2018 ANNUAL REPORT

FINANCIAL STATEMENTS

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WAICA Re
WAICA REINSURANCE CORPORATION PLC
Surely Reinsured

WAICA Re
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Surely Reinsured

Waica Reinsurance Corporation Plc Consolidated Financial Statements

For the Year Ended 31 December 2018

100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Region 01
Region 02
Region 03
Region 04
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Group Chairman's Statement

Dear Shareholders,

It is my greatest pleasure to welcome you all to our 6th Annual General Meeting (AGM) and to present to you the Annual Report and the Financial Statements of WAICA Reinsurance Corporation Plc for the year ended 31st December, 2018. As you are aware, our meeting is rotational in nature amongst the operating countries, it is therefore the turn of Sierra Leone to host this year's AGM. The government's support and the warmth of the people of Sierra Leone towards our course are what have made WAICA Re a dominant industry player in the African reinsurance market today.

WAICA Re Goes Group

Ladies and gentlemen, your Corporation keeps growing. In 2018 we secured full approval from regulators in Kenya and Zimbabwe to establish subsidiaries in the East and Southern African insurance markets. WAICA Re Corporation Plc has controlling shares in the two subsidiaries with $10 million and $5 million invested in Kenya and Zimbabwe respectively. This brings to three, the number of subsidiaries established including WAICA Re Capital formed in 2015. These developments have necessitated the creation of a group structure and the employment of seasoned professionals to help build the Corporation. The financial information I am presenting to you is therefore based on the group figures.

Global Business Environment

Global GDP growth remained steady at 3.7% for 2018 but has been downgraded to 3.5% in 2019 due to the continued trade war between the US and China, policy uncertainty amongst advanced economy central banks; persisting uncertainties surrounding BREXIT negotiations; vulnerabilities in major financial markets and rising public debt in some Emerging Market and Developing Economies (EMDEs). In advanced economies, growth was expected to increase marginally to 2.4% in 2018 due to robust growth in the US buoyed by sizable fiscal stimulus. This growth was expected to ease to 2.1% in 2019. Growth in the Euro area decreased from 2.2 % in 2018 to 2.0% in 2019, due to the weaker-than expected domestic demand across the currency areas. Growth in emerging market and developing economies was projected at 4.7% in 2018 and 2019. The high growth rate reflects primarily continued strong economic performance in emerging Asia especially India, despite the moderation of activity in China. The projected pickup in growth means improved prospects for commodity exporters after years of weak economic activities. In sub-Saharan Africa, recovery is set to continue, supported by the rise in commodity prices. For the region, growth was expected to be 3.1% in 2018, rising further to 3.8 % in 2019.

The rising oil prices, tighter financial conditions, higher yields in the advanced economies and capital flow reversal from the EMDEs, resulting in pressure on currencies of some countries with fragile conditions, rising debt levels in developing economies, as well as growing trade tensions between the US and its trading partners especially China, would continue to shape developments in the EMDEs in the medium term.

Global inflation was expected to pick up in 2018 to 3.5% from 3.2% in 2017 as commodity prices continue to increase. Inflation has strengthened in advanced economies from 1.7% in 2017 to 2% in 2018. In the Euro area, inflation was projected to rise gradually from 1.4 % in 2017 to 1.6 % in 2018 and to 1.8% in 2019, reflecting an increase in productivity amid weak economic activities. Inflation in EMDEs was expected to increase from 4.3% in 2017 to 5% in 2018, before slowing to 4.4% in 2019. The increase reflects pass-through effects of currency depreciation in some cases and second-round effects of higher fuel prices in others. In sub-Saharan Africa, inflation was forecast to decelerate from 10.7% in 2017 to 9.5% in 2018, dropping further to 8.1% in 2019. The decline has been driven largely by exchange rate stability.

African Economies

African Development Bank reported a continuous general economic performance improvement for Africa. According to the report, Gross domestic product (GDP) reached an estimated 3.5% in 2018 and was projected to accelerate to 4.0% in 2019 and 4.1% in 2020 and 2021. Improved economic growth across Africa has been broad, with variation across economies and regions, supported by natural resources, higher agricultural production, increasing consumer demand, population growth, rising affluence, technological advancements and rising public investment. East Africa led with a GDP growth estimated at 5.7% in 2018 followed by North Africa at 4.9%, West Africa at 3.3%, Central Africa at 2.2%, and Southern Africa at 1.2%.

East Africa is projected to achieve growth of 5.9% in 2019 and 6.1% in 2020, Kenya is anticipated to pick up at 5.8% rate, and Tanzania 6.8%. North Africa is expected to account for 40% of the Africa's GDP growth, although it could be affected by Libya's rapidly changing economic circumstances. In West Africa several countries including Benin, Burkina Faso, Côte d'Ivoire, Senegal and some others grew at 6% or more.

The top three fastest growing countries on the continent were Côte d'Ivoire, 7.4%; Rwanda, 7.2%; and Senegal, 7%. Whilst Nigeria, 1.9%; and South Africa, 0.9% the two largest countries in Africa and Angola 1.8% pulled down the continent. However, growth in Nigeria is expected to rise to 2.3% in 2019, and Angola is forecast to grow 2.9% in 2019 if the oil sector recovers in both countries. South Africa is projected to accelerate modestly to 1.3%.

Economic Developments in WAICA Operating Countries

Nigeria's Gross Domestic Product (GDP), which accounts for nearly 20% of continental GDP and 75% of the West African economy, grew by 1.9% in 2018, compared to 0.82% recorded in 2017, an increase of 1.09% points. The growth reflects a recovery in services and industry particularly mining, quarrying, and manufacturing. The recovery also benefited from continued stability and greater availability of foreign exchange, sustained high production of oil and improved electricity supply. Headline inflation (year-on-year) declined to 11.44% in December 2018 compared to 15.37% December 2017. The near-term upside risks to inflation remained the dissipation of the base effect, expected 2019 election-related spending, continued herdsmen attack on farmers and the current episodes of flooding which has destroyed crops and would affect food supply and prices. The moderating factors to the outlook would include; improved power supply, increased expenditure on capital projects and improved security conditions, all of which may exert downward pressure on consumer prices in the near-term. Interest rate generally declined in 2018 on the back of improvement in the liquidity position in the banking sector as a result of the combined effects of Central Bank of Nigeria (CBN) Quasi-fiscal operations, maturing CBN Bills, foreign Exchange interventions as well as statutory allocations to state and local government. Real GDP is projected to grow by 2.3% in 2019 and 2.4% in 2020 as implementation of the Economic Recovery and Growth Plan gains pace. However, the slide in oil prices from late 2018 coupled with an output cut imposed by the Organization of the Petroleum Exporting Countries poses a downside risk to the economic outlook.

Ghana rebased her economy in 2018 to include economic activities that hitherto were not captured (e.g. natural gas production), or were captured with insufficient data (e.g. fruits, vegetables, mining and manufacturing activities). As a result, the Ghanaian economy was 24.5% larger. Real GDP for 2018 was projected at 5.6 % (using rebased series) while non-oil GDP was projected to expand at 5.8%. End-period inflation rate declined from 11.8% at the end of 2017 to 9.4% at December 2018. The decline came largely on the wheels of a steady decline in non-food inflation, which was supported by the relatively tight monetary policy stance maintained throughout the year. The monetary policy rate dropped from 20% at the end of 2017 to 16% at the end of December 2018. The Ghana Cedi, which appreciated against the US Dollar up to May 2018, depreciated by 8.39% at the end of December 2018 largely on account of external pressures including the strengthening of the US dollar, the US-China trade war, and the US Fed policy rate hikes. With the objective of sustaining and restoring macroeconomic stability and pursuing inclusive growth, and job-creating programmes, the following targets have been set for the 2019 fiscal year:

- Overall Real GDP growth of 7.6%; Non-Oil Real GDP growth of 6.2%;
- End-period inflation of 8.0%;
- Fiscal deficit of 4.2 % of GDP;
- Primary surplus of 1.2 % of GDP; and
- Gross International Reserves to cover not less than 3.5 months of imports.

Sierra Leone's real GDP growth for 2018 was revised downwards to 3.7% compared to the earlier projection of 6.1% following the cessation of iron ore mining in November 2017. The non-iron ore economy was, however, projected to grow by 5.7%, underpinned by increased activities in agriculture and fisheries, recovery in diamond and other mining activities as well as improvements in the services sector. Though inflation declined from its peak of over 20% in March 2017 to 15.3% by end March 2018, it however increased gradually to 17.46% in December 2018 due to the depreciation of the exchange rate, liberalisation of retail fuel prices and periodic shocks to the availability of food items in the market. In response to higher inflationary pressures during the year, the monetary policy rate was increased to 16.5% at December 2018 from 14.5% in December 2017. In the medium term prospects, the future of the economy is bright. Total real GDP is projected to grow by 5.4% in 2019 and 2020 and further by 5.1% in 2021. Excluding iron ore, the economy is projected to expand by 5.1% in 2019 and further by 4.9% in 2020 and 2021. Inflation is projected to gradually decline to 14% in 2019 as the impact of the increase in fuel prices wanes and the exchange rate stabilises. Inflation will return to single digit in 2021 due to higher agricultural production; stability in the exchange rate and the tight stance on monetary policy.

Liberia's real GDP growth for 2018 was projected at 3% from 2.5% or US$904.3 million recorded in 2017. Although there is a marginal decline in the mining and panning sector, it is still expected to be the main driver of the projected Real GDP growth, especially industrial gold production. Also, growth is expected in all sectors of the real economy. The sub-sectors driving the projected growth in Real GDP are the agriculture and fisheries, forestry, manufacturing and services. Average headline inflation 2018 stood at 23.4% from the revised 12.4% recorded in 2017. The rise in inflation was largely attributed to the deterioration in the country's trade balance, which mirrored low foreign exchange earnings, that resulted to significant pressure on the Liberia dollar; and government policy on the price of petroleum products. Outlook for 2019 indicates a GDP growth of 4.5% and inflation rate of 22%.

The Gambia's economic activity was projected to gather strength in 2018 with projected real GDP growth of 5.4% from 3.5% in 2017, underpinned by projected increase in insurance, telecommunication, construction and a strong performance of the tourism sector as well as improved business sentiments. The total number of air-chattered visitors from both traditional and non-traditional markets to the Gambia increased by 31.6% to 225,000 visitors in 2018 after surpassing its pre-Ebola peak of 171,000 in 2017. The revival of the sector is expected to support the overall economic recovery process through employment creation, infrastructure development and foreign exchange earnings. During 2018, the tourism industry witnessed significant development either in the form of renovations or construction of new structures, all in anticipation of booming tourist season. Headline inflation was expected to remain steady at 6.4% in 2018, mirroring relative exchange rate stability and the moderation in imported food prices. 2019 projected inflation is 5%.

Côte d'Ivoire's GDP growth was expected to reach 7.4% in 2018. Although down compared to the 7.7% recorded in 2017, it remains robust and backed by public investment, services, external demand for agricultural and oil products and stronger domestic demand resulting from major investment projects and households consumption. The economy faced several shocks in 2017, including a sharp decline in cocoa prices, higher oil prices, and social tensions. As a result, the budget deficit increased to 4.2% of GDP, but it improved to an estimated 3.8% in 2018. Public debt increased to 48.2% of GDP in 2018, driven by Eurobond issuances in 2017 and 2018. The risk of debt distress remains moderate. Inflation was low, at an estimated 0.5% in 2018, down from 1.0% in 2017. The current account deficit widened to an estimated 2.7% of GDP in 2018 from 1.8% in 2017. The economic outlook remains favourable, with real GDP growth projected at 7.0% in 2019 and 6.9% in 2020. A good performance in the agricultural sector will keep inflation below the 3% convergence threshold for the West African Economic and Monetary Union (WAEMU). The current account deficit is projected to stabilize at 2.8% in 2019, in connection with sustained imports of capital goods related to infrastructure projects.

It is also worthy of note that, the WAEMU zone's economy sustained its growth trajectory in 2018 with GDP growth estimated at 6.6%, a level similar to that achieved in 2017. The growth of the GDP is driven by all countries of the zone, mainly by Côte d'Ivoire, Senegal and Benin.

Tunisia's Real GDP grew at a faster 2.5% compared to 1.9% in 2017, spurred by agriculture which grew 8.7% and market services which grew 3.2%. In particular, the services sector growth was driven by an encouraging performance in the tourism, transport and financial services. On the demand side, investment (5%) and exports (2.7%) were projected to be the primary drivers of growth. According to African Development Bank, the budget deficit and the current account deficit both improved in 2018, and this trend was projected to continue in 2019 and 2020. But improvement will be slow because of a high wage bill as well as the structure of the trade deficit linked to import demand, which increased by 16% in the first eight months of 2018 compared with 2017. The Dinar depreciated 19% against the US dollar and the euro in 2018 stressing foreign exchange reserves. Inflation rose sharply in 2018 to an estimated 7.4% due to exchange rate pass-through, an increase in the value added tax, and higher oil prices but was projected to decline in 2019 after the central bank tightened monetary policy in the second quarter of 2018. Tunisia expects economic growth to accelerate to 3.5% in 2019.

Kenya's real GDP grew an estimated 5.9% in 2018, from 4.9% in 2017, supported by good weather, eased political uncertainties, improved business confidence, and strong private consumption. On the supply side, services accounted for 52.5% of the growth, agriculture for 23.7%, and industry for 23.8%. On the demand side, private consumption was the key driver of growth. The public debt–to-GDP ratio increased considerably over the past five years to 57% at the end of June 2018. In 2018, the Kenyan Shilling appreciated against all the major trading currencies including the Euro, the GBP and the Japanese Yen. The Shilling which was trading at 103.23 Ks/1US$ in December 2017 appreciated to 101.85Ks/1US$ in December 2018. The current account deficit narrowed to an estimated 5.8% of GDP in 2018 from 6.7% in 2017, thanks to an improved trade balance as a result of increased Kenyan manufacturing exports. Kenya's gross official reserves reached $8.5 billion (5.6 months of imports) in September 2018–a 7% increase from a year before. Overall rate of inflation rose from 4.5% in December 2017 to 5.71% in December 2018. The average yield rate for the 91-day Treasury bills, was 7.34% in December 2018 from 8.01% in December 2017.

Zimbabwe's economy performed better than expected in 2018, expanding by an estimated 3.5%, driven by agriculture, supported by relatively peaceful elections. According to African Development Bank, cash shortages and the three-tier pricing system coupled with foreign exchange shortages continued to constrain the goods and factor markets. The fiscal deficit was an estimated 10.7% of GDP in 2018, compared with 12.5% of GDP in 2017, financed mainly through domestic borrowing. In 2018, the government proposed addressing the unsustainable budget deficit with strong fiscal consolidation measures. The fiscal deficit was driven mainly by election- related spending, civil servant salary increases, and transfers to the agricultural sector. Total external debt was an estimated 45.3% of GDP in 2018, down from 53.8% in 2017. The current account annual deficit was estimated to have widened to $1,029 million in 2018 (3.7% of GDP) compared to US$286.2 million in 2017, with merchandise imports continuing to exceed exports, putting pressure on the supply of urgently needed foreign exchange and making it critical to diversify exports. The country's protracted fiscal imbalances have constrained development expenditure and social service provision, undermining poverty reduction efforts. Unemployment pressures have been mounting as employment opportunities continue to dwindle.

WAICA Re's Financial Performance

The comparative figures for 2017 has been restated by an adjustment to the reported gross written premium, unearned premium, reinsurance receivables and other related accounts as shown in note 33. The adjustment was a retrospective correction of accounting errors arising from the posting of duplicated premiums. The errors occurred largely as a result of the teething problems encountered with new software which effectively became operational for the 2017 financial year.

Since the identification of the issue, Management, under the guidance of the Board of Directors, took the necessary steps of conducting a comprehensive review of the gross premium written since the new software became operational, and we are confident that all such errors have been identified, reversed, and the 2017 comparative figures restated accordingly. The respective processes and procedures of the software is now very well understood by all concerned, and Management has given an assurance that the issue will not reoccur and will continue to proactively monitor the position.

Ladies and gentlemen, a snapshot of 2018 key financial performance indicators compared with 2017 restated accounts are as follows:

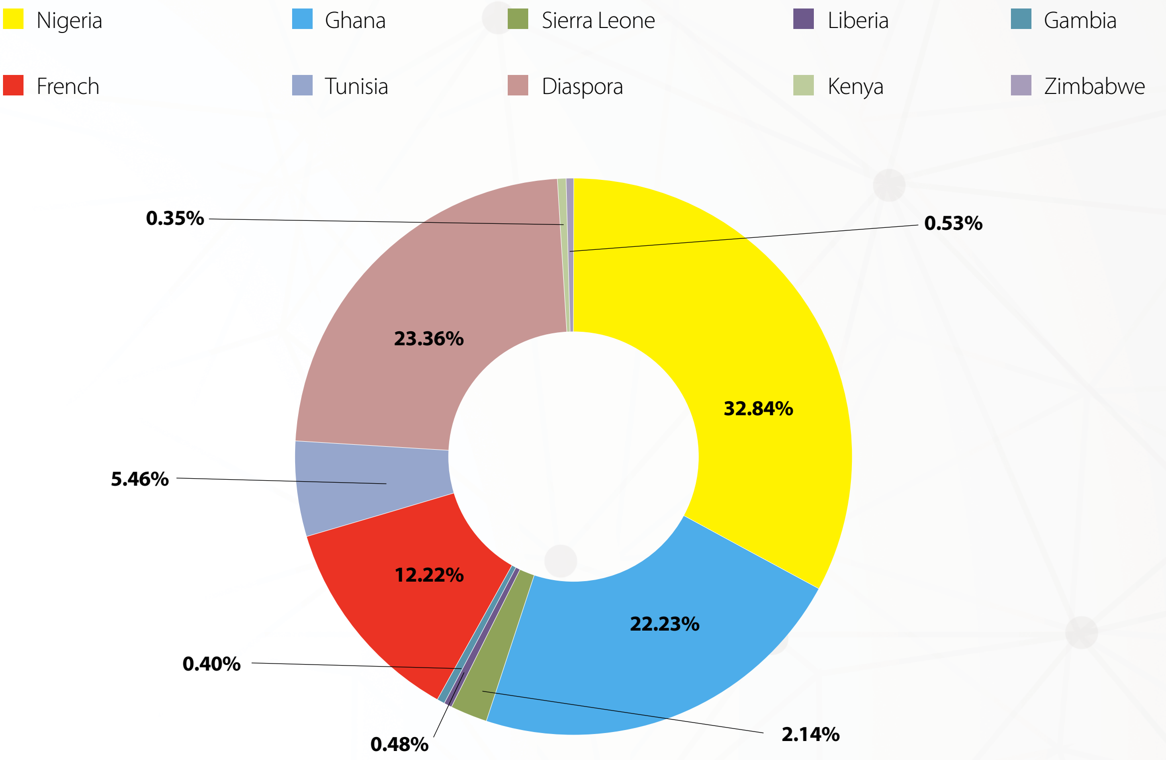
- Gross Premium written; up by 4% to $58.0m (2017: $55.8m)
- Net Earned Premium; up by 7% to $52.6m (2017: $49.2m)
- Commission expense; up by 2% to $16.1m (2017: $15.8m)
- Claims incurred; down by 4% to $16.9m (2017: $17.5m)
- Technical profit; up by 23% to $20.5m (2017: $16.7m)
- Underwriting profit; down 50% to $3m (2017: $6.2m)
- Management Expenses; up by 65% to $17.4m (2017: $10.6m)
- Investment income; up by 31% to $3.3m (2017: $2.5m)
- Profit before tax; up by 25% to $6.8m (2017: $5.5m)
- Cash and investments; up by 9% to $83.3m (2017: $76.7m). This represents 67% of total assets.
- Shareholders' funds; up by 5% to $86.0m (2017: $81.6m)
- Total asset; up by 5% to $123.5m (2017: $117.8m)

There was a subdued gross premium growth of 4% from $55.8 million in 2017 to $58.0 million in 2018 resulting from our decision to concentrate on profitable businesses and stop business dealings with some brokers who only add negatively to our debt ratio by not paying premiums. The growth was driven mainly by our Tunisia, Nigeria and Francophone markets which grew by134%, 52% and 51% in that order. Strong growth was also recorded in Sierra Leone 50% and Liberia 33%. There was however negative growth in our Ghanaian and our Diaspora markets recording -6% and -39% respectively.

Premium Income by Country
USD

Country	2018	2017	Growth
Nigeria	19,037,707	12,485,656	52%
Ghana	12,886,517	13,779,167	(6%)
Sierra Leone	1,243,194	827,226	50%
Liberia	278,606	209,801	33%
Gambia	234,159	219,872	6%
French	7,081,569	4,677,116	51%
Tunisia	3,164,088	1,350,778	134%
Diaspora	13,540,743	22,285,358	(39%)
Kenya	201,275		
Zimbabwe	304,621		
Total	57,972,479	55,834,974	4%

Premium Income by Country



The above chart shows that, Anglophone West Africa, which is our home market, continues to be our backbone by contributing 58% of our total gross premiums, with Francophone West Africa contributing 12%, whilst Diaspora representing the rest of Africa, Middle East and Asia brought in 23%. Our new subsidiaries contributed just 1%. Given that 2019 will be their first full year of operations, we expect a much more significant contribution from them by year's end as this is the beginning of bigger things to come. We believe they will rise to the occasion and make significant impact in 2019 and beyond.

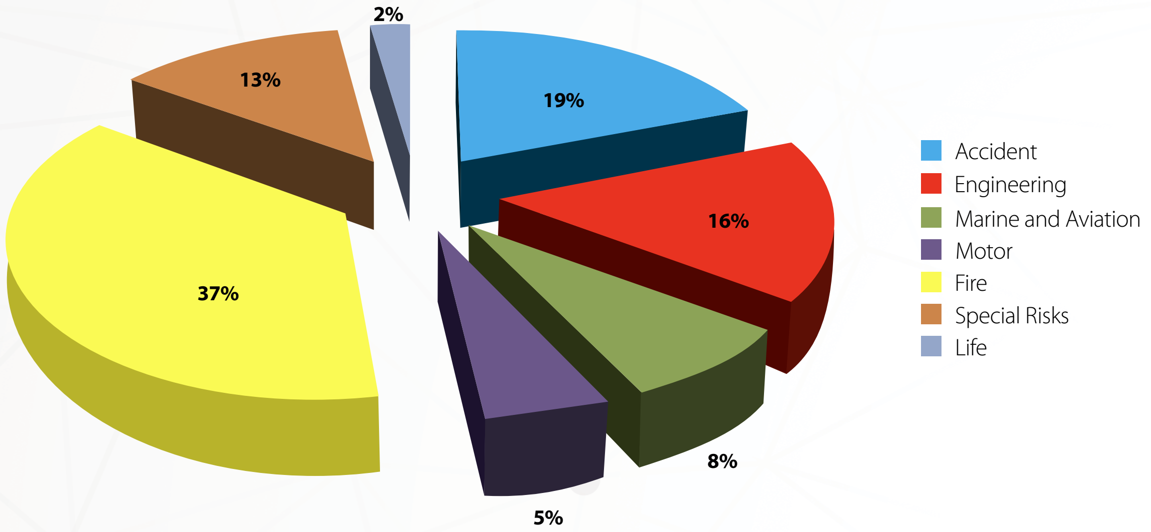
Our gross premium remained largely driven by Fire, Engineering and Accident classes, which accounted for a combined 72% of premium income in 2018. However, product risk is considered well contained given that exposure to high severity business lines remained very minimal. There are continuous efforts to grow other business lines as evidenced by the growth recorded in Special Risk (89%) and Marine and Aviation (55%) from 2017 to 2018. This helped Special Risk to contribute 13% to the 2018 gross premium whilst Marine and Aviation improved to 8%.

Premium Income by Class

USD

Class	2018	2017	Growth
Accident	11,029,658	16,455,172	(33%)
Engineering	9,369,238	9,313,387	1%
Marine And Aviation	4,479,920	2,893,166	55%
Motor	3,067,389	3,355,486	(9%)
Fire	21,314,932	18,590,157	15%
Special Risks	7,397,337	3,912,115	89%
Life	1,314,005	1,315,491	0%
Total	**57,972,479**	55,834,974	4%

Premium Income by Class



Our retention ratio reduced slightly by one percentage point from 93% in 2017 to 92% in 2018 driven by the increase in our oil and gas acceptances. Therefore, retroceded premium rose from $3.7 million in 2017 to $4.5 million in 2018. After adjusting for unearned premium reserve, net earned premium increased by 7% from $49.2 million in 2017 to $52.6 million in 2018.

Claims Incurred fell by 4% to $16.9 million in 2018 from the $17.5 million recorded in 2017 thus enabling us to stay within our historical net incurred loss ratio of 32%. The net commission expenses however, increased by 2% to $16.1 million in 2018 from $15.8 million in 2017, but its impact on the commission expense ratio rather fell to 30% from 32% in 2017.

Operating expenses maintained its upward trend in 2018 as it increased by 65% to $17.4 million from $10.6 million in 2017. Although ongoing business growth and marketing drive remained a factor, the major reason for the rise during the year was the impairment charge. A significant $8.5 million of the expenses in 2018 relates directly to impairment charge. The business acceptance procedures have been modified beginning 2019 to ensure that this problem is curtailed come year end 2019. Based on the foregoing, operating expense ratio rose sharply to 33% from 21% in 2017. The above mentioned issues resulted in a significant impact on the combined ratio which increased from 89% in 2017 to 96% in 2018.

Though technical result grew from 23% to $20.5 million in 2018 compared to $16.7 million in 2017, underwriting profit declined by 50% to $3 million in 2018 against $6.2 million in 2017. Whereas technical margin increased from 33% in 2017 to 38% in 2018, underwriting margin fell from 12% in 2017 to 6% in 2018.

Investment income grew from $2.5 million in 2017 to $3.3 million in 2018 representing a 31% growth, largely driven by additional interest income from increased financial assets. Having significantly reduced our local currency risk exposures, foreign exchange losses fell from as high as $3.6 million in 2017 to $0.3 in 2018, a whopping 92% reduction.

Net profit before tax rose to $6.8 million in 2018, representing a 25% increase from the 2017 profit before tax of $5.5 million. Return on Equity inched up slightly to 8% in 2018 from 7% recorded in 2017.

Asset management

Dear Shareholders, in spite of the subdued growth in premium income, there was a remarkable improvement in premium collection as we concentrated on doing quality business instead of quantity. This enabled us to expand cash and investment assets by 9% to $83.3 million in 2018 compared to $76.7 million in 2017. The Group's cash and investment assets now account for 67% of total balance sheet as the funds invested in subsidiaries were immediately placed in term deposits in the respective countries. Growth in liquid investment thus increased from $57.1 million in 2017 to $73.6 million in 2018 giving the Group a strong liquidity metrics compared to claims and technical liabilities.

Table of cash and investment assets.

Cash and investment ($)	2018	2017
Cash and Bank balances	3,733,553	4,493,032
Short-term investments	23,912,124	6,896,127
Treasury bills	3,628,706	1,562,503
Term deposits	42,370,445	44,184,402
Total Liquid investments	**73,644,828**	**57,136,064**
Unquoted equity	48,898	10,526,230
Investment property	9,609,422	9,039,022
Non-cash investments	**9,658,320**	**19,565,252**
Total Cash and investments	**83,303,148**	**76,701,316**

Premium Receivables fell for the first time in the Corporation's history as we begin to see the impact of our decision to do qualitative business instead of quantitative and the efforts of our credit control unit in collecting premiums. Consequently, premium receivables saw a 9% reduction from $30.2 million in 2017 to $27.6 million in 2018. Premium receivables risk awareness is being created across our offices and subsidiaries and we keep reviewing the debts profile.

Outstanding claims reserves fell to $4.2 million in 2018 from $4.7 million in 2017 with our independent external actuary confirming the reserving adequacy. Also, Unearned Premium Reserve to Net Written Premium ratio stood at 51% at year-end 2018, against the regulatory minimum of 45%.

Shareholders' Equity

Despite payment of $2.5 million dividend during 2018, Shareholders' Fund increased from $81.6 million in 2017 to $86.0 million in 2018 representing a 5% growth. Total assets also grew by 5% from $117.8 million in 2017 to $123.5 million in 2018.

Dividend

Dear Shareholders, with the $6.9 million profit recorded in 2018 and consistent with our progressive dividend policy, the Board is proposing for your approval, a dividend of approximately $0.0509 per share amounting to $2,500,000.

Capitalisation

In line with AGM's resolution to raise our issued capital to $100 million in six tranches, the Board is recommending the issuing of additional capital of 10 million shares in 2019 at a price to be determined by our financial advisors. This increase in capital will strategically position the Corporation to underwrite larger businesses especially in the oil and gas sector among others, and to ensure a strong balance sheet that will make us more competitive in the reinsurance market. The additional capital will also augment our working capital, enable us strengthen our subsidiaries and boost investments income. As a proactive measure, we also envisage to register formally our operations on both Ivory Coast and Nigeria within the next 2 to 3 years, thereby transforming these centres into fully fledged subsidiaries of WAICA Re with all the privileges of a domestic reinsurance operator.

Governance and Board Changes

The Board is responsible for setting the right tone from the top and ensuring that a robust governance structure is in place to enable the business to succeed and deliver long-term sustainable growth. During the 2018 AGM, Mr Mohamed Babatunde Cole, Mr Ekow Dadzie-Dennis and Mr Thierry Ravoaja retired but were re-elected in accordance with our Memorandum and Articles of Association.

For effective oversight responsibility, the board committees were expanded to four with the creation of Enterprise Risk Committee during the year. This new committee is chaired by Dr Fatai K. Lawai. The Chairmanship and membership of the other Board Committees also changed. Mr Ekow Dadzi-Dennis has successfully taken on the chairmanship of the Audit and Finance Committee and ensured that there was no break in continuity in this important role. Similarly, Mrs Senor Thomas-Sowe succeeded Dr Fatai K. Lawal as Chairman of the Human Resource and Remuneration Committee while Mr Thierry Ravoaja became the Chairman of the Strategy and Operations Committee and they have likewise ensured a seamless transition.

At this AGM the following Directors are due to retire and are eligible to put their names forward for re-election:

Mr. Rotimi Fashola
Mr. Samuel O. Mintah
Mrs. Senor Thomas- Sowe

I would like to thank my fellow board members for a good job done during the year under review.

Marketing Activities

The Corporation has continued to engage in strategic marketing activities across diverse geographical regions in the bid to expand and consolidate our revenue generation drive. In the period under review we marketed and visited several markets in Africa and beyond. We are also members in good standing of all regional and continental insurance associations in Africa, supporting their activities and using the platform the associations offer to engage global insurance and reinsurance players to build our brand. It is our hope that these strategic marketing exploits will continue to support the achievement of our budgetary projections, and further entrench our brands in the minds of potential and existing partners.

Enterprise Risk Management (ERM)

As part of the Corporation's strategic initiative and to boost the management of risks in the Corporation, the Corporation engaged a Chief Risk Officer to oversee, setup and manage the ERM Division during the year. The unit has created a better risk conscious environment, whilst piloting and coordinating the Management ERM Steering Committee and other risks related matters including quarterly reporting to the newly established ERM Committee of the Board. An ERM Framework was developed and approved by the Board, various ERM training for staff conducted with the resultant process and control improvements and a stronger corporate culture built.

Manpower Development and Capacity Building

Throughout the year, the Corporation continued to focus on staff development and human capacity building by engaging in local and international training relevant to respective job functions and cadre. The Corporation has further gone ahead to ensure that heads of departments properly and adequately mentor their team members on a regular basis in order to bridge succession gaps that may arise in the future.

As part of building capacity for the insurance industry the Corporation's annual international cedants training took place in Kenya in 2018, with overwhelming attendance. This initiative continues to be applauded by participants and relevant business partners. We also utilized the training as a means of imprinting our brand in the minds of our business partners.

Information and Communication Technology

We understand the power of automation and how the fourth industrial revolution will change skills set and the future of work. WAICA Re is adopting modern technologies to deliver quality service to our esteemed clients. To this end, the Corporation implemented a Wide Area Network which enables us to harmonise and integrate our operations in all regional offices and subsidiaries. The Corporation has also implemented a cloud disaster recovery application for our critical applications to ensure we resume operations quickly in the face of any eventualities without losing critical operational information. A resolution is made to incorporate a new Applications Infrastructure Deployment Model wherein the Cloud environment will serve as the Primary host of mission-critical business applications, while the On-Premise Data Centre will act as the secondary backup environment.

Head Office Relocation

During the year, the Corporation relocated its head office to a more spacious office building due to growth in staff, departments and operations. The office space is in a serene environment at 30 Junction, Hill Station, Freetown. The construction of our own head office building is also receiving due attention as all the architectural drawings have been approved and the process to award the construction contract underway.

Credit Rating Renewal

The Corporation's rating was maintained by Global Credit Rating Agency at "A+" for National and "B+" for International with a stable outlook. It is expected that such a good rating will surely continue to act as a point of attraction and unique selling reference which we plan to fully utilise in our marketing exploits in our bid to enlarge the Corporation's global market share. The Board after a Strategy session has approved and has started implementing plans to subject our Corporation to another international rating process. This time by rating agency AM Best. A good score from this exercise will further boost our credibility and recognition as an international reinsurer of repute.

Enterprise Corporate Social Responsibility Policy Formulation and Implementation

The first batch of WAICA Re sponsored students from each of our WAICA Countries to the West African Insurance Institute (WAII) in The Gambia in 2018 has graduated successfully and the second batch enrolled for the 2019 academic year. This is our commitment towards the development of insurance professionals in our home markets. We seek to make good impact and impression in all operational regions through judicious contributions to profound social causes that will transform the lives of ordinary people, whilst also boosting the image and perception of our company.

There has been immense progress with the harmonisation of insurance regulatory regime across the five WAICA member countries and Guinea which is being sponsored solely by WAICA Re. This is in consonance with our vision to develop a diversified insurance sector in the sub region and to help widen the economic and financial development of Africa. This project when completed, would ensure same laws apply to the conduct of insurance and reinsurance business in the Anglophone West African sub region like our counterparts in Francophone West African countries.

Conclusion

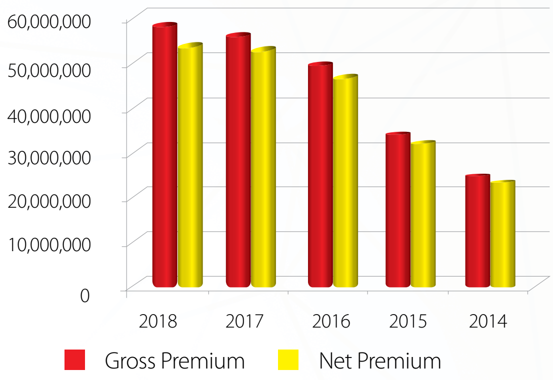
On this note, I wish to thank you our dear Shareholders, Colleagues on the Board, Management and Staff, Regulators across the continent, our Cedants and Brokers for your abiding faith in WAICA Re. Together we will continue to build an enviable institution in Africa.

Waica Re Performance Analysis

FIVE YEAR FINANCIAL SUMMARY	2018 USD	2017 USD	2016 USD	2015 USD	2014 USD
Gross Premium	**57,972,479**	55,834,974	49,201,541	33,542,143	24,124,158
Net Premium Earned	**52,590,586**	49,180,541	38,800,539	27,812,450	19,045,608
Underwriting Profit/(Loss)	**3,046,008**	6,150,654	7,745,396	4,886,244	3,610,780
Investment & Other Income	**4,085,997**	2,927,986	3,272,344	1,951,970	1,834,171
Net Profit Before Tax	**6,837,995**	5,477,510	6,232,355	5,778,299	3,788,061
Total Cash & Investments	**83,303,148**	76,701,316	59,080,758	39,438,007	37,115,684
Shareholders' Funds	**85,956,558**	81,619,018	62,884,619	38,389,111	33,611,441
Total Assets	**123,548,638**	117,778,839	92,307,891	62,353,271	52,557,273
Loss Ratio	**32%**	36%	30%	31%	30%
Combined Ratio	**96%**	89%	81%	84%	83%
Return on Equity	**8%**	7%	10%	15%	11%
Earnings per Share	**0.14**	0.11	0.16	0.24	0.16

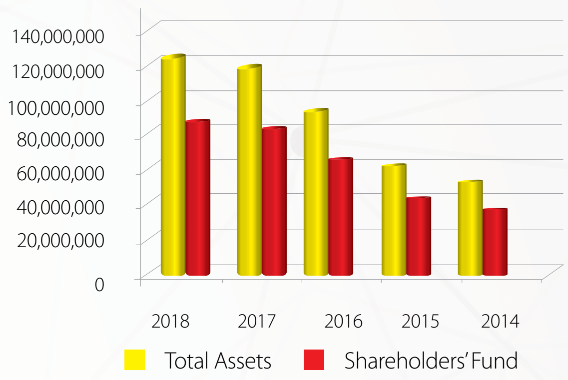
Gross Premium vs Net Premium

USD



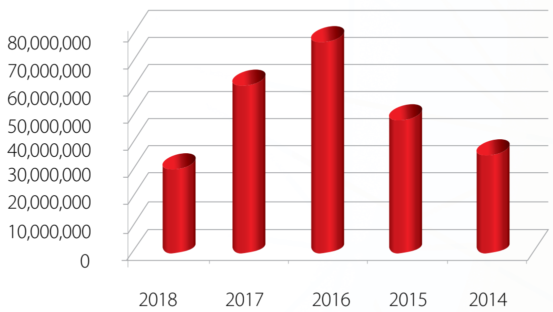
Total Assets vs Shareholders' Fund

USD



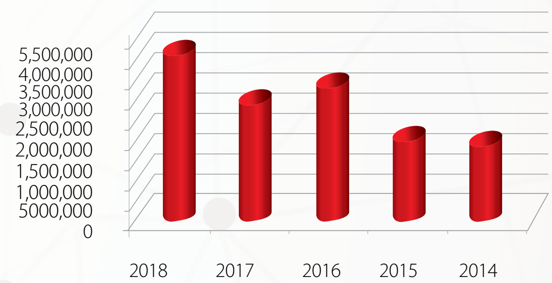
Underwriting Profit /(Loss)

USD



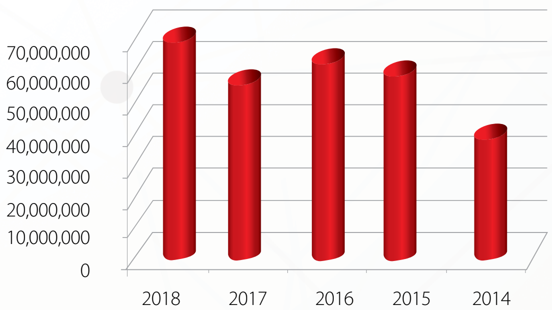
Investment and other Income

USD



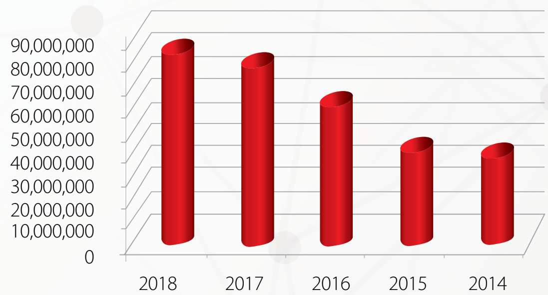
Net Profit before Tax

USD



Total Cash and Investment

USD



DIRECTORS

DIRECTORS

Kofi Duffuor
Group Chairman

Abiola Ekundayo
Group MD/CEO

William Coker

Sam. O. Mintah

Rotimi Fashola

Senor Thomas-Sowe

Alice Onomake

Fatai Kayode Lawal

Thierry Ravoaja

Mohamed Babatunde Cole

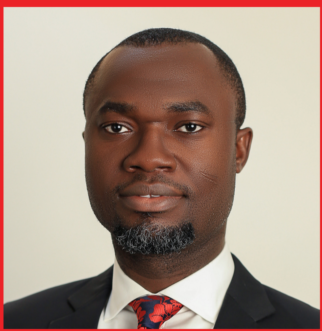
Ekow Dadzie-Dennis

MANAGEMENT

Abiola Ekundayo
Group MD/CEO

Dr. Abiba Zakariah
Group COO

Samuel Jasper Baidoo
Director (Finance)



Clement Owusu
Director (Technical)

Wilberforce Machimbidzofa
CEO (Zimbabwe)

Charles Etemesi
CEO (Kenya)

Steve Odjugo
Regional Director (Nigeria)

Hanene Boukhris
Regional Director (North Africa)

Anna Ndiaye
Regional Director (Francophone)


WAICA Re
WAICA Re
IT'S NOT THE SIZE OF YOUR BUSINESS THAT COUNTS
IT'S THE SIZE OF YOUR "BEHIND THE SCENES" THAT COUNTS
Our strong continental presence, technical expertise and solid financial strength ensures unparalleled reinsurance solutions to move your business forward. WAICA Re guarantees the support that counts.

NOTES & PAGES


Business Company
Issue 764
Monday, Jun 14, 2016
Citydailynews
Information

GENERAL INFORMATION

DIRECTORS

Kofi Duffuor - Chairman
Abiola Ekundayo - Managing Director/CEO
Rotimi Fashola
Sam. O. Mintah
Alice Onomake
Fatai Kayode Lawal
Senor Thomas-Sowe
William Coker
Ekow Dadzie-Dennis
Mohamed Babatunde Cole
Thierry Ravoaja

REGISTERED OFFICE

30 Junction,
Off Hill Station Road,
Freetown,
Sierra Leone

BANKERS

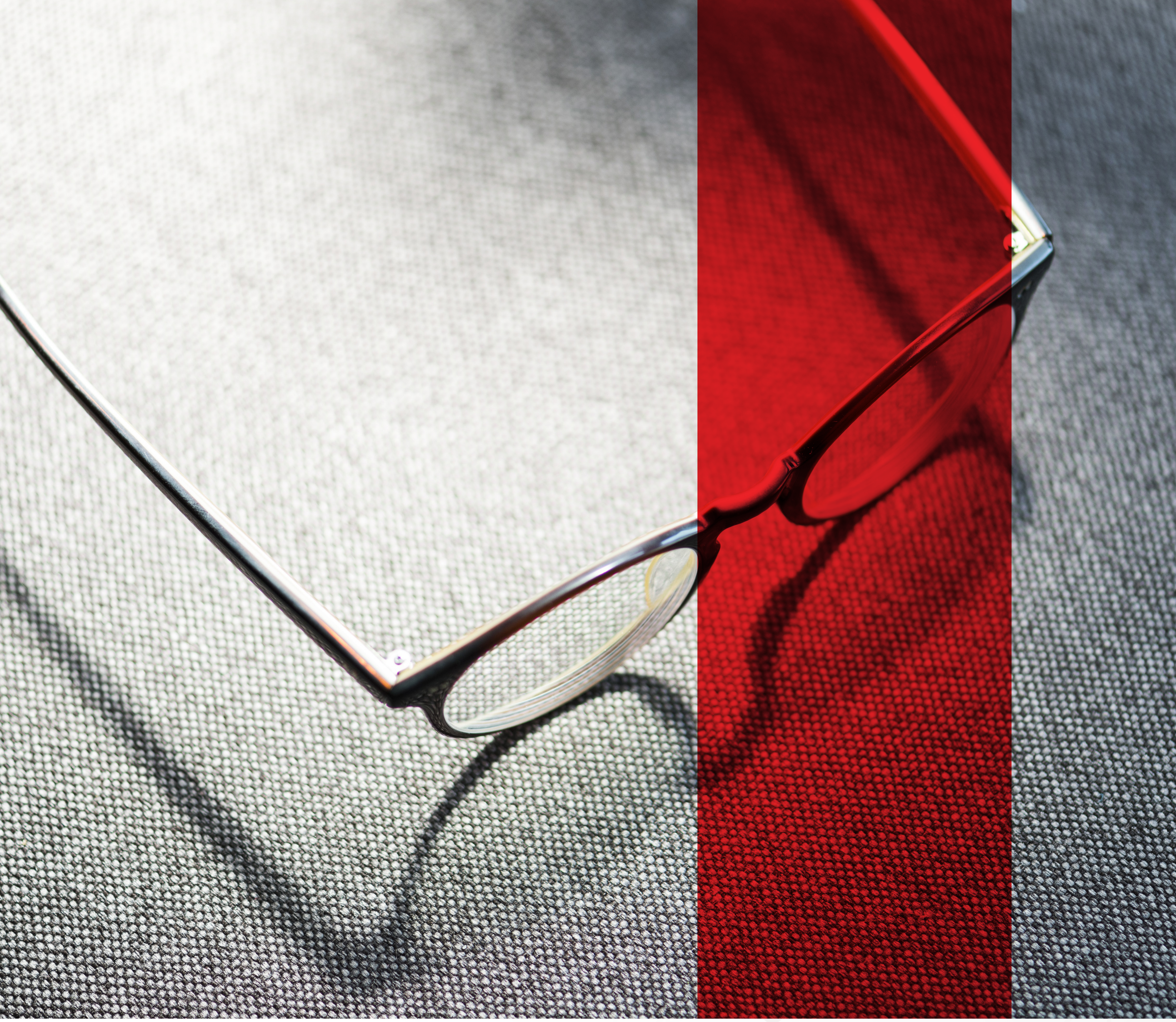
Ecobank, Ghana
Ecobank, Nigeria
Ecobank Sierra Leone Limited
Ecobank Cote D'Ivoire
Guaranty Trust Bank Plc, Nigeria
United Bank for Africa, Cote D'Ivoire
United Bank for Africa, Sierra Leone Limited
Access Bank Ghana Limited
Access Bank Sierra Leone Limited
Bank of Sierra Leone
Trust Bank Gambia Limited
Ghana International Bank, U.K
Union Trust Bank Limited

CORPORATE SECRETARIES

Freetown Nominees Limited
55 Sir Samuel Lewis Road
Aberdeen
Freetown
Sierra Leone

AUDITORS

Baker Tilly Sierra Leone
Chartered Accountants
Baker Tilly House
37 Siaka Stevens Street
P O Box 100
Freetown
Sierra Leone



Report of the Directors

The Directors present their report together with the Group audited financial statements of the Corporation and its subsidiaries (The Group) for the year ended 31 December 2018.

Directors' responsibility statement

The Group'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 Group 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.

The Group also provides fund management services to organizations and private individuals. There was no change in the Group's business during the year.

Report of the Directors (continued)

The Group

The Group is comprised of Waica Reinsurance Corporation Plc (the Parent Company) and three subsidiaries:

- **Waica Re Capital Ghana Limited**
  Incorporated and domiciled in Ghana, and provides fund management services.
- **Waica Re Kenya Limited**
  Incorporated and domiciled in Kenya, and provides reinsurance services.
- **Waica Re Zimbabwe (Pvt)**
  Acquired and domiciled in Zimbabwe, and provides reinsurance servives

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 24 to these financial statements.

Dividends

In respect of the year ended 31 December 2018 result, the Board of Directors proposed a dividend of US$ 0.0509 per share amounting to US$ 2.5 million (2017: US$ 2.5 million) to be paid to the existing shareholders as at 31 December 2018.

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 and the Group'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.

Human Resource and Remuneration committee

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

Risk Management Committee

The Risk Managemen meets at least three times in a year to support the Board in fulfilling its oversight responsibility with regards to the corporation's enterprise risk management function; including the review of its risk profile and its consistency with her risk appetite.

Property and equipment

Details of the Group's property and equipment are shown in note 16 to these financial statements.

Report of the Directors (continued)

Employment of disabled people

WAICA Reinsurance Corporation PLC group does not discriminate against disabled persons as it is 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 in the employment of the Corporation 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 Group also has a staff performance appraisal process through which staff are appraised and promotions and /or increments made.

Directors and their interests

The Directors who served within the year and their interest in the Corporation are as follows:

Directors	No. of Shares	Percentage Holding
Kofi Dufffuor – Chairman	200,221	0.41%
Abiola Ekundayo	83,649	0.17%
Rotimi Fashola	62,995	0.13%
Samuel O. Mintah	-	-
Alice Onomake	150,540	0.31%
Fatai Kayode Lawal	70,000	0.14%
Senor Thomas-Sowe	17,946	0.037%
Williams Coker	20,009	0.04%
Ekow Dadzie-Dennis	-	-
Mohamed Babatunde Cole	105,000	0.21%
Thierry Ravoaja	-	-

Auditors

In accordance with Section 308 of the Companies Act 2009 of Sierra Leone a resolution for the re-appointment of Baker Tilly as auditors of the 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 26TH MARCH 2019 and are signed on their behalf by:

Chairman

Director

Director

FREETOWN NOMINEES LIMITED
Corporate Secretary

Independent Auditors' report to the Shareholders of WAICA Reinsurance Corporation Plc

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of WAICA Reinsurance Corporation Plc (The Corporation) and its subsidiaries (together, The Group) set out on pages 9 to 68 which comprise the consolidated and separate statement of financial position as at 31 December 2018, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of WAICA Reinsurance Corporation Plc (The Corporation) and its subsidiaries (together, The Group) as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, of Sierra Leone.

Basis for Opinion

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

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Sierra Leone, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Sierra Leone, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' report to the Shareholders of WAICA Reinsurance Corporation Plc (continued)

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

In preparing the financial statements, the Directors are responsible for assessing the Corporation and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Corporation and its subsidiaries, or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Corporation and its subsidiaries to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit of the Group. We remain solely responsible for our audit opinion.

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

Independent Auditors' report to the Shareholders of WAICA Reinsurance Corporation Plc

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

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

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

Baker Tilly

Chartered Accountant

Freetown

26 March 2019

Date


PROFIT
LOSS
RISK
SET Index
TUESDAY
Food & Beverage
Consumer Product
Fashion
Home & Office Prod
Personal & Pharm
Financials
Banking
Finance & Securities
Insurance
Industrials
Automotive
Ind Material & Mach


BUSINESS TEAM FC
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1
SUBSTITUTES

Statement of financial position

As at 31 December

In United States Dollars	Notes	**Group 2018**	**Corporation 2018**	Restated Group 2017	Restated Corporation 2017	Corporation 2016
Assets						
Cash and cash equivalents	11	27,645,677	27,541,283	11,389,159	11,312,081	19,471,046
Financial assets	12	46,048,049	44,709,804	56,273,135	53,529,662	30,616,814
Reinsurance receivables	13	27,596,740	27,384,146	30,207,232	30,207,232	22,645,441
Retrocessionaires share of technical provisions	23	2,180,570	2,166,831	1,732,197	1,732,197	2,453,742
Deferred acquisition costs	14	7,375,691	7,354,965	7,777,334	7,777,334	6,881,550
Other assets	15	1,255,263	212,827	451,572	174,221	297,510
Property and equipment	16	1,009,169	566,980	542,405	473,455	426,542
Intangible assets	17	213,798	186,693	366,744	323,220	522,348
Investment property	18	9,609,422	9,039,022	9,039,022	9,039,022	8,992,898 -
Deferred tax asset		614,259	-	39	-	
Total assets		**123,548,638**	**119,162,551**	117,778,839	114,568,424	92,307,891
Liabilities						
Funds under management		3,391,030	-	3,062,734	-	-
Outstanding claims	19b	4,169,767	3,847,602	4,708,591	4,708,591	1,575,078
Reinsurance payables	20	519,443	445,607	1,019,542	1,019,542	2,608,409
Trade and other payables	21	1,991,709	1,540,531	1,360,391	1,249,223	2,201,191
Provision for unearned premium	22	27,350,608	27,200,986	25,993,688	25,993,688	23,038,594
Current tax liability		169,523	-	14,875	-	-
Total liabilities		**37,592,080**	**33,034,726**	36,159,821	32,971,044	29,423,272
Equity						
Share capital	24	49,083,493	49,083,493	49,083,493	49,083,493	38,558,373
Share premium	25	15,792,963	15,792,963	15,792,963	15,792,963	10,560,432
Retained earnings	26	14,140,799	14,240,342	11,433,237	11,347,250	10,059,219
Contingency reserve	27	7,199,736	7,199,736	5,475,739	5,475,739	3,800,690
Foreign currency translation reserves		(590,218)	-	(64,349)	-	-
Other reserves	28	(188,709)	(188,709)	(102,065)	(102,065)	(94,095)
Capital reserve	28b	518,494	-	-	-	-
Total equity		**85,956,558**	**86,127,825**	81,619,018	81,597,380	62,884,619
Total equity and liabilities		**123,548,638**	**119,162,551**	117,778,839	114,568,424	92,307,891

The financial statements were approved by the Board of Directors on 26TH MARCH 2019 and were signed on its behalf by:

Chairman

Director

Director

THE NOTES ON PAGES 19 TO 68 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Statement of profit or loss and other comprehensive income
for the year ended 31 December

In United States Dollars	Notes	Group 2018	Corporation 2018	Restated Group 2017	Restated Corporation 2017
Underwriting income					
Gross premium written	6	57,972,479	57,466,583	55,834,974	55,834,974
Less: retrocession premium		(4,520,368)	(4,410,648)	(3,672,157)	(3,672,157)
Net written premium		**53,452,111**	**53,055,935**	52,162,817	52,162,817
Movement in unearned premium reserve	22	(861,525)	(725,642)	(2,982,276)	(2,982,276)
Net earned premium		52,590,586	52,330,293	49,180,541	49,180,541
Investment income	7	3,252,212	2,768,260	2,484,049	2,443,167
Commission earned		816,937	597,031	875,891	575,572
Other income	7a	833,785	106,151	443,937	434,548
Total income from operations		**57,493,520**	**55,801,735**	52,984,418	52,633,828
Underwriting expenses					
Net claims incurred	19a	(16,859,244)	(16,537,079)	(17,533,979)	(17,533,979)
Commission expenses	5	(16,054,368)	(15,989,580)	(15,805,801)	(15,805,801)
Management expenses	8	(17,447,903)	(15,628,174)	(10,565,998)	(10,264,036)
Net finance cost	9	(294,010)	(529,813)	(3,601,130)	(3,590,064)
Total underwriting expenses		**(50,655,525)**	**(48,684,646)**	(47,506,908)	(47,193,880)
Profit before tax		6,837,995	7,117,089	5,477,510	5,439,948
Tax credit/(expense)	10	93,564	-	(13,916)	-
Profit for the year		**6,931,559**	**7,117,089**	5,463,594	5,439,948
Other comprehensive income for the period, net of income tax					
Remeasurement of defined benefit liabilities		(86,644)	(86,644)	(7,970)	(7,970)
Related tax		-	-	-	-
Foreign operating foreign transaction differences		(525,869)	-	(64,349)	-
Related tax		-	-	-	-
		(612,513)	**(86,644)**	(72,319)	(7,970)
Total comprehensive income or the year		**6,319,046**	**7,030,445**	5,391,275	5,431,978

THE NOTES ON PAGES 19 TO 68 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Statement of profit or loss and other comprehensive income (continued)

for the year ended 31 December

In United States Dollars	Notes	Group 2018	Corporation 2018	Restated Group 2017	Restated Corporation 2017
Underwriting income					
Profit attributable to:					
Equity holders of the Corporation		6,931,559	7,117,089	5,463,594	5,439,948
Profit for the year		**6,931,559**	**7,117,089**	5,463,594	5,439,948
Total comprehensive income attributable to:					
Equity holders of the Corporation		6,319,046	7,030,445	5,391,275	5,431,978
Total comprehensive income for the year		**6,319,046**	**7,030,445**	5,391,275	5,431,978

The financial statements were approved by the Board of Directors on 26TH MARCH 2019 and were signed on its behalf by:

Chairman

Director

Director

THE NOTES ON PAGES 19 TO 68 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	Foreign currency translation reserve	Capital reserves	Other reserve	Total
The Group								
Balance at 1 January 2018	**49,083,493**	**15,792,963**	**11,433,237**	**5,475,739**	**(64,349)**	**-**	**(102,065)**	**81,619,018**
Total comprehensive income for the year								
Profit for the year	-	-	6,931,559	-	-	-	-	6,931,559
Other comprehensive income net of income tax	-	-	-	-	-	-	(86,644)	(86,644)
Foreign currency translation reserve	-	-	-	-	(525,869)	-	-	(525,869)
Capital reserve	-	-	-	-	-	518,494	-	518,494
Total other comprehensive income	**-**	**-**	**-**	**-**	**(525,869)**	**518,494**	**(86,644)**	**(94,019)**
Total comprehensive income	**-**	**-**	**6,931,559**	**-**	**(525,869)**	**518,494**	**(86,644)**	**6,837,540**
Other transfers								
Transfer to contingency reserves	-	-	(1,723,997)	1,723,997	-	-	-	-
Total other transfers	**-**	**-**	**(1,723,997)**	**1,723,997**	**-**	**-**	**-**	**-**
Transactions with owners recorded directly in equity								
Dividend to owners	-	-	(2,500,000)	-	-	-	-	**(2,500,000)**
Balance at 31 December 2018	**49,083,493**	**15,792,963**	**14,140,79**	**7,199,736**	**(590,218)**	**518,494**	**(188,709)**	**85,956,558**

THE NOTES ON PAGES 19 TO 68 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 reserve	Total
The Corporation						
Balance at 1 January 2018	**49,083,493**	**15,792,963**	**11,347,250**	**5,475,739**	**(102,065)**	**81,597,381**
Total comprehensive income for the year						
Profit for the year	-	-	7,117,089	-	-	7,117,089
Other comprehensive income net of income tax						
Employee Benefit actuarial loss, net of tax	-	-	-	-	(86,644)	(86,644)
Total other comprehensive income	**-**	**-**	**-**	**-**	**(86,644)**	**(86,644)**
Total comprehensive income	**-**	**-**	**7,117,089**	**-**	**(86,644)**	**7,030,445**
Other transfer						
Transfer to contingency reserve	-	-	(1,723,997)	1,723,997	-	-
Total other transfers	**-**	**-**	**(1,723,997)**	**1,723,997**	**-**	**-**
Transactions with owners recorded directly in equity						
Dividend to owners	-	-	(2,500,000)	-	-	(2,500,000)
Balance at 31 December 2018	**49,083,493**	**15,792,963**	**14,240,342**	**7,199,737**	**(188,709)**	**86,127,826**

THE NOTES ON PAGES 19 TO 68 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	Restated Retained Earnings	Restated Contingency Reserves	Foreign currency translation reserve	Capital reserves	Other reserve	Total
The Group								
Balance at 1 January 2017	38,558,373	10,560,432	10,121,560	3,800,690	-	-	(94,095)	62,946,960
Total comprehensive income for the year								
Profit for the year	-	-	5,463,595	-	-	-	-	5,463,595
Other comprehensive income net of income tax	-	-						
Employee benefit actuarial loss, net of tax	-	-	-	-	-	-	(7,970)	(7,970)
Foreign currency transaction reserve	-	-	-	-	64,349)	-	-	(64,349)
Total other comprehensive income	-	-	-	-	(64,349)	-	(7,970)	(72,319)
Total comprehensive income	-	-	5,463,595	-	(64,349)	-	(7,970)	5,431,275
Other transfers								
Transfer to contingency reserve	-	-	(1,675,049)	1,675,049	-	-	-	-
Total other transfers	-	-	(1,675,049)	1,675,049	-	-	-	-
Transactions with owners recorded directly in equity								
Issued for cash	8,048,252	5,232,531	-	-	-	-	-	13,280,783
Bonus issue	2,476,868	-	(2,476,868)					-
	10,525,120	5,232,531	(2,476,868)	-	-	-	-	13,280,783
Balance at 31 December 2017	49,083,493	15,792,963	11,433,237	5,475,740	(64,349)	-	(102,065)	81,619,019

THE NOTES ON PAGES 19 TO 68 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	Restated Retained Earnings	Restated Contingency Reserves	Other reserve	Total
The Corporation						
Balance at 1 January 2017	38,558,373	10,560,432	10,059,219	3,800,690	(94,095)	62,884,619
Total comprehensive income for the year						
Profit for the year	-	-	5,439,948	-	-	5,439,948
Other comprehensive income net of income tax						
Employee benefit actuarial loss, net of tax	-	-	-	-	(7,970)	(7,970)
Total other comprehensive income	-	-	-	-	(7,970)	(7,970)
Total comprehensive income	-	-	5,439,948	-	(7,970)	5,431,978
Other transfers						
Transfer to contingency reserve	-	-	(1,675,049)	1,675,049	-	-
Total other transfers	-	-	(1,675,049)	1,675,049	-	-
Transactions with owners recorded directly in equity						
Issued for cash	8,048,252	5,232,53	-	-	-	13,280,783
Bonus issue	2,476,868	-	(2,476,868)	-	-	-
	10,525,120	5,232,531	(2,476,868)	-	-	13,280,783
Balance at 31 December 2017	49,083,493	15,792,963	11,347,250	5,475,740	(102,065)	81,597,380

THE NOTES ON PAGES 19 TO 68 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Statement of cash flows
for the year ended 31 December

In United States Dollars	Notes	Group 2018	Corporation 2018	Restated Group 2017	Restated Corporation 2017
Cash flows from operating activities					
Profit for the year		6,837,995	7,117,089	5,477,510	5,439,948
Adjustment for:					
Write-off on property and equipment		119	119	-	
Depreciation	16	223,269	182,747	205,462	171,459
Amortization	17	238,568	222,149	227,949	212,728
Net finance cost	9	294,010	529,813	3,590,064	3,590,065
Loss/(profit) on disposal of property and equipment		3,033	3,033	(185)	(185)
Employee benefit actuarial loss		(86,644)	(86,644)	(7,970)	(7,970)
Net acquisition take on balance adjustment		(335,844)	-	-	-
		7,174,506	**7,968,306**	9,492,830	9,406,045
Cash flows from operating activities Changes in					
- reinsurance receivables and other assets	13 & 15	1,806,801	2,784,480	(7,199,433)	(7,438,503)
- retrocessionaires share of technical provision	23	(448,373)	(434,634)	721,545	721,545
- deferred acquisition costs	14	401,643	422,369	(895,784)	(895,784)
- outstanding claims	19b	(538,824)	(860,989)	3,133,513	3,133,513
- reinsurance payable	20	(500,099)	(573,935)	(1,588,867)	(1,588,867)
- trade and other payables	21	499,753	159,743	(369,690)	(369,924)
- provision for unearned premium	22	1,356,920	1,207,298	2,955,094	2,955,094
- changes in fund under management		328,296	-	(1,697,771)	-
		10,080,632	**10,672,638**	4,551,437	5,923,119
Charges paid	9	(164,771)	(164,771)	(226,749)	(225,425)
Income tax paid	10	(37,540)	-	(18,998)	-
Net cash from operating activities		**9,878,312**	**10,507,867**	4,305,690	5,697,694
Cash flow from investing activities					
Net investment acquisition	12d	10,225,086	8,819,858	(21,551,097)	(22,912,847)
Acquisition of investment property	18	(570,400)	-	(46,124)	(46,124)
Acquisition of property and equipment	16	(708,508)	(294,748)	(219,214)	(218,372)
Acquisition of intangible assets	17	(85,622)	(85,622)	(13,600)	(13,600)
Proceed from disposal		15,324	15,324	185	185
Net cash used in investing activities		**8,875,880**	**8,454,812**	(21,829,850)	(23,190,758)
Cash flows from financing activities					
Shares issued within the year		-	-	13,280,783	13,280,783
Dividend paid		(2,368,435)	(2,368,435)	(582,045)	(582,045)
Cash flow from financing activities		**(2,368,435)**	**(2,368,435)**	12,698,738	12,698,738

THE NOTES ON PAGES 19 TO 68 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Statement of cash flows (continued)

for the year ended 31 December

In United States Dollars	Notes	**Group 2018**	**Corporation 2018**	Restated Group 2017	Restated Corporation 2017
Net increase in cash and cash equivalents		16,385,757	16,594,244	(4,825,422)	(4,794,326)
Cash and cash equivalents at beginning of the year		11,389,159	11,312,081	19,570,263	19,471,046
Effect of exchange rate fluctuations on cash and cash equivalent held		(129,239)	(365,042)	(3,355,682)	(3,364,639)
Cash and cash equivalents at end of the year	11	**27,645,677**	**27,541,283**	11,389,159	11,312,081

THE NOTES ON PAGES 19 TO 68 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS


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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.

These consolidated financial statements comprise that of the Corporation and its subsidiaries (together referred to as The Group)

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 26TH MARCH 2019.

Details of the Group's accounting policies are included in note 37.

3. Functional and presentation currency

These financial statements are presented in United Stated Dollars which is the Group and Corporation's functional currency.

4. Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group'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 Group 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 Group evaluates its intention and ability to hold such investments to maturity. The investments are therefore measured at amortised cost.

(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 2018 is set out below in relation to the impairment of financial instruments and in the following notes:

- **Note 8b (i) – Measurement of defined benefit obligations:** The Group'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 to the financial statements (continued)

4. Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

- **Notes 8, 10, and 32 – Recognition and measurement of provisions and contingencies:** A provision is recognised if, as a result of a past event, the Group 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 Group'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 Group 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 28 (b).

5. Operating segments

(a) Basis of segmentation

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

Reportable segment

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

The Group'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 Group'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 Group'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)
for the year ended 31 December 2018

In United States Dollars	Fire & engineering	Motor	Accident	Marine & aviation	Special risk	Life	Unallocated	Total
The Group								
Underwriting income								
Gross premiums less retrocession	28,733,556	3,016,863	10,492,428	3,909,926	6,088,150	1,211,188	-	53,452,111
Unearned premium	(1,755,977)	172,251	2,840,917	(919,528)	(1,235,191)	36,003	-	(861,525)
Net earned premium	**26,977,559**	**3,189,114**	**13,333,345**	**2,990,398**	**4,852,959**	**1,247,191**	-	**52,590,586**
Investment and other income	-	-	-	-	-	-	4,085,997	4,085,997
Commissioned earned	350,059	-	37,738	11,237	188,836	9,161	219,906	816,937
Total income	**27,327,638**	**3,189,114**	**13,371,083**	**3,001,635**	**5,041,795**	**1,256,352**	**4,305,903**	**57,493,520**
Underwriting expenses								
Commission expense	8,832,742	658,235	3,402,972	1,172,137	1,267,345	319,294	-	15,652,725
Deferred acquisition cost	(62,197)	60,334	911,413	(209,441)	(306,368)	7,902	-	401,643
Net commission exp	**8,770,545**	**718,569**	**4,314,385**	**962,696**	**960,977**	**327,196**	**-**	**16,054,368**
Net claims incurred	9,214,942	848,408	4,613,188	198,525	1,364,874	619,307	-	16,859,244
Management expenses	9,283,513	925,841	3,247,414	1,355,472	2,238,074	397,589	-	17,447,903
Net finance cost	156,224	15,655	54,871	22,870	37,668	6,722	-	294,010
Total underwriting expenses	**27,425,224**	**2,508,473**	**12,229,858**	**2,539,563**	**4,601,593**	**1,350,814**	**-**	**50,655,525**
Income from operations	**(97,586)**	**680,641**	**1,141,225**	**462,072**	**440,202**	**(94,462)**	**4,305,903**	**6,837,995**

Notes to the financial statements (continued)

5. Operating segments(continued)
for the year ended 31 December 2018

In United States Dollars	Fire & engineering	Motor	Accident	Marine & aviation	Special risk	Life	unallocated	Total
The Corporation								
Underwriting income								
Gross premiums less retrocession	28,483,465	3,001,612	10,433,208	3,887,513	6,043,907	1,206,231	-	53,055,935
Unearned premium	(1,545,591)	151,612	2,500,515	(809,349)	(1,054,519)	31,689	-	(725,642)
Net earned premium	**26,937,874**	**3,153,224**	**12,933,723**	**3,078,164**	**4,989,388**	**1,237,920**	**-**	**52,330,293**
Investment and other income	-	-	-	-	-	-	2,874,411	2,874,411
Commission earned	350,058	-	37,738	11,237	188,837	9,161	-	597,031
Total Income	**27,287,932**	**3,153,224**	**12,971,461**	**3,089,401**	**5,178,225**	**1,247,081**	**2,874,411**	**55,801,735**
Underwriting expenses								
Commission expense	8,784,488	654,639	3,384,381	1,165,733	1,260,420	317,550	-	15,567,211
Deferred acquisition cost	(65,405)	63,447	958,444	(220,249)	(322,178)	8,310	-	422,369
Net commission expense	8,719,083	718,086	4,342,825	945,484	938,242	325,860	-	15,989,580
Net claims incurred	9,038,853	832,195	4,525,034	194,731	1,338,792	607,474	-	16,537,079
Management expenses	8,304,120	832,128	2,916,699	1,215,649	2,002,231	357,347	-	15,628,174
Net finance cost	281,519	28,210	98,880	41,212	67,878	12,144	-	529,813
Total underwriting expenses	**26,343,575**	**2,410,619**	**11,883,438**	**2,397,076**	**4,347,143**	**1,320,795**	**-**	**48,684,646**
Income from operations	**944,357**	**742,605**	**1,088,023**	**692,325**	**831,082**	**(55,714)**	**2,874,411**	**7,117,089**

Notes to the financial statements (continued)

5. Operating segments(continued)
for the year ended 31 December 2017 - Restated

In United States Dollars	Fire & engineering	Motor	Accident	Marine & aviation	Special risk	Life	unallocated	Total
The Group								
Underwriting income								
Gross premiums less retrocession	25,048,819	3,338,527	15,989,908	2,808,381	3,700,531	1,276,651	-	52,162,817
Unearned premium	(1,258,926)	224,739	(757,877)	196	(984,261)	(226,147)		(2,982,276)
Net earned premium	23,789,893	3,583,266	15,232,031	2,808,577	2,716,270	1,050,504	-	49,180,541
Investment and other income	-	-	-	-	-	-	2,927,986	2,927,986
Commission earned	468,802	-	67,797	9,638	33,414	(4,080)	300,320	875,891
Total Income	24, 258,695	3,583,266	15,299,828	2,818,215	2,749,685	1,046,424	3,228,306	52,984,418
Underwriting expenses								
Commission expense	8,639,140	795,633	5,514,258	872,068	544,469	336,017	-	16,701,585
Deferred acquisition cost	(605,592)	160,139	(291,193)	(222,365)	(97,325)	(39,448)	-	(895,784)
Net commission expense	8,033,548	955,772	5,223,065	849,703	447,144	296,569	-	15,805,801
Net claims incurred	8,065,181	1,462,443	2,477,903	2,153,054	729,706	2,635,692	-	17,533,979
Management expenses	5,129,455	616,833	3,024,923	531,845	719,156	241,824	301,962	10,565,998
Net finance cost	1,795,136	214,750	1,058,031	186,024	251,540	84,583	11,066	3,601,130
Total underwriting expenses	23,023,320	3,259,798	11,783,922	3,720,626	2,147,546	3,258,668	313,028	47,506,908
Income from operations	1,235,375	323,468	3,515,906	(902,411)	602,139	(2,212,244)	2,915,278	5,477,510

Notes to the financial statements (continued)

5. Operating segments(continued)
for the year ended 31 December 2017 - Restated

In United States Dollars	Fire & engineering	Motor	Accident	Marine & aviation	Special risk	Life	unallocated	Total
The Corporation								
Underwriting income								
Gross premiums less retrocession	25,048,819	3,338,527	15,989,908	2,808,381	3,700,531	1,276,651	-	52,162,817
Unearned premium	(1,258,926)	224,739	(757,877)	196	(984,261)	(226,147)	-	(2,982,276)
Net earned premium	23,789,893	3,583,266	15,232,031	2,808,577	2,716,270	1,050,504	-	49,180,541
Investment and other income	-	-	-	-	-	-	2,877,715	2,877,715
Commission earned	468,802	-	67,797	9,638	33,414	(4,080)	-	575,572
Total income	24, 258,695	3,583,266	15,299,828	2,818,215	2,749,685	1,046,424	2,877,715	52,633,828
Underwriting expenses								
Commission expense	8,639,140	795,633	5,514,258	872,068	544,469	336,017	-	16,701,585
Deferred acquisition cost	(605,592)	160,139	(291,193)	(222,365)	(97,325)	(39,448)	-	(895,784)
Net commission expense	8,033,548	955,772	5,223,065	849,703	447,144	296,569	-	15,805,801
Net claims incurred	8,065,181	1,462,443	2,477,903	2,153,054	729,706	2,635,692	-	17,533,979
Management expenses	5,129,455	616,833	3,024,923	531,845	719,156	241,824	-	10,264,036
Net financial cost	1,795,136	214,750	1,058,031	186,024	251,540	84,583	-	3,590,064
Total underwriting expenses	23,023,320	3,259,798	11,783,922	3,720,626	2,147,546	3,258,668	-	47,193,880
Income from operations	1,235,375	323,468	3,515,906	(902,411)	602,139	(2,212,244)	2,877,715	5,439,948

Notes to the financial statements (continued)

6. Gross premium written

In United States Dollars	Notes	Group 2018	Corporation 2018	Restated Group 2017	Restated Corporation 2017
West Africa		41,018,103	41,018,103	28,362,781	28,362,781
East Africa		1,063,777	1,063,777	2,470,055	2,470,055
North Africa		2,322,465	2,322,465	16,441,845	16,441,845
Others		13,568,134	12,062,238	8,560,293	8,560,295
		57,972,479	**57,466,583**	55,834,974	53,834,974
7. Investment income					
Term deposits		2,871,461	2,464,803	2,203,400	2,162,518
Treasury bills		380,751	303,457	280,649	280,649
		3,252,212	**2,768,260**	2,484,049	2,443,167
7a. Other income					
Gain/(loss) on disposal		(3,033)	(3,033)	184	184
Fee income		-	-	100,000	100,000
Sundry income		836,818	109,184	343,753	334,364
		833,785	**106,151**	443,937	434,548
8. Management expenses					
(a) Management expenses is analyzed as follows					
Personnel expenses	8b	3,347,185	2,854,839	2,981,451	2,842,886
Other expenses	8c	14,100,718	12,773,335	7,584,547	7,421,150
		17,447,903	**15,628,174**	10,565,998	10,264,036
(b) Personnel expenses					
Salaries and wages		3,137,945	2,701,963	2,773,473	2,671,707
Other employee benefits		167,830	131,154	193,529	156,730
Other staff cost		41,410	21,721	14,449	14,449
		3,347,185	**2,854,839**	2,981,451	2,842,886

Notes to the financial statements (continued)

8. Management expenses (continued)

(b) Personnel expenses (continued)

(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.

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.

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability (asset)	
In United States Dollars	**2018**	2017	**2018**	2017	**2018**	2017
Balance at 1 January	700,779	502,663	(339,401)	(328,150)	(361,378)	174,513
Included in profit or loss:						
Current service cost	158,124	133,870	-	-	158,124	133,870
Interest cost (income)	131,759	97,996	-	-	131,759	97,996
	289,883	231,866	**-**	-	**289,883**	231,866
Included in OCI						
Remeasurements loss (gain):						
Actuarial loss arising from:						
financial assumptions	86,644	102,065	-	-	86,644	102,065
	86,644	102,065	-	-	**86,644**	102,065
Other						
Contributions paid by the employer	-	-	(7,616)	(11,251)	-	(11,251)
Projected benefits payments	(371,359)	(29,659)	-	-	(371,359)	(29,659)
Actual benefit payment	-	(106,156)	-	-	-	(106,156)
	(371,359)	(135,815)	-	(11,251)	**(371,359)**	(147,066)
Balance at 31 December	**705,947**	700,779	**(347,017)**	(339,401)	**366,546**	361,378

Plan assets

Plan assets comprise the following:

In United States Dollars	**Group 2018**	**Corporation 2018**	Restated Group 2017	Restated Corporation 2017
Term Deposits	**347,017**	**347,017**	339,401	339,401

Notes to the financial statements (continued)

8. Management expenses (continued)
(b) Personnel expenses (continued)
(i) Other employee benefits (continued)

Defined benefit obligation
Actuarial assumptions
The following are the principal actuarial assumptions at the reporting date:

In United States Dollars	**2018**	2017
Discount rate	22%	20%
Salary inflation	20%	18%
Normal salary inflation gap	2%	2%
Effective salary inflation gap	1.67%	1.69%

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	**2018**	2017
Withdrawal rate 20%		
Accrued liability	795,717	812,279
Service cost	128,763	141,476
Service cost and interest	256,390	262,557
Increase in mortality rate by 1%		
Accrued liability	793,619	809,922
Service cost	142,827	158,111
Service cost and interest	281,820	289,931
Increase in discount rate by 1%		
Accrued liability	754,517	766,851
Service costs	134,056	147,861
Service cost and interest	271,051	277,865
Decrease in discount rate by 1%		
Accrued liability	832,269	852,686
Service costs	152,875	169,950
Service costs and interest	294,128	303,746
Increase in salary inflation by 1%		
Accrued liability	835,550	856,057
Service costs	154,663	171,980
Service costs and interest	303,161	313,318

Notes to the financial statements (continued)

8. Management expenses (continued)

(c) Other expenses

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Advertising	65,807	50,160	65,204	51,727
Audit fees	79,359	55,000	52,216	50,000
Depreciation and amortization	530,592	404,896	455,281	386,058
Utility bills	107,660	49,159	57,978	50,420
Legal and professional fees	455,778	401,720	656,395	653,069
Directors' fees	576,369	300,000	250,000	250,000
Motor running expenses	53,029	44,544	52,167	43,656
Communication	162,625	157,885	157,907	157,090
Printing and stationery	93,621	90,866	62,056	60,669
Travelling & marketing	805,712	722,352	626,356	625,192
Meetings, conferences and training	274,715	223,556	230,401	229,116
Repairs and maintenance	11,864	10,435	12,305	12,305
Other office running costs	2,331,698	1,710,273	1,539,109	1,469,659
Insurance	84,254	84,254	45,972	40,989
Impairment allowance for bad debt	8,468,235	8,468,235	3,341,200	3,341,200
	14,100,718	**12,773,335**	**7,584,547**	**7,421,150**

9. Net finance cost

	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Foreign exchange loss	129,239	365,042	3,364,639	3,364,639
Bank charges	164,771	164,771	236,491	225,425
	294,010	**529,813**	3,601,130	3,590,064

10. Taxation

10a. Tax expense

	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Current tax expense				
Current year at 25%	50,384	-	15,714	-
Deferred tax expense				
Origination and reversal of temporary differences	(143,948)	-	(1,798)	-
	(93,564)	**-**	13,916	-

10b. Current tax (asset)/liabilities

	Group 2018	Corporation 2018	Group 2017	Corporation 2017
At 1 January	14,875	-	18,711	-
Charge for the year	50,384	-	15,714	-
Payments during the year	(37,540)	-	(18,998)	-
Impact of exchange rate fluctuation	(1,508)	-	(552)	-
Take on balance on new acquisition	143,212	-	-	-
At 31 December	**169,523**	**-**	14,875	-

10c. Deferred tax(assets)/liabilities

	Group 2018	Corporation 2018	Group 2017	Corporation 2017
At 1 January	(39)	-	1,759	
Credit for the year	(143,948)	-	(1,798)	-
Impact of exchange rate fluctuation	231	-	-	-
Take on balance on new acquisition	(470,503)	-	-	-
	(614,529)	**-**	(39)	-

Notes to the financial statements (continued)

10. Taxation (continued)

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

11. Cash and cash equivalents

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Bank balance	3,730,092	3,626,902	4,490,739	4,413,785
Cash on hand	3,161	2,257	2,293	2,169
	3,733,553	3,629,159	4,493,032	4,415,954
Short-term investment securities	23,912,124	23,912,124	6,896,127	6,896,127
Cash and cash equivalents	**27,645,677**	**27,541,283**	11,389,159	11,312,081

The short-term investments comprise of fixed deposit investments with three months or less maturity period from the date of acquisition. Cash in hand and balances with the Central Bank are non-interest-bearing.

12. Financial assets

(a) Investments by category

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Statutory deposit	2,206,564	1,706,564	1,562,503	1,562,503
Bank deposits	43,792,587	26,597,095	44,184,402	40,929,864
Equity investments	48,898	16,406,145	10,526,230	11,037,295
	46,048,049	**44,709,804**	56,273,135	53,529,662

The statutory deposit of USD 1,706,564 (2017: USD 1,562,503) was made with the Bank of Sierra Leone in compliance with Section 23(1) of the Insurance Act 2016. 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). Waica RE Kenya Limited also placed USD500,00 as statutory deposite with the Central Bank of Kenya.

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

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Held to maturity	45,999,151	28,303,659	45,746,905	42,492,367
Available for sale	48,898	16,406,145	10,526,230	11,037,295
Total financial assets	**46,048,049**	**44,709,804**	56,273,135	53,529,662

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

Notes to the financial statements (continued)

12. Financial assets (continued)

(c) Held to maturity financial assets

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Fixed deposits	42,370,445	26,597,095	44,184,402	40,929,864
Treasury bills	3,628,706	1,706,564	1,562,503	1,562,503
Total held to maturity financial assets	**45,999,151**	**28,303,659**	45,746,905	42,492,367

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

(d) Available for sale financial assets

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
At 1 January	10,526,230	11,037,295	-	511,065
Movements during the year	(10,477,332)	5,368,850	10,526,230	10,526,230
At 31 December	**48,898**	**16,406,145**	10,526,230	11,037,295

The available for sale financial assets represents the Corporation's equity interest in the establishment of subsidiaries in Ghana and Kenya and the acquisition in Zimbabwe. The Corporation has controlling interest in the three subsidiaries and were fully operational as at the end of the reporting period.

13. Reinsurance receivables

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Due from cedants and brokers	38,600,765	38,404,399	41,340,660	41,340,660
Due from retrocessionaires	1,306,375	1,290,147	2,642,438	2,642,438
Impairment allowance	(12,310,400)	(12,310,400)	(13,775,866)	(13,775,866)
	27,596,740	**27,384,146**	30,207,232	30,207,232
Net receivables				

The net receivables is deemed current.

Impairment allowance

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Balance at start	13,775,866	13,775,866	10,434,666	10,434,666
Bad debts written-off	(9,933,701)	(9,933,701)	-	-
Impairment allowance charged to income statement	8,468,235	8,468,235	3,341,200	3,341,200
Balance at 31 December	**12,310,400**	**12,310,400**	13,775,866	13,775,866

Notes to the financial statements (continued)

13. Reinsurance receivables (continued)

Ageing of unimpaired receivables

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
0 – 90 days	5,898,764	5,686,170	9,739,612	9,739,612
91 - 180 days	4,537,457	4,537,457	7,642,680	7,642,630
181 – 270 days	3,651,312	3,651,312	8,870,944	8,870,944
271 – 365 days	2,871,012	2,872,012	3,954,046	3,954,046
Past due but not impaired	10,637,195	10,637,195	-	-
Balance at 31 December	**27,596,740**	**27,384,146**	30,207,232	30,207,232

14. Deferred acquisition costs

Balance as at 1 January	7,777,934	7,777,334	6,881,550	6,881,550
Net movement during the year	(401,643)	(422,369)	895,784	895,784
Balance as at 31 December	**7,375,691**	**7,354,965**	7,777,334	7,777,334

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

15. Other assets

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Sundry receivables	1,058,384	18,626	285,365	9,511
Other receivables	7,0091	6,502	7,997	6,500
Loans to staff	189,870	187,699	158,210	158,210
	1,255,263	**212,827**	451,572	174,221

Notes to the financial statements (continued)

16. Property and equipment

In United States Dollars	Computer hardware	Motor vehicle	Furniture and equipment	Capital work-in progress	Total
The Group					
Cost					
At 1 January 2018	157,106	601,134	260,815	147,951	1,167,006
Addition	55,807	187,838	424,600	40,263	708,508
Write-off	-	-	(147)	-	(147)
Disposal	-	(89,348	(21,017	-	(110,365)
At 31 December 2018	**212,913**	**699,624**	**664,251**	**188,214**	**1,765,002**
At 1 January 2017	143,750	521,523	232,146	52,256	949,675
Addition	14,393	79,611	29,515	95,695	219,214
Disposal	(1,037)	-	(846)	-	(1,883)
At 31 December 2017	157,106	601,134	260,815	147,951	1,167,006
Accumulated depreciation					
At 1 January 2018	115,600	300,013	208,988	-	1,167,006
Charge for the year	39,145	160,112	24,012	-	1,167,006
Write-off	-	-	(28)	-	(28)
Disposal	-	(71,565)	(20,444	-	(92,009)
At 31 December 2018	**154,745**	**388,560**	212,528	-	755,833
At 1 January 2017	80,515	179,021	161,486	-	421,022
Charge for the year	36,122	120,992	48,348	-	205,462
Disposal	(1,037)	-	(846)	-	(1,883)
At 31 December 2017	115,600	300,013	208,988	-	624,601
Carrying amounts					
At 31 December 2017	41,506	301,121	51,827	147,951	624,601
At 31 December 2018	**58,168**	**311,064**	**451,723**	**147,951**	**624,601**

There were no capitalized borrowing costs related to the acquisition of equipment during the year. (2017: nil).

Notes to the financial statements (continued)

16. Property and equipment

In United States Dollars	Computer hardware	Motor vehicle	Furniture and equipment	Capital work-in progress	Total
The Corporation					
Cost					
At 1 January 2018	152,021	486,117	245,270	147,951	1,031,359
Addition	29,084	62,991	162,410	40,263	294,748
Write-off			(147)		(147)
Disposal	-	(89,348)	(21,018)	-	(110,366)
At 31 December 2018	**181,105**	**459,760**	**386,515**	**188,214**	**1,215,594**
At 1 January 2017	138,665	406,506	217,443	52,256	814,870
Addition	14,393	79,611	28,673	95,695	218,372
Disposal	(1,037)	-	(846)	-	(1,883)
At 31 December 2017	152,021	486,117	245,270	147,951	1,031,359
Accumulated depreciation					
At 1 January 2018	112,153	241,457	204,294	-	557,904
Charge for the year	36,201	128,648	17,898	-	182,747
Write-off			(28)	-	(28)
Disposal	-	(71,565)	(20,444)	-	(92,009)
At 31 December 2018	**148,354**	**298,540**	**201,720**		**648,614**
At 1 January 2017	78,822	150,266	159,240	-	388,328
Charge for the year	34,368	91,191	45,900	-	171,459
Disposal	(1,037)	-	(846)	-	(1,883)
At 31 December 2017	112,153	241,457	204,294	-	557,904
Carrying amounts					
At 1 January 2017	59,843	256,240	58,203	52,256	426,542
At 31 December 2017	39,868	244,660	40,976	147,951	473,455
At 31 December 2018	**32,751**	**161,220**	**184,795**	**188,214**	**566,980**

There were no capitalized borrowing costs related to the acquisition of equipment during the year. (2017: nil).

Notes to the financial statements (continued)

17. Intangible assets

In United States Dollars	Group Computer Software	Corporation Computer Software
Cost		
At 1 January 2018	1,042,680	983,935
Acquisitions	85,622	85,622
At 31 December 2018	**1,128,302**	**1,069,557**
At 1 January 2017	1,029,080	970,335
Acquisitions	13,600	13,600
At 31 December 2017	1,042,680	983,935
Amortisation and impairment losses		
At 1 January 2018	657,936	660,715
Amortisation for the year	238,568	222,149
At 31 December 2018	**914,504**	**882,864**
At 1 January 2017	447,987	447,987
Amortisation for the year	227,949	212,728
At 31 December 2017	675,936	660,715
Carrying amount		
At 1 January 2017	581,093	522,348
At 31 December 2017	366,744	323,220
At 31 December 2018	**213,798**	**186,693**

There were no capitalized borrowing costs related to the acquisition of computer software during the year. (2017: Nil).

18. Investment properties

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
At 1 January	9,039,022	9,039,022	8,992,898	8,992,898
Additions	570,400	-	46,124	46,124
At 31 December	**9,609,422**	**9,039,022**	9,039,022	9,039,022

Notes to the financial statements (continued)

18. Investment properties (continued)

The Group investment properties consist of landed properties in England and Ghana which were acquired by WAICA Reinsurance Corporation Plc in 2016 and a landed property of US$570,400 owned by WAICA Re Zimbabwe (Pvt).

The market value of the property located in Ghana was estimated at US$6,790,300 based on a 2016 valuation performed by Asenta Property Consulting, a firm of Asset valuation and general property advisory services. The fair value of the property was based on an open market value which indicated an opinion of the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation based on a number of assumptions. The fair value of the property in England has been deemed to be equivalent to its purchase price.

We believe that the reported amounts approximate to the fair values of the respective properties as at 31 December 2018. The investment properties have been classified under level 2 fair value hierarchy and have not been pledged as security for any debt or liabilities.

19. Claims

(a) Net claims incurred

In United States Dollars	**Group 2018**	**Corporation 2018**	Group 2017	Corporation 2017
Claims made by Cedants	16,995,345	16,673,180	20,138,807	20,138,808
Claims recovered from Retrocessionaires	(136,101)	(136,101)	(2,604,829)	(2,604,829)
	16,859,244	**16,537,079**	17,533,979	17,533,979

(b) Outstanding claims
2018

In United States Dollars	**Fire & Engineering**	**Motor**	**Accident**	**Aviation**	**Marine & Risk**	**Special Life**	**Total**
The Group							
Claims at start of the year	1,251,937	414,218	1,251,554	1,225,152	377,220	188,510	4,708,591
Claims incurred	9,214,942	848,408	4,613,188	198,525	1,364,874	619,307	16,859,244
Claims paid	(7,585,019)	(1,121,078)	(5,746,574)	(1,399,472)	(774,176)	(771,749)	(17,398,068)
Claims outstanding at 31 December	**2,881,860**	**141,548**	**118,168**	**24,205**	**967,918**	**36,068**	**4,169,767**

In United States Dollars	**Fire & Engineering**	**Motor**	**Accident**	**Marine & Aviation**	**Special Risk**	**Life**	**Total**
The Corporation							
Claims at start of the year	1,251,937	414,218	11,251,554	1,225,152	377,220	188,510	4,708,591
Claims incurred Less recoveries	9,038,853	832,195	4,525,034	194,731	1,338,792	607,474	16,537,079
Claims paid	(7,585,019)	(1,121,078)	(5,746,574)	(1,399,472)	(774,176)	(771,749)	(17,398,068)
Claims outstanding at 31 December	**2,705,771**	**125,335**	**30,014**	**20,411**	**941,836**	**24,235**	**3,847,602**

Notes to the financial statements (continued)

19. Claims (continued)

(b) Outstanding claims (continued)

2017

In United States Dollars	Fire & Engineering	Motor	Accident	Marine & Aviation	Special Risk	Life	Total
The Group							
Claims at start of the year	907,689	162,349	4,960,575	-	-	44,702	1,575,078
Claims incurred							
Less recoveries	8,065,181	1,472,443	(4,169,359)	2,153,054	729,706	153,020	17,533,979
Claims paid	(7,720,933)	(1,220,574	(4,169,359)	(927,902)	(352,486)	(9,212)	(14,400,466)
Claims outstanding at 31 December	1,251,937	414,218	1,251,554	1,225,152	377,220	188,510	4,708,591

In United States Dollars	Fire & Engineering	Motor	Accident	Marine & Aviation	Special Risk	Life	Total
The Corporation							
Claims at start of the year	907,689	162,349	460,338	-	-	44,702	1,575,078
Claims incurred							
Less recoveries	8,065,181	1,472,443	4,960,575	2,153,054	729,706	153,020	17,533,979
Claims paid	(7,720,933)	(1,220,574)	(4,169,359)	(927,902)	(352,486)	(9,212)	(14,400,466)
Claims outstanding at 31 December	1,251,937	414,218	1,251,554	1,225,152	377,220	188,510	4,708,591

20. Reinsurance payables

In United States Dollars	**Group 2018**	**Corporation 2018**	Group 2017	Corporation 2017
Payable under retrocession arrangements	519,443	445,607	1,019,542	1,019,542
	519,443	**445,607**	1,019,542	1,019,542

21. Trade and other payables

Accruals	122,387	9,169	162,332	162,332
Other creditors	1,502,776	1,124,816	725,513	725,513
Defined benefit obligation (8b (i))	366,546	366,546	361,378	361,378
	1,991,709	**1,540,531**	1,249,223	1,249,223

The estimated fair values of accounts due to other trading parties and trade payables are the amounts repayable on demand. All trade and other payables are current liabilities.

Notes to the financial statements (continued)

21. Trade and other payables (continued)

22. Provision for unearned premium

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Gross unearned premium at 1 January	25,993,688	25,993,688	23,038,594	23,038,594
Gross unearned premium at 31 December	(27,350,608)	(27,200,986)	(25,993,688)	(25,993,688)
Gross unearned premium movement (A)	**1,356,920**	**1,207,298**	2,955,094	2,955,094
Deferred gross retrocessions at 1 January	1,677,905	1,677,905	1,705,087	1,705,087
Deferred gross retrocessions at 31 December	2,173,300	2,159,561	1,677,905	1,677,905
Deferred gross retrocessions movement (B)	**495,395**	**481,656**	(27,182)	(27,182)
Net unearned premium movement (A - B)	**861,525**	**725,642**	2,982,276	2,982,276

The gross unearned premium provision represents the liability for reinsurance business contracts where the Group's obligations are not expired at the year end.

23. Retrocessionaires share of technical provisions

In United States Dollars	Notes	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Claims recoverable		7,270	7,270	54,292	54,292
Deferred retrocession premium	22	2,173,300	2,159,561	1,677,905	1,677,905
		2,180,570	**2,166,831**	1,732,197	1,732,197

24. Share capital

In United States Dollars	2018 No. of shares	2018 Amount	2017 No. of shares	2017 Amount
Ordinary shares of USD 1each	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid:				
Balance at 1 January	49,083,493	49,083,493	38,558,373	38,558,373
Issued for cash			8,048,252	8,048,252
Bonus issue	-	-	2,476,868	2,476,868
At 31 December	**49,083,493**	**49,083,493**	49,083,493	49,083,493

25. Share premium

Balance at 1 January	15,792,963	15,792,963	10,560,432	10,560,432
Arising from shares issued within the year	-	-	5,232,531	5,232,531
Balance at 31 December	**15,792,963**	**15,792,963**	15,792,963	15,792,963

Notes to the financial statements (continued)

26. Retained earnings

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Balance at 1 January	11,433,237	11,347,250	10,121,560	10,059,219
Net profit for the year	6,931,559	7,117,089	5,463,594	5,439,948
Transfer to contingency reserves	(1,723,997)	(1,723,997)	(1,675,049)	(1,675,049)
Dividend to owners	(2,500,000)	(2,500,000)	-	-
Bonus share issue	-	-	(2,476,868)	(2,476,868)
Balance at 31 December	**14,140,799**	**14,240,342**	11,433,237	11,347,250

27. Contingency reserves

	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Balance at 1 January	5,475,738	5,475,739	3,800,690	3,800,690
Addition during the year	1,723,998	1,723,997	1,675,048	1,675,049
Balance at 31 December	**7,199,737**	**7,199,736**	5,475,738	5,475,739

The above amount represents contingent reserves to cover fluctuations in securities and variations in statistical estimates.

28(a) Other reserves

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Balance at 1 January	102,065	102,065	94,095	94,095
Net actuarial gains/(losses)on employee benefit obligation	86,644	86,644	7,970	7,970
Balance at 31 December	**188,709**	**188,709**	102,065	102,065

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

b. Capital reserves

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Balance at 1 January	-	-	-	-
Addition during the year	518,494	-	-	-
Balance at 31 December	**518,494**	**-**	-	-

The capital reserves represent bargain gains on the acquisition of the Zimbabwe subsidiary.

29. 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 2018

	Carrying amount					Fair value			
In United States Dollars	Held to maturity	Loan and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
The Group									
Assets									
Cash and cash equivalents	-	27,645,677	-	-	27,645,677	-	27,645,677	-	27,645,677
Reinsurance receivables	-	27,596,740	-	-	27,596,740	-	27,596,740	-	27,596,740
Investment assets	45,999,151	-	48,898	-	46,048,049	-	46,048,049	-	46,048,049
Other assets	-	1,255,263	-	-	1,255,263	-	1,255,263	-	1,255,263
	45,999,151	**56,497,680**	**48,898**	**-**	**102,545,729**	**-**	**102,545,729**	**-**	**102,545,729**
Liabilities									
Fund under management	-	-	-	3,391,030	3,391,030	-	3,391,030	-	3,391,030
Reinsurance payables	-	-	-	519,443	519,443	-	519,443	-	519,443
Trade and other payables	-	-	-	1,991,709	1,991,709	-	1,991,709	-	1,991,709
Outstanding claims	-	-	-	4,169,767	4,169,767	-	4,169,767	-	4,169,767
	-	**-**	**-**	**10,071,949**	**10,071,949**	**-**	**10,071,949**	**-**	**10,071,949**

29. 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 2018

	Carrying amount					Fair value			
In United States Dollars	**Held to maturity**	**Loan and receivables**	**Available for sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
The Corporation									
Assets									
Cash and cash equivalents	-	27,541,283	-	-	27,541,283	-	27,541,283	-	27,541,283
Reinsurance receivables	-	27,384,146	-	-	27,384,146	-	27,384,146	-	27,384,146
Investment assets	28,303,659	-	16,406,145	-	44,709,804	-	44,709,804	-	44,709,804
Other assets	-	212,287	-	-	212,287	-	212,287	-	212,287
	28,303,659	**55,137,716**	**16,406,145**	**-**	**99,847,520**	**-**	**99,847,520**	**-**	**99,847,520**
Liabilities			-						
Reinsurance payables	-	-	-	445,607	445,607	-	445,607	-	445,607
Trade and other payables	-	-	-	1, 540,531	1, 540,531	-	1, 540,531	-	1, 540,531
Outstanding claims	-	-	**-**	3,847,602	3,847,602	-	3,847,602	-	3,847,602
	-	**-**		**5,833,740**	**5,833,740**	**-**	**5,833,740**	**-**	**5,833,740**

Notes to the financial statements (continued)

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

(a) Accounting classifications and fair values (continued)

31 December 2017

In United States Dollars	Carrying amount					Fair value			
	Held to maturity	Loan and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
The Group									
Assets									
Cash and cash equivalents	-	11,389,159	-	-	11,389,159	-	11,389,159	-	11,389,159
Reinsurance receivables	-	30,207,232	-	-	30,207,232	-	30,207,232	-	30,207,232
Investment assets	45,746,906	-	10,526,229	-	56,273,135	-	56,273,135	-	56,273,135
Other assets	-	451,572	-	-	451,572	-	451,572	-	451,572
	45,746,906	42,047,963	10,526,229	-	98,321,098	-	98,321,098	-	98,321,098
Liabilities									
Funds under manager	-	-	-	3,062,734	3,062,734	-	3,062,734	-	3,062,734
Reinsurance payables	-	-	-	1,019,542	1,019,542	-	1,019,542	-	1,019,542
Trade and other payables	-	-	-	1,360,389	1,360,389	-	1,360,389	-	1,360,389
Outstanding claims	-	-	-	4,708,591	4,708,591	-	4,708,591	-	4,708,591
	-	-	-	10,151,256	10,151,256	-	10,151,256	-	10,151,256

Notes to the financial statements (continued)

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

(a) Accounting classifications and fair values (continued)

31 December 2017

	Carrying amount					Fair value			
In United States Dollars	Held to maturity	Loan and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
The Corporation									
Assets									
Cash and cash equivalents	-	11,312,081	-	-	11,312,081	-	11,312,081	-	11,312,081
Reinsurance receivables	-	34,852,403	-	-	34,852,403	-	34,852,403	-	34,852,403
Investment assets	42,492,367	-	11,037,295	-	53,529,662	-	53,529,662	-	53,529,662
Other assets	-	174,221	-	-	174,221	-	174,221	-	174,221
	42,492,367	46,338,705	11,037,295	-	99,868,367	-	99,868,367	-	99,868,367
Liabilities									
Reinsurance payables	-		-	1,019,542	1,019,542	-	1,019,542	-	1,019,542
Trade and other payables	-		-	1,249,223	1,249,223	-	1,249,223	-	1,249,223
Outstanding claims	-		-	4,708,591	4,708,591	-	4,708,591	-	4,708,591
	-		-	6,977,356	6,977,356	-	6,977,356	-	6,977,356

(b) Measurement of fair values
See accounting policy in note 36 (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 Group 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 Group 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 premier 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 Group 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.

For more complex instruments, the Group 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.

Notes to the financial statements (continued)

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

(b) Measurement of fair values (continued)

Valuation models (continued)

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 Group 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.

(c) Financial risk management

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

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

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

(i) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's 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 Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group, through its training and management standards and procedures, a develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Notes to the financial statements (continued)

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

(c) Financial risk management (continued)

(i) Risk management framework (continued)

The Group's Risk Management 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 Group.

(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 Group faces under its reinsurance contracts is that the actual claims payments may exceed the carrying amount of the insurance liabilities.

When accepting risks, the Group follows its underwriting guidelines strictly. The guidelines cover risk acceptance criteria, pricing, accumulation controls, authority levels, reinsurance protection, among others. It guides the underwriters in their acceptances on the principles of prudence and professionalism within the overall objective of diversifying the type of insurance risks accepted within each of the short-term reinsurance contracts, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Management 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 Group 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 Group of its obligation to cedants. Hence, if the retrocessionaires default on their obligations to the Group, this risk mitigation measure would not be effective. As a result, the Group 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.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations principally from investment securities and the Groups 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 Group against those assets.

Notes to the financial statements (continued)

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

(c) Financial risk management (continued)

(iii) Credit risk

Impairment allowance

In United States Dollars	Group 2018	Corporation 2018	Group 2017	Corporation 2017
Balance at start	13,775,866	13,775,866	10,434,666	10,434,666
Bad debts written-off	(9,933,701)	(9,933,701)	-	-
Impairment allowance charged to income statement	8,468,235	8,468,235	3,341,200	3,341,200
Balance at 31 December	**12,310,400**	**12,310,400**	13,775,866	13,775,866

Ageing of unimpaired reinsurance receivables

In United States Dollars	Group 2018	Corporation 2018	Restated Group 2017	Restated Corporation 2017
0 – 90 days	5,898,763	5,686,170	9,739,612	9,739,612
91 - 180 days	4,537,457	4,537,437	7,642,630	7,642,630
181 – 270 days	3,651,312	3,651,312	8,870,947	8,870,944
271 – 365 day	2,872,012	2,872,012	3,954,045	3,954,046
Past due but not impaired	10,637,195	10,637,195	-	-
Balance at 31 December	**27,596,739**	**27,384,146**	30,207,231	30,207,232

Impaired reinsurance receivables
See accounting policy in note 36 (c).

The Group regards a reinsurance receivable 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 past due 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 Group 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 Group held cash and cash equivalents of US$ 27,541,283 at 31 December 2018 (2017: US$ 11,312,081 The cash and cash equivalents are held with reputable banks.

Notes to the financial statements (continued)

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

(c) Financial risk management (continued)

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

The Group 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 Group 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.

31 December 2018

In United States Dollars	Notes	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 year
The Group						
Non-derivative financial liabilities						
Fund under management		3,391,030	-	-	3,391,030	-
Outstanding claims	21b	4,169,767	1,250,930	2,501,860	416,977	-
Reinsurance payables	22	519,443	103,889	259,721	155,833	-
Trade and other payables	23	1,991,709	275,334	679,350	-	1,037,025
		10,071,949	**1,630,152**	**3,440,931**	**3,963,840**	**1,037,025**
The Corporation						
Non-derivative financial liabilities						
Outstanding claims	21b	3,847,602	1,154,281	2,308,561	384,760	-
Reinsurance payables	22	445,607	89,121	222,804	133,682	-
Trade and other payables	23	1,540,531	212,963	525,458	-	802,110
		5,833,740	**1,456,365**	**3,056,823**	**518,442**	**802,110**

Notes to the financial statements (continued)

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

(c) Financial risk management (continued)

(iv) Liquidity risk (continued)

31 December 2017

In United States Dollars	Notes	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 year
The Group						
Non-derivative financial liabilities						
Fund under management		3,062,734	-	-	3,062,734	-
Outstanding claims	21b	4,708,591	1,544,418	2,712,148	452,025	-
Reinsurance payables	22	1,019,542	203,908	509,771	305,863	-
Trade and other payables	23	1,360,391	403,131	398,285	-	558,975
		10,151,258	2,151,457	3,620,204	3,820,622	558,975
The Corporation						
Non-derivative financial liabilities						
Outstanding claims	21b	4,708,591	1,544,418	2,712,148	452,025	-
Reinsurance payables	22	1,019,542	203,908	509,771	305,863	-
Trade and other payables	23	1,019,542	291,963	398,285	-	558,975
		6,977,356	2,040,289	3,620,204	757,888	558,975

(v). Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group'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 Group 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 Group'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 Group's exposure to currency risk as reported by management is as follows:

Notes to the financial statements (continued)

29. Financial instruments – fair values and risk management (continued)
(c) Financial risk management (continued)
(v). Market risk (continued)
Currency risk (continued)

31 December 2018

	Notes	United States Dollars	Pounds sterling	Euro	Cedis	Leones	Naira	Others	Total
The Group									
Assets									
Cash and cash equivalents	11	25,479,815	131,739	312,228	263,521	6,048	667,285	785,134	27,645,677
Reinsurance receivables	12	35,426,672	-	-	3,339,377	1,757,643	446,858	5,077,498	46,048,049
Investment assets	13	20,611,785	7,387	872,878	1,192,709	314,602	1,341,279	3,294,508	27,596,740
Other assets	15	399,292	-	-	57,058	744,280	23,716	28,263	1,255,263
		81,917,564	**139,126**	**1,185,106**	**4,816,819**	**2,822,574**	**2,479,138**	**9,185,403**	**102,545,729**
Liabilities									
Funds under management		118,263	-	-	3,272,767		-	-	3,391,030
Outstanding claims	19b	3,664,493	-	-	397,060		44,207	64,007	4,169,767
Reinsurance payables	20	519,443	-	-	-	-	-	-	519,443
Trade and other payables	21	1,830,131	-	-	126,973	-	14,137	20,468	1,991,709
		6,132,330	**-**	**-**	**3,796,800**	**-**	**58,344**	**84,475**	**10,071,949**
Net exposure		**75,785,234**	**139,12**	**1,185,106**	**1,020,019**	**2,822,574**	**2,420,794**	**9,100,928**	**92.473,780**

Notes to the financial statements (continued)

29. Financial instruments – fair values and risk management (continued)
(c) Financial risk management (continued)
(v). Market risk (continued)
Currency risk (continued)

31 December 2018

	Notes	United States Dollars	Pounds sterling	Euro	Cedis	Leones	Naira	Others	Total
The Corporation									
Assets									
Cash and cash equivalent	11	25,383,600	131,241	311,049	262,434	6,025	664,765	785,134	27,541,283
Financial assets	12	39,435,330	-	-	70,384	1,706,563	433,871	3,155,356	44,709,804
Reinsurance receivables	13	20,453,000	7,330	866,154	1,145,409	312,179	1,330,946	3,269,128	27,384,146
Other assets	15	67,699	-	-	10,124	126,191	4,021	4,792	212,827
		85,339,629	**138,571**	**1,177,202**	**1,488,352**	**2,150,958**	**2,433,604**	**7,119,744**	**99,848,060**
Liabilities									
Outstanding claims	19b	3,381,367	-	-	366,383	-	40,791	59,062	3,847,602
Reinsurance Payables	20	445,607	-	-	-	-	-	-	445,607
Trade and other payables	21	1,540,531	-	-	-	-	-	-	1,540,531
		5,367,505	**-**	**-**	**366,383**	**-**	**40,791**	**59,062**	**5,833,740**
Net exposure		**79,972,124**	**138,571**	**1,177,202**	**1,121,969**	**2,150,958**	**2,392,813**	**7,060,682**	**94,014,320**

Notes to the financial statements (continued)

29. Financial instruments – fair values and risk management (continued)
(c) Financial ritsk management (continued)
(v). Market risk (continued)
Currency risk (continued)

31 December 2017

	Notes	United States Dollars	Pounds sterling	Euro	Cedis	Leones	Naira	Others	Total
The Group									
Assets									
Cash and cash equivalent	11	9,778,860	133,681	1,034,393	152,904	21,407	175,667	92,247	11,389,159
Financial assets	12	48,752,666	-	-	2,481,442	1,813,934	1,054,280	2,170,813	56,273,135
Reinsurance receivables	13	21,752,771	39,555	874,433	1,701,508	239,275	2,909,987	2,689,703	30,207,232
Other assets	15	303,730	-	-	53,122	85,038	2,541	7,141	451,572
		80,588,027	173,236	1,908,826	4,388,976	2,159,654	4,142,465	4,959,904	98,321,098
Liabilities									
Fund under management									
Outstanding claims	19b	681,493	-	-	2,444,241	-	-	-	3,062,734
Reinsurance Payables	20	3,493,869	-	-	406,033	-	806,590	2,099	4,708,591
Trade and other payables	21	1,019,542	-	-	-	-	-	-	1,019,542
		1,249,223	-	-	111,168	-	-	-	1,360,391
		6,381,127	-	-	2,961,442	-	806,590	2,099	10,151,258
Net exposure		74,206,900	173,236	1,908,826	1,427,534	2,159,654	3,335,875	4,957,805	88,169,840

Notes to the financial statements (continued)

29. Financial instruments – fair values and risk management (continued)
(c) Financial ritsk management (continued)
(v). Market risk (continued)
Currency risk (continued)

31 December 2017

	Notes	United States Dollars	Pounds sterling	Euro	Cedis	Leones	Naira	Others	Total
The Corporation									
Assets									
Cash and cash equivalent	11	9,778,860	133,681	1,034,393	75,826	21,407	175,667	92,247	11,312,081
Financial assets	12	48,429,799	-	-	60,836	1,813,934	1,054,280	2,170,813	53,529,662
Reinsurance receivables	13	21,752,771	39,555	874,433	1,701,508	239,275	2,909,987	2,689,703	30,207,232
Other assets	15	79,477	-	-	-	85,038	2,541	7,143	174,221
		80,040,929	173,236	1,908,826	1,838,169	2,159,654	4,142,475	4,959,906	95,223,196
Liabilities									
Outstanding claims	19b	3,493,869	-	-	406,033	-	806,590	2,099	4,708,591
Reinsurance Payables	20	1,019,542	-	-	-	-	-	-	1,019,542
Trade and other payables	21	1,249,223	-	-	-	-	-	-	1,249,223
		5,762,634	-	-	406,033	-	806,590	2,099	6,977,356
Net exposure		74,278,295	173,236	1,908,826	1,432,137	2,159,654	3,335,875	4,957,807	88,245,840

Notes to the financial statements (continued)

29. Financial instruments – fair values and 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. 2018	31 Dec. 2017	**31 Dec. 2018**	31 Dec. 2017
USD 1				
Euro	**0.8494**	0.8888	**0.8832**	0.8387
GBP	**0.7522**	0.7815	**0.7838**	0.7387
Cedi	**4.7052**	4.40	**4.8466**	4.56
Naira	**361.77**	327.39	**364**	359.50
Leone	**8389.96**	7,525.86	**8,400**	7,667.50

Sensitivity analysis

A reasonably possible strengthening (weakening) of the US Dollar, against all other currencies at 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 income and underwriting expenses.

	Profit or loss		Equity, net of tax	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
31 December 2018				
	117,720	(117,720)	**82,404**	(82,404)
Euro (10% movement)	**8,314**	(8,314)	**5,820**	(5,820)
GBP (6% movement)	**56,098**	(56,098)	**39,269**	(39,269)
Cedi (5% movement)	**263,209**	(263,209)	**184,247**	(184,247)
Naira (11% movement)	**215,096**	(215,096	**150,567**	150,567
Leone (10% movement)				
31 December 2017				
Euro (10% movement)	190,883	(190,883)	133,618	(133,618)
GBP (6% movement)	10,394	(10,394)	7,276	(7,276)
Cedi (5% movement)	71,607	(71,607)	50,125	(50,125)
Naira (11% movement)	366,946	(366,946)	256,862	(256,862)
Leone (10% movement)	215,965	(215,965)	151,176	(151,176)

Interest rate risk

Fixed interest rate financial instruments expose the Group to interest rate risk. The Group'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 Group's comprehensive income and shareholders' funds.

Management of interest rate risk

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

Notes to the financial statements (continued)

29. Financial instruments – fair values and risk management (continued)
(c) Financial risk management (continued)
(v) Market risk (continued)
Interest rate risk (continued)

Exposure to interest rate risk
The interest rate profile of the Group's interest-bearing financial instruments as reported by management is as follows.

Nominal amount

In United States Dollars	Group 2018	Corporation 2018	Restated Group 2017	Restated Company 2017
Fixed-rate instrument				
Financial assets	**69,911,275**	**52,215,783**	52,642,032	49,388,494

The Group 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 Group did not have any variable-rate instruments at the year-end (2017: Nil).

(g) Operational risk
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 Group's operations.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Group. This responsibility is supported by the development of overall Group 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.

30. Dividend

In respect of the year ended 31 December 2018 results, the Board of Directors proposed a dividend of US$0.0509 per share amounting to US$ 2.5 million to be paid to the existing shareholders as at 31 December 2018. 2017: Dividend of US$ 2.5 million

31. Capital commitment

There were no capital commitments at 31 December 2018 (2017: Nil).

32. Contingent liabilities

There were no contingent liabilities at 31 December 2018 (2017: Nil).

33. Restatement of 2017 comparative figures

The comparative figures of 2017 have been re-stated by an adjustment to the reported gross written premium, unearned premium, reinsurance receivables and other related accounts as shown below. The adjustment is a retrospective correction of accounting errors arising from the posting of premium income that was subsequently cancelled, but not correctly reversed and duplicated transactions. The errors occurred largely as a result of the teething problems encountered with new accounting software which effectively became operational for the 2017 financial year.

Since the identification of the issue, Management took the necessary steps of conducting a comprehensive review of the gross premium written since the new accounting software became operational, and is confident that all such errors have been identified, reversed, and the 2017 comparative figures restated accordingly. The respective processes and procedures of the accounting software is now very well understood by all concerned, and Management is confident that the issue will not reoccur, and will continue to proactively monitor the position.

The effect of the restatement on the financial statements is summarized below. There was no effect on the 2016 financial statements

In United States Dollars	Effect on 2017
Effect on the Statement of Comprehensive Income	
Decrease in gross written premium	6,284,181
Decrease in movement in unearned premium	(2,882,189)
Net decrease in earned premium previously	3,401,992
Decrease in related commission expenses	(895,465)
Net decrease in the net profit	2,506,527
Effect on the Statement of Financial Position	
Decrease in trade receivables	4,645,170
Decrease in deferred acquisition cost	743,546
Decrease in provision for unearned premium	(2,882,189)
	2,506,527
Decrease in retained earns	2,318,001
Decrease in contingency reserves	188,526
	2,506,527

Notes to the financial statements (continued)

34. Related party disclosure

The following transactions were carried out with related parties:

(a) Key management compensation

In United States Dollars	Group 2018	Company 2018	Restated Group 2017	Restated Company 2017
Salaries and other short-term employee benefits	723,534	723,534	714,332	714,332
	723,534	**723,534**	714,332	714,332
(b) Director's remuneration				
Director's remuneration paid during the year	300,000	300,000	205,000	205,000
	300,000	**300,000**	205,000	205,000

35. 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.

36. Basis of measurement

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.

37. Significant accounting polices

The Group 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:

37. Significant accounting polices (continued)

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Group 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 Group 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 Group 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.

Financial assets

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

(ii) Derecognition

Financial assets

The Group 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 Group 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

Notes to the financial statements (continued)

37. Significant accounting polices (continued)

(c) Financial assets and financial liabilities (continued)

(ii) Derecognition (continued)

(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 Group 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 Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group 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 Group 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 Group 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 Group 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 2018

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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group 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 Group 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.

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 Group 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

Notes to the financial statements (continued)

37. Significant accounting polices (continued)

(c) Financial assets and financial liabilities (continued)

(v) Fair value measurement (continued)

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 Group 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 Group 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 Group 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 2017
'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 Group 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 Group 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 Group, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

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 Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. Where the Group 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.

Notes to the financial statements (continued)

37. Significant accounting polices (continued)

(c) Financial assets and financial liabilities (continued)

(vi) Identification and measurement of impairment

At each reporting date the Group 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 Group, or economic conditions that correlate with defaults in the Group.

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.

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

Notes to the financial statements (continued)

37. Significant accounting polices (continued)

(c) Financial assets and financial liabilities (continued)

(vii) Designation at fair value through profit or loss

The Group 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.

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 Group 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.

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 Group 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 Group's management has the positive intention and ability to hold to maturity.

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

(ii) 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.

(iii) 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 Group 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 Group has also transferred substantially all risks and rewards of ownership.

(f) Investment property

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

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 Group'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 Group'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.

Notes to the financial statements (continued)

37. Significant accounting polices (continued)

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

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

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

The Group'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 contracts
A reinsurance contracts is a contract under which the Group 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 Group mainly compensates cedants of a portion of claims payable to primary policyholders for damage suffered to their properties or for the value of property lost or the loss of earnings caused by the inability of the primary policyholder to use the insured properties in their business activities (business interruption cover).

Personal accident reinsurance contracts 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.

Notes to the financial statements (continued)

37. Significant accounting polices (continued)

(j) Reinsurance contracts (continued)

(ii) Retrocession contracts held

Contracts entered into by the Group with retrocessionaires under which the Group 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 Group 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 Group of its obligation to its cedants. The Group 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 Group assesses its retrocession assets for impairment on a quarterly basis. If there is objective evidence that the retrocession asset is impaired, the Group reduces the carrying amount of the retrocession asset to its recoverable amount and recognises that impairment loss in the income statement. The Group 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.

(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 Group reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the statement of comprehensive income. The Group 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 Group'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 Group's short-term reinsurance business for the year subject to the higher of minimum paid-up capital or fifty percent of the net premium.

Notes to the financial statements (continued)

37. Significant accounting polices (continued)

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

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

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group'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 Group 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 Group 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 Group 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.

(p) Revenue recognition
Revenue is recognised as follows:

Revenue arising from underwriting and other related services offered by the Group 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.

Notes to the financial statements (continued)

37. Significant accounting polices (continued)

(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 Group's shareholders is recognised as a liability in the financial statements in the period for which the dividends are approved by the Group's shareholders.

38. New standards and interpretations not yet adopted

A number of new standards, and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however the Group has not early applied the following new or amended standards, in preparing these financial statements. Those that may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

New or amended standards	Summary of the requirements	Possible impact on the financial statements
IFRS 9 Financial Instruments	IFRS 9, published in July 2015, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018 generally, but with delayed effective date of 1 January 2021 for Reinsurance and Insurance entities. Early adoption is only permitted if IFRS 9 and IFRS 15 are also applied..	The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
IFRS 17 Insurance contracts	Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17: • Combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract; • Presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and • Requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied.	The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 17.

Notes to the financial statements (continued)

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

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

WAICA Re
WAICA REINSURANCE CORPORATION PLC
Surely Reinsured

www.waicare.com
info@waicare.com
waicareinsurance@waicare.com

Headquarters
30 Junction,
Hill Station,
Freetown, Sierra Leone

Telephone
+232 763 683 59 (SL)
+233 244 684 127 (Ghana)
+234 708 080 5555 (Nigeria)
+216 976 928 02 (Tunisia)
+225 773 173 61 (Ivory Coast)
+254 722 764 238 (Kenya)
+263 777 971 197 (Zimbabwe)

Fax
+232 22 226083

Website
waicareinsurance@waicare.com
info@waicare.com
www.waicare.com

WAICA Re
WAICA REINSURANCE CORPORATION PLC
Surely Reinsured