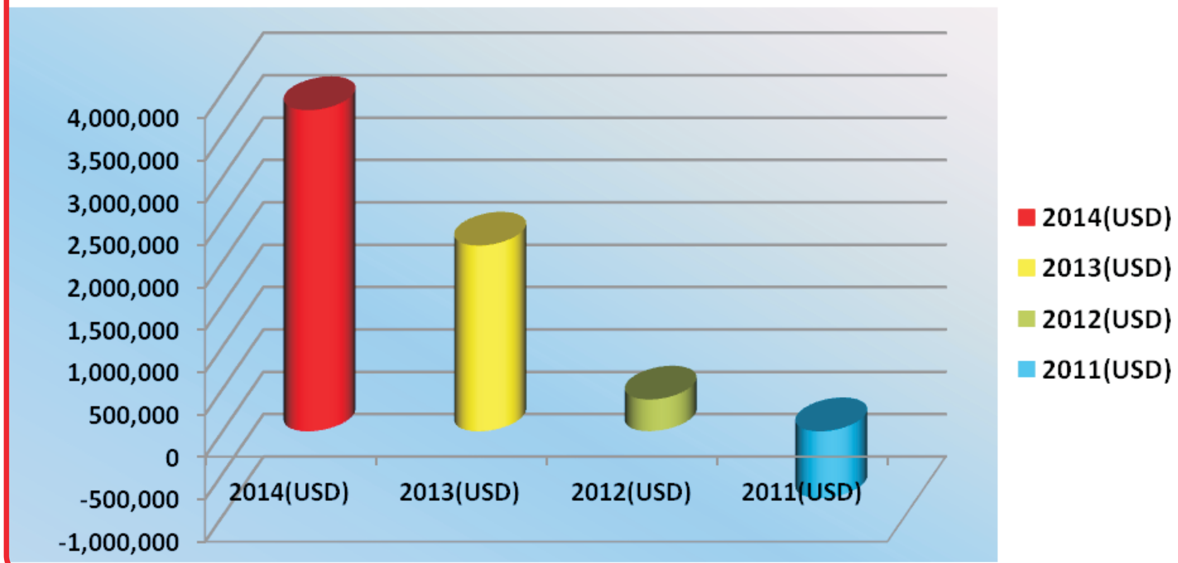
Underwriting Profit/(Loss)



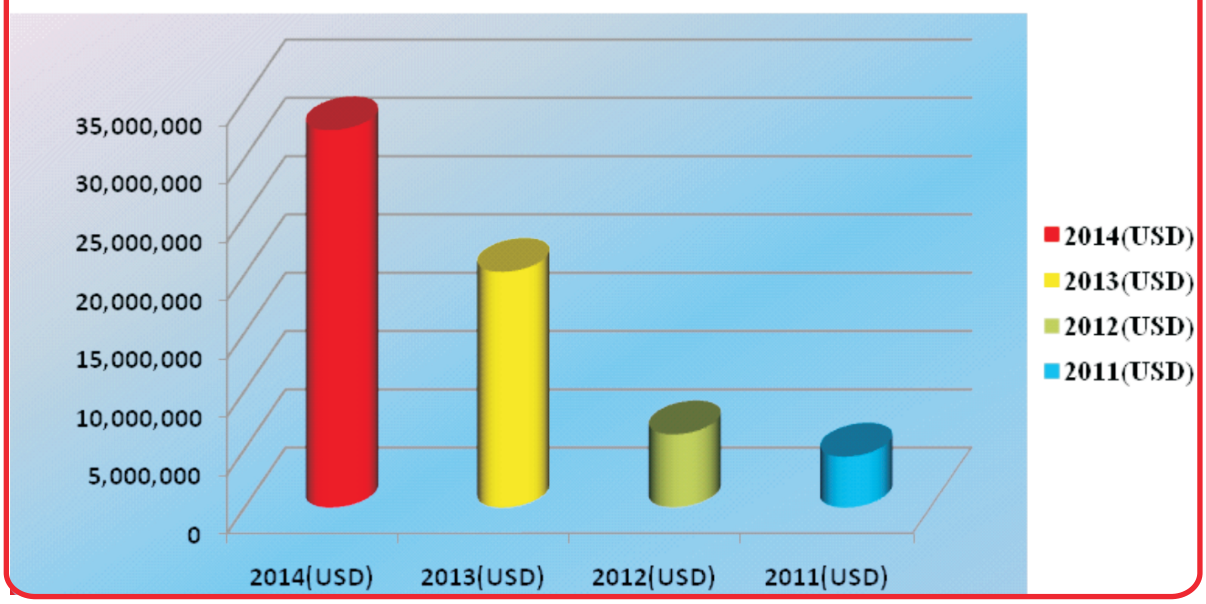
Investment Income



Net Profit Before Tax



Total Investments



BOARD MEMBERS


Kofi Duffuor
Chairman


Abiola Ekundayo


William Coker


Sam. O. Mintah


Rotimi Fashola


Senor Thomas-Sowe


Alice Onomake


Fatai Kayode Lawal


Thierry Ravoaja


Mohamed B. Cole


Ekow Dadzie-Dennis

MANAGEMENT


Abiola Ekundayo
Managing Director/CEO


Rotimi Adenayajo
Director (Technical)


Samuel Jasper Baidoo
Director (Finance)


Sunday Segun Asake
Country Manager - Nigeria


Anna Ndiaye
Country Manager - Ivory Coast


Clement Owusu
Country Manager - Ghana

General information

Directors	: Kofi Duffuor	- Chairman
	Abiola Ekundayo	- Managing Director/CEO
	Solomon Samba	- (Retired 25/2/15)
	Rotimi Fashola	
	Sam. O. Mintah	
	Alice Onomake	
	David A. Johnson	- (Retired 25/2/15)
	Fatai Kayode Lawal	
	Senor Thomas-Sowe	
	William Coker	
	Ekow Dadzie-Dennis	
	Mohamed Babatunde Cole	- (Appointed 25/2/15)
	Thierry Ravoaja	- (Appointed 25/2/15)

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

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

Corporate Secretaries : Freetown Nominees Limited
91 Sir Samuel Lewis Road
Aberdeen
Freetown
Sierra Leone

Auditors : KPMG Sierra Leone
Chartered Accountants
KPMG House
37 Siaka Stevens Street
P O Box 100
Freetown
Sierra Leone.

Report of the Directors

The directors present their report and audited financial statements for the year ended 31 December 2014.

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 Companies Act 2009 of Sierra Leone and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 22 to these financial statements.

Dividends

After the reporting date, the board of directors proposed a dividend of US$0.0617 per share amounting to US$1.5 million (2013: Nil).

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 at least three times in a year to assist the board of directors to exercise oversight responsibility of the Corporation's strategy, investment and operational systems.

Finance and audit committee

The finance and audit committee meets at least three times in a year to support the board in fulfilling its oversight responsibility with regard to financial reporting, the system of internal controls and the process for monitoring compliance with laws and regulations.

Report of the directors *(continued)*

Remuneration committee

The remuneration committee meets at least three times in year to help ensure appropriate oversight of human resource functions including policy and practice of the Corporation's Management.

Property and equipment

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

Employment of disabled people

WAICA 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.

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 conducive office environment is maintained for staff and visitors, with adequate lighting and ventilation.

Employee involvement and training

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

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

Report of the directors *(continued)*

Auditors

In accordance with Section 308 of the Companies Act 2009 of Sierra Leone 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 25th March 2015 and are signed on their behalf by:

Chairman

Director

Director

FREETOWN NOMINEES LIMITED
Corporate Secretaries

Independent auditor's report 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 2014, 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 62.

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 Companies Act 2009 of Sierra Leone and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Independent auditor's report
to the 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 2014 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: 25 MARCH 2015

Statement of financial position
as at 31 December

In United States Dollars	Note	2014	2013
Assets			
Cash and cash equivalents	*12*	**4,780,607**	2,498,552
Financial assets	*13*	**32,335,077**	20,186,020
Reinsurance receivables	*14*	**11,655,836**	7,256,806
Other assets	*15*	**112,672**	8,879,020
Deferred acquisition costs	*16*	**3,348,931**	2,131,238
Property and equipment	*17*	**168,689**	248,286
Intangible assets	*18*	**155,461**	201,864
Total assets		**52,557,273**	41,401,786
Liabilities			
Outstanding claims	*19b*	**2,104,052**	656,444
Reinsurance payables	*20*	**5,035,843**	2,899,626
Trade and other payables	*21*	**914,677**	579,972
Unexpired risk liabilities	*10*	**10,891,260**	7,393,044
Total liabilities		**18,945,832**	11,529,086
Equity			
Share capital	*22*	**24,311,603**	24,311,603
Share premium	*23*	**3,784,253**	3,784,253
Retained earnings	*24*	**4,369,270**	1,338,821
Contingency reserve	*25*	**1,195,635**	438,023
Other reserves	26	**(49,320)**	-
Total equity		**33,611,441**	29,872,700
Total liabilities and equity		**52,557,273**	41,401,786

The financial statements were approved by the Board of Directors on 25th March **2015**
and were signed on its behalf by:

.... **Chairman**

.... **Director**

.... **Director**

The notes on pages 13 to 62 are an integral part of these financial statements

Statement of comprehensive income
for the year ended 31 December

In United States Dollars	Note	2014	2013
Underwriting income			
Gross premium written	*6*	**24,124,158**	15,922,737
Less: retrocession premium		**(1,580,334)**	(603,596)
Net written premium		**22,543,824**	15,319,141
Movement in unearned premium reserve	*10*	**(3,498,216)**	(4,187,964)
Net earned premium		**19,045,608**	11,131,177
Investment income	*7*	**1,831,594**	1,031,851
Commission earned		**290,465**	84,024
Other income		**2,577**	-
Total income from operations		**21,170,244**	12,247,052
Underwriting expenses			
Net claims incurred	*19a*	**(5,788,584)**	(3,510,502)
Commission expenses	*16*	**(5,780,991)**	(3,289,785)
Management expenses	*8*	**(4,155,718)**	(3,168,156)
Net finance cost	*9*	**(1,656,890)**	(88,491)
Total underwriting expenses		**(17,382,183)**	(10,056,934)
Profit before tax		**3,788,061**	2,190,118
Tax expense	*11*	**-**	-
Profit for the year		**3,788,061**	2,190,118
Other comprehensive income for the period, net of income tax		**(49,320)**	-
Total comprehensive income for the year		**3,738,741**	2,190,118

The notes on pages 13 to 62 are an integral part of the financial statements

Statement of comprehensive income *(continued)*

In United States Dollars	**2014**	2013
Total comprehensive income attributable to:		
Equity holders of thecorporation	**3,738,741**	2,190,118
	=======	========

The financial statements were approved by the board of directors on 25th March **2015 and were signed on its behalf by:**

.... **Chairman**

.... **Director**

.... **Director**

The notes on pages 13 to 62 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	Share premium	Retained earnings	Contingency reserves	Other reserves	Total
Balance at 1 January 2013	7,748,697	-	(547,013)	133,739	-	7,335,423
Total comprehensive income for the period						
Net profit for the period	-	-	2,190,118	-	-	2,190,118
Other comprehensive income net of income tax	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	1,885,834	304,284	-	2,190,118
Other transfers						
Transfer to contingency reserve	-	-	(304,284)	304,284	-	-
Total other transfers	-	-	(304,284)	304,284	-	-
Transaction with owners, recorded directly in equity						
Issue of share capital	16,562,906	3,784,253	-	-	-	20,347,159
Balance at 31 December 2013	24,311,603	3,784,253	1,338,821	438,023	-	29,872,700

The notes on pages 13 to 62 are an integral part of these financial statements

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

In United States Dollars	Share capital	Share premium	Retained earnings	Contingency reserves	Other reserves	Total
Balance at 1 January 2014	**24,311,603**	**3,784,253**	**1,338,821**	**438,023**	**-**	**29,872,700**
Total comprehensive income for the year						
Profit for the year	-	-	**3,788,061**	**-**	**-**	**3,788,061**
Other comprehensive income net of income tax						
Employee benefit aduarial loss, net of tax	**-**	**-**	**-**	**-**	**(49,320)**	**(49,320)**
Total other comprehensive income	-	**-**	**-**	**-**	**(49,320)**	**(49,320)**
Total comprehensive income	**-**	**-**	**3,788,061**	**-**	**(49,320)**	**3,738,741**
Other transfers						
Transfer to contingency reserve	**-**	**-**	**(757,612)**	**757,612**	**-**	**-**
Total other transfers	**-**	**-**	**(757,612)**	**757,612**	**-**	**-**
Balance at 31 December2014	**24,311,603**	**3,784,253**	**4,369,270**	**1,195,635**	**(49,320)**	**33,611,441**

The notes on pages 13 to 62 are an integral part of these financial statements

Statement of cash flows
for the year ended31 December

In United States Dollars	Note	2014	2013
Cash flows from operating activities			
Profit for the year		**3,788,061**	2,190,118
Adjustments for:			
Depreciation	*17*	**101,847**	93,069
Amorisation	*18*	**71,403**	-
Write-off on intangible assets	*18*	**-**	950
Net finance cost	*9*	**1,656,890**	88,491
Cash flows from operating activities		**5,618,201**	2,372,628
Changes in			
- reinsurance receivables	*14*	**4,367,317**	(12,265,610)
- deferred acquisition costs	*16*	**(1,217,693)**	(1,143,349)
- outstanding claims	*19b*	**1,447,608**	444,886
- reinsurance payables	*20*	**2,136,217**	1,221,853
- trade and other payables	*21*	**334,705**	397,126
- reinsurance funds	*10*	**3,498,216**	4,187,964
		16,184,571	(4,784,502)
Interest paid	*9*	**(38,722)**	(33,877)
Income tax paid	*11*	**-**	-
Net cash from operating activities		**16,145,849**	(4,818,379)
Cash flow from investingactivities			
Net acquisition of investment		**(17,441,238)**	(9,584,719)
Acquisition of propertyand equipment	*17*	**(22,250)**	(49,363)
Acquisition of intangible assets	*18*	**(25,000)**	(84,450)
Net cash used in investing activities		**(17,488,488)**	(9,718,532)
Cash flows from financing activities			
Issued of share capital		**-**	20,347,159
Employee benefit actuarial loss recognised directly in equity	*8*	**(49,320)**	-
Cash flow from financing activities		**(49,320)**	20,347,159
Net increase in cash and cash equivalents		**(1,391,959)**	5,810,248
Cash and cash equivalents at beginning of the year		**9,202,610**	3,446,976
Effect of exchange rate fluctuations on cash and cash equivalent held		**(1,618,168)**	(54,614)
Cash and cash equivalents at end of the year	*12*	**6,192,483**	9,202,610

The notes on pages 13 to 62 are an integral part of these financial statements

Notes to the financial statements

1. Reporting entity

WAICA Reinsurance Corporation PLC is a corporation incorporated and 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 accounting

These financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Corporation's board of directors on…25th March…2015.
Details of the Corporation's accounting policies are included in note 34.

3. Functional and presentation currency

These financial statements are presented in United Stated Dollars which is the Corporation's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Use of estimates and judgements

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

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

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is set out below.

Held to maturity investments

The Corporation classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Corporation evaluates its intention and ability to hold such investments to maturity. The investments are therefore measured at amortised cost.

Notes to the financial statements *(continued)*

4. Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2014 is set out below in relation to the impairment of financial instruments and in the following notes:

- **Note 8a (iii)** – Measurement of defined benefit obligations: 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 key actuarial assumptions;

- **Notes 8a(i),** 10, 19b and 28 – Recognition and measurement of provisions and contingencies: A provision is recognised if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably. The estimate may be based on key assumptions about the likelihood and magnitude of an outflow of resources.

(i) Measurement of fair values

A number of the Corporation's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset and liability, the Corporation uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follow.

Level 1 –quoted prices (adjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observed for the asset or liability, either directly (as prices) or indirectly (derived from prices).

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

If the inputs used to measure the fair value of an asset and liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in note 32 (b).

Notes to the financial statements *(continued)*

5. Operating segments

(a) Basis of segmentation

The Corporation has the following five strategic divisions, which are reportable segments. These divisions offer different products and are managed separately based on the Corporation's management and internal reporting structure.

Reportable segment

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

The Corporation's Management Committee reviews internal management reports from each division at least monthly.

(b) Information about reportable segments

Information relating to each reportable segment is set out below. Segment profit before tax, as included in management reports reviewed by the Corporation's Management, is used to measure performance because management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industries. Inter-segment pricing is determined on an arm's length basis.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds based on the Corporation's cost of capital. There are no other materials items of income or expense between the business segments.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the financial position.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Notes to the financial statements *(continued)*

5. Operating segments (continued)

2014

In United States Dollars	Fire & engineering	Motor	Accident	Marine & aviation	Special risk	Unallocated	Total
Underwriting income							
Gross premiums less retrocession	9,102,985	1,905,001	8,877,121	2,488,461	170,256	-	22,543,824
Unearned premium	(822,424)	(181,489)	(1,893,554)	(617,771)	17,022	-	(3,498,216)
Net earned premium	8,280,561	1,723,512	6,983,567	1,870,690	187,278	-	19,045,608
Investment and other income	-	-	-	-	-	1,834,171	1,834,171
Commission earned	232,645	-	45,822	11,998		-	290,465
Total Income	8,513,206	1,723,512	7,029,389	1,882,688	187,278	1,834,171	21,170,244
Underwriting expenses							
Total Commissions expense	3,937,418	614,735	3,508,791	1,005,899	63,079	-	9,129,922
Deferred acquisition cost	(1,311,280)	(206,271)	(1,311,597)	(498,809)	(20,974)	-	(3,348,931)
Net commission expense	2,626,138	408,464	2,197,194	507,090	42,105	-	5,780,991
Net claims incurred	2,938,513	568,218	873,381	982,634	425,838	-	5,788,584
Management expenses	1,751,768	328,163	1,587,299	444,435	44,053	-	4,155,718
Net financial cost	686,460	128,596	622,012	174,159	45,663	-	1,656,890
Total underwriting expenses	8,002,879	1,433,441	5,279,886	2,108,318	557,659	-	17,382,183
Income from operations	510,327	290,071	1,749,503	(225,630)	(370,381)	1,834,171	3,788,061

Notes to the financial statements *(continued)*

5. Operating segments(continued)

2013

In United States Dollars	Fire & engineering	Motor	Accident	Marine & Aviation	Special risk	Unallocated	Total
Underwriting income							
Gross premiums less retrocession	7,251,465	1,503,832	4,671,131	1,684,631	208,082	-	15,319,141
Less: unearned premium	(1,877,364)	(350,529)	(1,304,980)	(585,804)	(69,287)	-	(4,187,964)
Net earned premium	5,374,101	1,153,303	3,366,151	1,098,827	138,795	-	11,131,177
Investment income	-	-	-	-	-	1,031,851	1,031,851
Commission earned	55,977	-	18,861	9,186	-	-	84,024
Total income	5,430,078	1,153,303	3,385,012	1,108,013	138,795	1,031,851	12,247,052
Underwriting expenses							
Commissions expense	2,274,360	347,456	1,320,291	454,427	36,599	-	4,433,133
Deferred acquisition cost	(557,471)	(84,900)	(349,519)	(137,845)	(13,613)	-	(1,143,348)
	1,716,889	262,556	970,772	316,582	22,986	-	3,289,785
Net claims incurred	1,417,578	673,964	746,976	671,984	-	-	3,510,502
Management expenses	1,513,254	299,218	964,668	349,614	41,402	-	3,168,156
Net finance cost	42,267	8,358	26,945	9,765	1,156	-	88,491
Total underwriting expenses	4,689,988	1,244,096	2,709,361	1,347,945	65,544	-	10,056,934
Income from operations	740,090	(90,793)	675,651	(239,932)	73,251	1,031,851	2,190,118

Notes to the financial statements *(continued)*

6. Gross premium written

Note

In United States Dollars	Note	2014	2013
West Africa		**18,145,840**	11,149,326
East Africa		**2,237,176**	3,400,639
North Africa		**1,619,076**	670,936
Others		**2,122,066**	701,836
		24,124,158	15,922,737

7. Investment income

In United States Dollars	2014	2013
Total investment income	**1,831,594**	1,031,851

8. Management expenses

Personnel expenses	*a*	**1,267,401**	886,234
Other expenses	*b*	**2,888,317**	2,281,992
		4,155,718	3,168,226

(a) Personnel expenses

In United States Dollars	2014	2013
Salaries and wages	**1,145,063**	743,005
Other employee benefits	**88,014**	93,539
Other staff cost	**34,324**	49,690
	1,267,401	886,234

(i) Other employee benefits

The Corporation maintains a post-employment defined benefit plan in accordance with statutory requirements, which entitles an employee to receive a lump sum payment when leaving the employment of the Corporation, whether due to resignation, retirement or death. The lump sum payment is determined by the final basic salary and number of years of service provided. These defined benefit plans expose the Corporation to actuarial risks such as interest rate risk.

Notes to the financial statements *(continued)*

8. Management expenses (continued)

(a) Personnel expenses (continued)

(i) Other employee benefits(continued)

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its component.

In United States Dollars	Defined benefit obligations 2014	2013	Fair value of plan assets 2014	2013	Net defined benefit liability (asset) 2014	2013
Balance at 1 January	**93,539**	24,375	**99,944**	-	**(6,405)**	24,375
Included in profit or loss:						
Current service cost	**53,246**	69,164	**-**	-	**53,246**	69,164
Interest cost (income)	**10,065**	-	**-**	-	**10,065**	-
Past service cost due to benefit improvement	**30,417**	-	**-**	-	**30,417**	-
	93,728	69,164	**-**	-	**93,728**	69,164
Included in OCI						
Remeasurements loss (gain):						
Actuarial loss arising from:						
financial assumptions	**49,320**	-	**-**	-	**49,320**	-
	49,320	**-**	**-**	**-**	**49,320**	**-**
Other						
Contributions paid by the employer	**-**	-	-	-	-	-
Projected benefits payments	**(5,714)**	-	-	-	**(5,714)**	-
	(5,714)	-	-	-	-	-
Balance at 31 December	**230,873**	93,539	**99,944**	-	**130,929**	93,539

Plan assets

Plan assets comprise the following

In United States Dollars	2014	2013
Government bonds	**99,944**	**-**
	=====	====

Notes to the financial statements *(continued)*

8. Management expenses (continued)

(a) Personnel expenses (continued)

(i) Other employee benefits (continued)

Defined benefit obligation

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	2014	2013
Discount rate	**6%**	11%
Salary inflation	**5%**	10%
Normal salary inflation gap	**1%**	1%
Effective salary inflation gap	**0.91%**	0.95%

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the benefit obligation by the amounts shown below:

In United States Dollars	2014	2013
Withdrawal rate 20%		
Accrued liability	**207,805**	82,595
Service cost	**73,379**	41,958
Service cost and interest	**84,664**	49,952
Decrease in salary inflation by 1%		
Accrued liability	**251,671**	101,958
Service cost	**98,386**	58,571
Servcie cost and interest	**113,242**	69,579
Increase in discount rate by 1%		
Accrued liability	**213,647**	86,524
Service costs	**82,581**	49,253
Service cost and interest	**97,253**	59,386
Decrease in discount rateby 1%		
Accrued liability	**250,730**	101,583
Service costs	**97,100**	57,825
Service costs and interest	**109,434**	67,806
Increase in early retirement rate by 20%		
Accrued liability	**201,675**	57,878
Service costs	**71,297**	10,941
Service costs and interest	**82,272**	49,699

Notes to the financial statements *(continued)*

8. Management expenses *(continued)*

(b) Other expenses

In United States Dollars	2014	2013
Advertising	**24,939**	15,471
Audit fees	**35,000**	30,000
Depreciation and amortisation	**173,250**	93,069
Utility bills	**99,777**	27,273
Legal and professionalfees	**65,428**	378,848
Directors' fees	**72,190**	69,750
Motor running expenses	**16,779**	16,220
Communication	**59,349**	49,155
Printing and stationery	**37,523**	13,790
Travelling	**189,408**	74,718
Miscellaneous	**474,858**	460,132
Insurance	**21,681**	20,086
Impairment allowance for bad debt	**1,618,135**	1,033,410
	2,888,317	2,281,922

9. Net finance cost

In United States Dollars	2014	2013
Foreign exchange loss	**1,618,168**	54,614
Bank charges	**38,722**	33,877
	1,656,890	88,491

10. Unexpired risk liabilities

In United States Dollars	2014	2013
Balance at 1 January	**7,393,044**	3,205,080
Movement in unearned premium reserve	**3,498,216**	4,187,964
Balance at 31 December	**10,891,260**	7,393,044

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

Notes to the financial statements *(continued)*

11. Tax account

Current tax expense

In United States Dollars	2014	2013
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 Headquarters agreement between the Government of the Republic of Sierra Leone and the WAICA Reinsurance Corporation Plc.

12. Cash and cash equivalents

In United States Dollars	2014	2013
Bank balance	**4,779,141**	2,497,133
Cash balances	**1,466**	1,419
Cash and cash equivalents	**4,780,607**	2,498,552

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	2014	2013
Cash and cash equivalent	**4,780,607**	2,498,552
Investment securities	**1,411,876**	6,704,058
Cash and cash equivalents in the statement of cash flows	**6,192,483**	9,202,610

Notes to the financial statements *(continued)*

13. Financial assets

a. Investments by category

In United States Dollars	2014	2013
Investment securities	**3,869,243**	751,507
Statutory deposit	**4,336,768**	3,007,278
Bank deposits	**24,129,066**	16,427,235
	32,335,077	20,186,020

The statutory deposit of USD 3,836,768 (2013: USD 3,007,278) 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. The Corporation also placed USD 500,000 with the Bank of Ghana as a regulatory requirement by the National Insurance Commission (Ghana).

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

In United States Dollars	2014	2013
Available for sale	**-**	-
Held to maturity	**32,335,077**	20,186,020
Equity securities at cost	**-**	-
Total financial assets	**32,335,077**	20,186,020

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

c. Held to maturity financial assets

In United States Dollars	2014	2013
Unlisted debt securities- fixed interest rate:		
Fixed deposits	**28,465,834**	16,427,235
Treasury bills	**3,869,243**	3,758,785
Total held to maturity financial assets	**32,335,077**	20,186,020

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

Notes to the financial statements *(continued)*

14. Reinsurance receivables

In United States Dollars	2014	2013
Receivables arising fromreinsurance contracts		
Due from cedants and brokers	**14,324,632**	8,307,466
Provision for impairment	**(2,668,796)**	(1,050,660)
	11,655,836	7,256,806

The total amount of receivables is deemed current.

In United States Dollars	2014	2013
Impairmentallowance		
Balance at start	**1,050,660**	17,250
Addition during the period	**1,618,135**	1,033,410
Balance at 31 December	**2,668,795**	1,050,660

Ageing of unimpaired receivables

In United States Dollars	2014	2013
0 – 90 days	**2,575,638**	3,047,883
91 - 180 days	**3,586,502**	1,880,941
181 – 270 days	**2,962,699**	1,719,542
271 – 365 days	**2,530,997**	608,440
Balance at 31 December	**11,655,836**	7,256,806

15. Other assets

In United States Dollars	2014	2013
Sundry receivables	**79,471**	5,536,717
Other receivables	**-**	3,318,440
Loans to staff	**33,201**	23,863
	112,672	8,879,020

16. Deferred acquisition costs

In United States Dollars	2014	2013
Balance at start	**2,131,238**	987,889
Additions during the period	**6,998,684**	4,433,133
Commission expenses	**(5,780,991)**	(3,289,784)
Balance at 31 December	**3,348,931**	2,131,238

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

Notes to the financial statements *(continued)*

17. Property and equipment

In United States Dollars	Computer hardware	Motor vehicle	Furniture and equipment	Total
Cost				
At 1 January 2013	33,928	215,526	107,227	356,681
Additions	9,355	-	40,008	49,363
At 31 December 2013	**43,283**	**215,526**	**147,235**	**406,044**
At 1 January 2014	43,283	215,526	147,235	406,044
Additions	10,049	-	12,201	22,250
At 31 December 2014	**53,332**	**215,526**	**159,436**	**428,294**
Accumulated depreciation				
At 1 January 2013	3,947	43,148	17,594	64,689
Charge for the period	13,032	53,882	26,155	93,069
At 31 December 2013	**16,979**	**97,030**	**43,749**	**157,758**
At 1 January 2014	16,979	97,030	43,749	157,758
Charge for the year	16,890	53,882	31,075	101,847
At 31 December 2014	**33,869**	**150,912**	**74,824**	**259,605**
Carrying amounts				
At 1 January 2013	29,981	172,378	89,633	291,992
At 31 December 2013	26,304	118,496	103,486	248,286
At 31 December 2014	**19,463**	**64,614**	**84,612**	**168,689**

There were no capitalized borrowing costs related to the acquisition of equipment during the year. (2013: nil).

Notes to the financial statements *(continued)*

18. Intangible assets

In United States Dollars	**Computer Software**
Cost	
At 1 January 2013	118,364
Acquisitions	84,450
Write off	(950)
At 31 December 2013	**201,864**
At 1 January 2014	201,864
Acquisitions	25,000
At 31 December 2014	**226,864**
Amortisation and impairment losses	
At 1 January 2013	-
Amortisation for the period	-
At 31 December 2013	**-**
At 1 January 2014	**-**
Amortisation for the period	71,403
At 31 December 2014	**71,403**
Carrying amount	
At 1 January 2013	118,364
At 31 December 2013	201,864
At 31 December 2014	**155,461**

There were no capitalized borrowing costs related to the acquisition of computer software during the year. (2012: Nil)

Notes to the financial statements *(continued)*

19. Claims

(a) Net claims incurred

In United States Dollars	**2014**	2013
Claims made by Cedants	**6,278,295**	3,510,502
Claims recovered from Retrocessionaires	**(489,711)**	-
Claims incurreddduring the year	**5,788,584**	3,510,502

(b) Outstanding claims

2014

In United States Dollars

	Fire & Engineering	**Motor**	**Accident**	**Marine & Aviation**	**Special Risk**	**Total**
Claims at start of the year	**215,211**	**318,197**	**101,987**	**21,049**	**-**	**656,444**
Claims incurred	**2,938,513**	**568,218**	**873,381**	**982,634**	**425,838**	**5,788,584**
Claims paid Less recoveries	**(1,847,949)**	**(552,580)**	**(915,024)**	**(990,785)**	**(34,638)**	**(4,340,976)**
Claims outstanding at 31 December	**1,305,775**	**333,835**	**60,344**	**12,898**	**391,200**	**2,104,052**

2013

In United States Dollars	Fire & Engineering	Motor	Accident	Marine & Aviation	Total
Claims at start of the year	139,407	48,105	-	24,046	211,558
Claims incurred during the year	1,417,578	673,964	746,976	671,984	3,510,502
Claims paid during the year	(1,341,774)	(403,872)	(644,989)	(674,981)	(3,065,616)
Claims outstanding at 31 December	215,211	318,197	101,987	21,049	656,444

Notes to the financial statements *(continued)*

20. Reinsurance payables

In United States Dollars	2014	2013
Payable under reinsurance arrangements	**5,035,843**	2,839,703
Payable under retrocession arrangements	**-**	59,923
	5,035,843	2,899,626

21. Trade and other payables

In United States Dollars	2014	2013
Accruals	**49,352**	38,622
Other creditors	**734,396**	447,811
Defined benefit obligation (8a (i))	**130,929**	93,539
	914,677	579,972

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.

22. Share capital

In United States Dollars

	2014	2014	2013	2013
Authorised:	**No. of shares**	**Amount**	No. of shares	Amount
Ordinary shares of USD 1 each	**100,000,000**	**100,000,000**	100,000,000	100,000,000
Issued and fully paid: 24,311,603 ordinary shares of USD 1 each				
Balance at start of the period	**24,311,603**	**24,311,603**	7,748,697	7,748,697
Additions during the period	**-**	**-**	16,562,906	16,562,906
At 31 December	**24,311,603**	**24,311,603**	24,311,603	24,311,603

Notes to the financial statements *(continued)*

23. Share premium

In United States Dollars	2014	2013
Balance at 1 January	**3,784,253**	-
Issue of shares	**-**	3,784,253
Balance at 31 December	**3,784,253**	3,784,253

24. Retained profit

In United States Dollars	2014	2013
Balance at start of the period	**1,338,821**	(547,013)
Net profit for the period	**3,788,061**	2,190,118
Transfer to contingency reserve	**(757,612)**	(304,284)
	4,369,270	1,338,821

25. Contingency reserves

In United States Dollars	2014	2013
Balance at start of the period	**438,023**	133,739
Addition during the period	**757,612**	304,284
	1,195,635	438,023

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

26. Other reserves

In United States Dollars	2014	2013
Balance at start of the period	**-**	-
Net actuarial loss on employee benefit obligation	**49,320**	-
	49,320	-

Other reserves represent net actuarial gains/(losses) on the defined benefit obligation of the Corporation.

27. Dividend

After the reporting date, the board of directors proposed a dividend of US$0.0617 per share amounting to US$1.5 million (2013: Nil). The dividend has not been recognised as a liability and there are no tax consequences.

Notes to the financial statements *(continued)*

28. Capital commitment

There were no capital commitments at 31 December 2014 (2013: Nil).

29. Contingent liabilities

There were no contingent liabilities at 31 December 2014 (2013: Nil).

30. Related party disclosure

The following transactions were carried out with related parties:

(a) Key management compensation

In United States Dollars	2014	2013
Salaries and other short-term employee benefits	**491,441**	419,171
	491,441	419,171

(b) Director's remuneration

In United States Dollars	2014	2013
Director's remuneration paid during the year	**72,190**	69,750
	72,190	69,750

31. Comparative information

The comparative information have been reclassified where applicable to conform to the current year presentation.

32. Subsequent events

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

Notes to the financial statements *(continued)*

33. Financial instruments – fair values and risk management

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2014

In United States Dollars	Carrying amount			Fair value			
	Loan and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Assets							
Cash and cash equivalents	4,780,607	-	4,780,607	-	4,780,607	-	4,780,607
Reinsurance receivables	11,655,836	-	11,655,836	-	11,655,836	-	11,655,836
Held-to-maturity investment	32,335,077	-	32,335,077	-	32,335,077	-	32,335,077
Other assets	112,672	-	112,672	-	112,672	-	112,672
	48,884,192	-	48,884,192	-	48,884,192	-	48,884,192
Liabilities							
Reinsurance payables	-	5,035,843	5,035,843	-	5,035,843	-	5,035,843
Trade and other payables	-	914,677	914,677	-	914,677	-	914,677
Outstanding claims	-	1,683,242	1,683,242	-	1,683,242	-	1,683,242
	-	5,952,445	55,952,445	-	5,952,445	-	5,952,445

Notes to the financial statements *(continued)*

33. Financial instruments – fair values and risk management (continued)

31 December 2013

In United States Dollars	Carrying amount			Fair value			
	Loan and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Assets							
Cash and cash equivalents	2,498,552	-	4,780,607	-	4,780,607	-	4,780,607
Reinsurance receivables	7,256,806	-	11,655,836	-	11,655,836	-	11,655,836
Held-to-maturity investment	20,186,020	-	32,335,077	-	32,335,077	-	32,335,077
Other assets	8,879,020	-	8,879,020	-	8,879,020	-	8,879,020
	38,820,398	-	38,820,398	-	38,820,398	-	38,820,398
Liabilities							
Reinsurance payables	-	2,899,626	2,899,626	-	2,899,626	-	2,899,626
Trade and other payables	-	579,972	579,972	-	579,972	-	579,972
Outstanding claims	-	525,156	525,156	-	525,156	-	525,156
	-	4,004,754	4,004,754	-	4,004,754	-	4,004,754

Notes to the financial statements *(continued)*

33. Financial instruments – fair values and risk management (continued)

(b) Measurement of fair values

See accounting policy in note 35 (c)(vi)

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Corporation determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Corporation measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Corporation uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Notes to the financial statements *(continued)*

33. Financial instruments – fair values and risk management (continued)

(b) Measurement of fair values (continued)

Valuation models (continued)

For more complex instruments, the Corporation uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

The Director of Finance has overall responsibility for verifying all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- quarterly calibration and back-testing of models against observed market transactions; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous measurement.

When third party information, such as broker quotes or pricing services, is used to measure fair value, these would be assessed and documented to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Corporation for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Notes to the financial statements *(continued)*

33. Financial Instruments – fair value and risk management

(c) Financial risk management

The Corporation has exposure to the following risks from financial instruments:

- Reinsurance risk
- Credit risk
- Liquidity risk
- Market risk.

The Corporation issues contracts that transfer reinsurance risk or financial risk or both. This section summarises these risks and the way the Corporation manages them. The Corporation is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and reinsurance liabilities. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

(I) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has established the Board Strategy and Operations and Finance and Audit Committees, which are responsible for developing and monitoring risk policies in their specified areas.

The Corporation's risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Corporation's Finance and Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Corporation.

(ii) Reinsurance risk

Reinsurance risk arises from claims and underwriting profit experience being adversely different from those anticipated in the premiums rating and retrocession programme. The reinsurance 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.

Notes to the financial statements *(continued)*

33. Reinsurance and financial risk management (continued)

(c) Financial risk management (continued)

(ii) Reinsurance risk (continued)

Management of Reinsurance risk

Management consistently reviews its insurance risk exposures and reports same on regular bases to the Operations and Strategies Committee of the Board of Directors.

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.

(ii) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations principally from investment securities and the Corporations cession and retrocession receivables.

The carrying amount of financial assets represents the maximum credit exposure.

Reinsurance receivables

Credit risk relating to reinsurance receivables is mitigated by the large number of cedants and their dispersion across the African continent and beyond. 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.

Analysis of credit quality

The tables below set out information about the credit quality of reinsurance receivables and the allowance for impairment loss held by the Corporation against those assets.

In United States Dollars	**2014**	**2013**
Impairment allowance		
Balance at start	**1,050,660**	17,250
Addition during the period	**1,618,136**	1,033,410
Balance at 31 December	**2,668,796**	1,050,660

Notes to the financial statements *(continued)*

33. Reinsurance and financial risk management (continued)

(c) Financial risk management (continued)

(iii) Credit risk (continued)

Ageing of unimpaired reinsurance receivables

In United States Dollars

	2014	2013
0 – 90 days	**2,575,638**	3,047,883
91 - 180 days	**3,586,502**	1,880,941
181 – 270 days	**2,962,699**	1,719,542
271 – 365 days	**2,530,997**	608,440
Balance at 31 December	**11,655,836**	7,256,806

Impaired reinsurance receivables

See accounting policy in note 35 (c).

The Corporation regards a reinsurance receivables as impaired in the following circumstances:

- when there is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.
- the reinsurance receivables is overdue for more than 365 days or more.

A reinsurance receivable that has been renegotiated due to deterioration in the cedant's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly due to adherence to the renegotiated repayment plan and there are no other indicators of impairment.

Reinsurance receivables that are subject to a collective IBNR provision are not considered impaired.

Held to maturity investments

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 and in London to avoid undue concentration.

Cash and cash equivalents

The Corporation held cash and cash equivalents of US$ 4,780,607 at 31 December 2014 (2013: 2,498,552). The cash and cash equivalents are held with reputable banks.

Notes to the financial statements *(continued)*

33. Reinsurance and financial risk management (continued)

(c) Financial risk management (continued)

(iv) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

The Corporation is exposed to daily calls on its available cash resources mainly from claims arising from reinsurance contracts. 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.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and exclude the impact of netting agreements.

Notes to the financial statements *(continued)*

33. Reinsurance and financial risk management (continued)

(c) Financial risk management (continued)

(iv) Liquidity risk (continued)

In United States Dollars	Note	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years
31 December 2014						
Non-derivative financial liabilities						
Outstanding claims	*19b*	**1,683,242**	**673,297**	**1,009,945**	**-**	**-**
Reinsurance payables	*20*	**5,035,844**	**453,693**	**960,773**	**1,943,604**	**1,677,773**
Trade and other payables	*21*	**914,677**	**482,586**	**-**	**294,757**	**137,334**
		7,633,763	**1,609,576**	**1,970718**	**2,238,361**	**1,815,107**
31 December 2013						
Non-derivative financial liabilities						
Outstanding claims	*19b*	**525,156**	**525,156**	**-**	**-**	**-**
Reinsurance payables	*20*	**2,899,626**	**1,217,853**	**751,574**	**930,199**	**-**
Trade and other payables	*21*	**579,972**	**168,034**	**-**	**318,399**	**93,539**
		4,004,754	**1,911,043**	**751,574**	**1,248,598**	**93,539**

33. Reinsurance and financial risk management (continued)

(c) Financial risk management (continued)

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Corporation is exposed to currency risk to the extent that there is a mismatch between the currencies in which underwriting income, underwriting expense and investments are denominated. The currencies in which these transactions are primarily denominated are US Dollars, Pounds Sterling, Euro, Cedi, Naira and Leones.

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

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

31 December 2014

	Note	United States Dollars	Pounds sterling	Euro	Cedis	Leones	Naira	Other	Total
Assets									
Cash and cash equivalent	*12*	2,951,723	180,664	731,377	238,934	86,419	589,923	1,567	4,780,607
Financial assets	*13*	20,011,371	-	-	45,412	5,143,948	7,057,774	76,574	32,335,079
Reinsurance receivables	*14*	6,158,440	43,274	512,681	2,499,918	596,386	1,771,651	73,486	11,655,836
Other assets	*15*	54,733	-	-	25,038	17,768	15,134	-	112,673
		29,176,267	223,938	1,244,058	2,809,302	5,844,521	9,434,482	151,627	48,884,195
Liabilities									
Outstanding claims	*19b*	1,002,414	-	-	210,944	20,801	869,894	-	2,104,052
Reinsurance payable	*20*	2,901,804	16,902	189,813	985,523	178,852	742,942	20,007	5,035,843
		3,904,218	16,902	189,813	1,196,467	199,653	1,612,836	20,007	7,139,896
Net exposure		25,272,049	207,036	1,054,245	1,612,835	5,644,868	7,821,646	131,620	41,744,299

Notes to the financial statements *(continued)*

33. Reinsurance and financial risk management (continued)

(c) Financial risk management (continued)

(v) Market risk (continued)

Currency risk (continued)

31 December 2013

	Note	United States Dollars	Sterling pounds	Euro	Cedis	Leones	Naira	Other	Total
Assets									
Cash and cash equivalent	*12*	1,331,095	184,132		468,214	133,576	36,928	343,055	1,552
Financial assets	*13*	9,833,442	-	-	239,760	4,691,137	5,344,437	77,244	20,186,020
Loans and receivables including reinsurance receivables	*14*	2,323,159	8,161	160,828	865,059	156,377	1,213,397	2,529,825	7,256,806
		13,487,696	192,293	629,042	1,238,395	4,884,442	6,900,889	2,608,621	29,941,378
Liabilities									
Outstanding claims	*22*	67,442	-	-	171,581	6,754	326,483	84,184	656,444
Reinsurance payable	*23*	1,003,773	2,551	62,442	373,242	72,058	478,891	906,669	2,899,626
		1,071,215	2,551	62,442	544,823	78,812	805,374	990,853	3,556,070
Net exposure		12,416,481	189,742	566,600	693,572	4,805,630	6,095,515	1,617,768	26,385,308

Notes to the financial statements *(continued)*

33. Reinsurance and financial risk management (continued)

(c) Financial risk management (continued)

(v) Market risk (continued)

Currency risk (continued)

The following significant exchange rates applied during the year:

	Average rate		Year end spot rate	
	31 Dec. 2014	31 Dec. 2013	**31 Dec. 2014**	31 Dec. 2013
USD 1				
Euro	**0.7524**	0.7522	**0.8264**	0.7257
GBP	**0.6071**	0.6392	**0.6413**	0.6038
Cedi	**3.0738**	2.08720	**3.2150**	2.3650
Naira	**165.09**	159.62	**183.00**	159.95
Leone	**4,342.75**	4,324.65	**4,237.00**	4,328.00

Sensitivity analysis

A reasonably possible strengthening (weakening) of the US Dollar, Pound Sterling, Euro, Cedi, Naira and Leone against all other currencies as 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast underwriting

	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
31 December 2014				
Euro (10% movement)	**105,425**	**(105,425)**	**(73,797)**	**73,797**
GBP (6% movement)	**12,422**	**(12,422)**	**(8,696)**	**8,696**
Cedi (5% movement)	**80,642**	**(80,642)**	**(56,449)**	**56,449**
Naira (11% movement)	**860,381**	**(860,381)**	**(602,267)**	**602,267**
Leone (2% movement)	**(112,897)**	**112,897**	**79,028**	**(79,028)**
31 December 2013				
Euro (4% movement)	(22,664)	22,664	15,865	(15,865)
GBP (6% movement)	(11,385)	11,385	7,969	(7,969)
Cedi (13% movement)	90,164	(90,164)	(63,115)	63,115
Naira (1% movement)	60,955	(60,955)	(42,669)	42,669
Leone (1% movement)	**48,056**	**(48,056)**	**(33,639)**	**33,639**

Notes to the financial statements *(continued)*

33. Reinsurance and financial risk management (continued)

(c) Financial risk management (continued)

(v) Market risk (continued)

Interest rate risk

Fixed interest rate financial instruments 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.

Management of interest rate risk

The Corporation's approach to managing interest rate risk is the maintenance of highly liquid short-term investment portfolio. The Corporation monitors the investment portfolio closely to redirect to investment vehicles with high returns.

Exposure to interest rate risk

The interest rate profile of the Corporation's interest bearing financial instruments as reported by management is as follows.

In United States Dollars	**Nominal amount**	
	2014	**2013**
Fixed-rate instrument		
Financial assets	***32,335,077***	*20,186,020*
	========	========

The corporation does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The Corporation did not have any variable-rate instruments at the year end (2013: Nil).

(g) 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.

Notes to the financial statements *(continued)*

33. Reinsurance and financial risk management (continued)

(c) Financial risk management (continued)

(v) Market risk (continued)

Interest rate risk (continued)

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.

34. Basis of measurement

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

The financial statements have been prepared on a historical cost basis except for net defined benefit liability which was measured at present value of the defined benefit obligation.

Notes to the financial statements *(continued)*

35. Significant accounting polices

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

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

(a) Foreign currency
(b) Income tax expense
(c) Financial assets and financial liabilities
(d) Property and equipment
(e) Investments
(f) Investment property
(g) Cash and cash equivalents
(h) Impairment of non-financial assets
(i) Share capital
(j) Reinsurance contracts
(k) Claims
(l) Reserves for unexpired risks
(m) Contingency reserve
(n) Employee benefits
(o) Provisions
(p) Revenue
(q) Leases
(r) Dividend income
(s) Dividend distribution

Notes to the financial statements *(continued)*

35. Significant accounting polices (continued)

(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 assets and financial liabilities

(i) *Recognition*

The Corporation initially recognises loans and receivables on the date that they are originated. All other financial assets and liabilities including assets and liabilities designated at fair value through profit or loss are initially recognised on the trade date at which the Corporation becomes a party to the contractual provisions in the instrument.

A financial asset or financial liability is measured at fair value plus for an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issue.

Notes to the financial statements *(continued)*

35. Significant accounting polices (continued)

(c) Financial assets and financial liabilities (continued)

(i) *Recognition (continued)*

Financial assets

The Corporation classifies its financial assets in one of the following categories:

- loans and receivables,
- held to maturity;
- available-for-sale; or
- at fair value through profit or loss and within the category as
  - held for trading; or
  - designated at fair value through profit or loss.

Financial liabilities

The Corporation classifies its financial liabilities as measured at amortised cost or fair value through profit or loss.

(ii) De*recognition*

Financial assets

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Corporation enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include for example securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Corporation retains all or substantially all the risks and rewards of ownership of such assets.

Notes to the financial statements *(continued)*

35. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(ii) De*recognition (continued)*

In transactions in which the Corporation neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Corporation continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Corporation retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Corporation derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(*iii)* *Offsetting*

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when the Corporation has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any differences between the initial amount recognised and the maturity amount minus any reduction for impairment.

(v) *Fair value measurement*

Policy applicable from 1 January 2013

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Corporation measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Corporation uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Notes to the financial statements *(continued)*

35. Significant accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(v) Fair value measurement (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. The Corporation determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Corporation measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Corporation on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Corporation recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Policy applicable before 1 January 2013

'Fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Corporation measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Corporation establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Corporation, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Notes to the financial statements *(continued)*

35. Significant accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(v) Fair value measurement (continued)

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument.

In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Corporation measures assets and long positions at a bid price and liabilities and short positions at an ask price. Where the Corporation has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or ask price adjustment is applied only to the net open position as appropriate.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

(vi) Identification and measurement of impairment

At each reporting date the Corporation assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the debtor or issuer
- default or delinquency by a debtor,
- indications that a debtor or issuer will enter bankruptcy,
- the disappearance of an active market for a security,
- observable data relating to a group of assets such as adverse changes in the payment status of debtors or issuers in the Corporation, or economic conditions that correlate with defaults in the Corporation.

In addition, for an investment in a equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Notes to the financial statements *(continued)*

35. Significant accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(vi) Identification and measurement of impairment (continued)

The Corporation considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Corporation uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Notes to the financial statements *(continued)*

35. Significant accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(vi) Identification and measurement of impairment (continued)

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

The Corporation writes off certain loans and advances and investment securities when they are determined to be uncollectible.

(vii) Designation at fair value through profit or loss

The Corporation has designated financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

(d) Property 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.

Notes to the financial statements *(continued)*

35. Significant accounting policies (continued)

(d) Property and equipment (continued)

(i) Recognition and measurement (continued)

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.

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
Software	-	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.

35. Significant accounting policies (continued)

(d) Property and equipment (continued)

(iii) Depreciation (continued)

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.

(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.

Notes to the financial statements *(continued)*

35. Significant accounting policies (continued)

(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.

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) 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.

(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.

Notes to the financial statements *(continued)*

35. Significant accounting policies (continued)

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

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.

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) 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.

(j) Reinsurance contract

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).

Notes to the financial statements *(continued)*

35. Significant accounting policies (continued)

(j) Reinsurance contracts (continued)

(i) Short-term Reinsurance contracts (continued)

Personal accident reinsurance contracts compensates 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.

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.

Notes to the financial statements *(continued)*

35. 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.

(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.

Notes to the financial statements *(continued)*

35. Significant accounting policies (continued)

(n) Employee benefits (continued)

Pension obligations (continued)

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.

Notes to the financial statements *(continued)*

35. 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.

Notes to the financial statements *(continued)*

36. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, 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. These will be adopted in the period that they become mandatory unless otherwise indicated:

(a) *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When contributions are eligible for the practical expedient, a Corporation is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The Corporation's defined benefit plan meets these requirements and consequently the Corporation intends to apply this amendment and will recognise the contributions as reduction of the service costs in the period in which the related service is rendered.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted.

(b) *Disclosure Initiative* (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

(c) *IFRS 15 Revenue from contracts with customers*

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Corporation, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS.

Notes to the financial statements *(continued)*

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

(d) IFRS 9 *Financial Instruments*

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will have a significant impact on the Group, which will include changes in the measurement bases of the Corporation's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Corporation.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

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