annual report
& financial statements
2012

Star Assurance
...your solid partner





Star Assurance

annual report and financial statements

2012

Content

CORPORATE INFORMATION

ABOUT US

Star Assurance is a privately owned Insurance Company incorporated in August 1984 to carry out corporate and retail insurance businesses in Ghana. It commenced business in April 1985.

Star which started business as a composite company had to hive off its life insurance operation by setting up a subsidiary company, StarLife Assurance, in compliance with the Insurance Law 2006, Act 724. Star Assurance consequently underwrites only general business products including Motor, Fire, Marine, Aviation, Accident, Travel Insurance etc.

Within Twenty-Seven (27) years of its operations, Star Assurance has emerged as the biggest indigenous private insurance enterprise in terms of assets and indeed among the first three insurance companies in Ghana in terms of premium income.

The Company has fifteen (15) branch offices in seven (7) out of the ten (10) regional capitals with the remaining three (3) serviced by our Agency offices. We therefore have representation in all the regions of Ghana.

The company is rated in the A category by Global Credit Rating of South Africa. Star Assurance is also a member of "Ghana Club 100"–a group of the top 100 blue chip companies in Ghana

VISION

The company was founded on a vision 'Partnering with you to be the definition of insurance and the creator of delightful experiences'.

MISSION

To optimize resources in order to give clients increased satisfaction, employees optimized human potential and shareholders maximum value.

The company intends to achieve this through:

- Making customer satisfaction our topmost priority.
- Providing a congenial work environment for our staff.
- Investing in the development of our staff and thereby boosting productivity.
- Motivating staff and commission sales representatives to strive for higher performance by providing the appropriate incentives.
- Providing innovative products to meet the changing needs and wants of the insuring public.
- Improving the company's productivity through computerization of its key business processes.

OUR PRODUCTS

Star Assurance offers a wide range of innovative general insurance products.
These include:

- Marine (Cargo and Hull)
- Travel
- Office Comprehensive
- Workmen's Compensation
- Personal Accident
- Bankers Indemnity
- Motor Insurance
- Erection All Risk
- Fire and Allied Perils
- Homeowners' Comprehensive
- Electronic Equipment Insurance
- Burglary (Theft)
- Contractors All Risk
- Fidelity Guarantee
- Money Insurance
- Plant All Risk
- Public Liability
- Contract & Customs Bonds
  - Bid Bond
  - Advance Mobilization
  - Performance Bond
  - CustomWarehousing Bond

CORPORATE INFORMATION

The Directors who held office during the year were as follows:

■ *Mr. Alexander G. Buabeng*	-	Chairman
■ *Mr. Kofi Duffuor*	-	Managing Director
■ *Mr. Samuel Kwaku Ocran*	-	Dep. Managing Director
■ *Ms. Boatemaa Panin Duffuor*	-	Executive Director
■ *Mr. A. K. Basoah*	-	Member
■ *Dr. Kwabena Duffuor II*	-	Member (Resigned in March 2013)
■ *Mr. Solomon Adiyiah*	-	Member
■ *Mrs. Juliana Asante*	-	Member

■ *Secretary:* Mr. Bernard Ahiafor

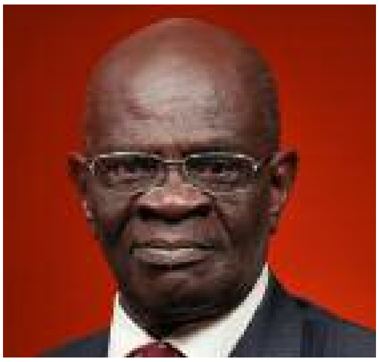
■ *Registered Office:* No. C551/4 Cola Street (Adjacent ATTC) Kokolemle,
P. O. Box 7532, Accra -North

■ *Solicitors:* Law Associates Inc. Tornado Chambers,
P. O. Box 01185, Christianborg, Accra

■ *Auditors:* PKF (Accountants & Business Advisers)

■ *Main Bankers:*
Barclays Bank of Ghana Limited
Ghana International Bank, England
NatWest Bank, England
uniBank Ghana Limited

CORPORATE INFORMATION
BOARD MEMBERS








1. Mr. Alexander G. Buabeng - Chairman
2. Mr. Kofi Duffuor - Managing Director
3. Mr. Samuel Kwaku Ocran - Deputy Managing Director
4. Ms. Boatemaa Panin Duffuor - Executive Director
5. Mr. A. K. Basoah - Member
6. Dr. Kwabena Duffuor (II) - Member (Resigned in March 2013)
7. Mr. Solomon Adiyiah - Member
8. Mrs Juliana Asante - Member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cutting edge insurance policies that give
you peace of mind and the power
to achieve your set goals
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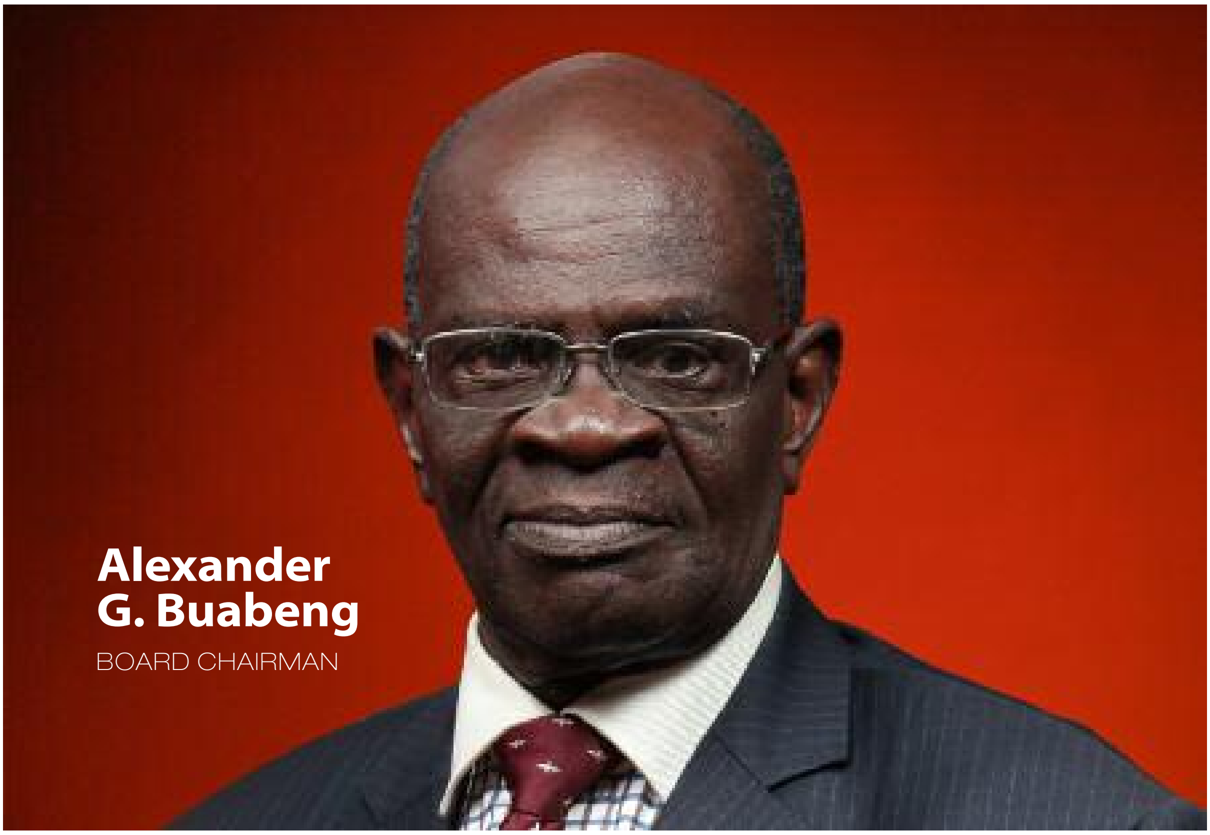


MESSAGE FROM
THE CHAIRMAN

Dear Shareholders,

On behalf of the Board of Directors of your esteem company, I wish to welcome you to this year's Annual General Meeting and to present to you the Annual Accounts and Financial Report of Star Assurance Company Limited for the year ended 2012.

Indeed, 2012 saw another remarkable performance and success in the management and operations of the company. The successes achieved were largely driven by the following;

- the EMPATHY we attach to our work
- the PASSION to succeed in the midst of competition
- the TRUSTWORTHINESS exhibited at every stage in the delivery of our work
- the PARTNERSHIP with all key stakeholders and supporting institutions
- the CREATIVITY, driven by strong motivation and rewards systems
- OUR VALUED CUSTOMERS, our respected clients are still the reason why we work hard to keep them at peace as we properly ensure their assets are protected and secured.

Corporate Governance

The Board of Directors, in the continuous review of the operations of the company and the direction of growth, have strengthened already existing corporate governance practices and system in place because of the pivotal role it plays in the sustenance and credibility of the company. Consequently, the Board has enhanced its committees which include:

- Finance Committee
- Audit Committee
- Information Technology Committee
- Strategy and Governance Committee
- Executive Management Committee

These Committees will in no doubt ensure that the Company's policies, systems and procedures are geared towards promoting corporate governance principles of accountability, transparency, integrity, robustness, fairness and social responsibility issues whilst we still maintain our key objective of maximizing a long term shareholder value.

Economic Review

Ghana remained an attractive destination for investments in the sub region in spite of the transition of government from John Atta-Mills led administration to John Mahama led administration after the demise of His Excellency Professor John Evans Atta-Mills in July 2012.

Ghana's economic output, the Gross Domestic Product, GDP for 2012 indicates the country experienced a growth rate of 7.1% out of an estimated target of 14.4%. Government explanation to this decline is that though there is a decline, it is not a sign of sluggish or stagnation in economic performance instead it is because the economy has doubled in the pace of four years due to the rebasing of the economy. This also led to fiscal record deficit of 12.1% of Gross Domestic Product as against a target deficit of 6.7%.

Inflationary pressures were subdued in 2012 as depicted by trends in consumer prices ending at 8.8% in December 2012.

The Bank of Ghana (BOG) Policy Rate was raised by 250 basis points from 12.5% to 15% in June and maintained as such for the rest of the year. The benchmark 91-day Treasury bill rose from 10.7% at the beginning of the year to close the year at 22.4%. The average monthly deposit rate also shot up from 7.8% to 12.5% in 2012 whilst lending rates declined marginally from 25.9% to 25.7% in the same period.

Despite the attractiveness of the economy, the Ghana Cedi depreciated against the US Dollar at a cumulative rate of 18% between January and August 2012 but slowed to 17.5% by the close of the year as a result of some policy measures taken by the BOG to restore stability.

Financial Performance

In order to make our financial statements more meaningful to our local and foreign partners and in compliance with regulatory directive, your company has adopted the International Financial Reporting Standards (IFRS) for the first time as is evident in the Financial Statements before you. We thank management for seeing to the smooth transition.

We also express our deepest gratitude to you, our shareholders, for accepting our recommendation to increase the company's Stated Capital by Six Million Ghana Cedis (GH¢6,000,000) through the issue of equity shares to boost our risk retention capacity.

The 2012 financial performance was in no doubt very impressive, indeed a reflection of the company's strong and resolute strategies being pursued over the years. The challenge now is to remain as the solid partner of choice to all our clients, continue to provide excellent products and service and also strive to be the number one topmost insurance company in Ghana from our current second position.

Our gross premium income shot up remarkably from GH¢35,066,187 in 2011 to GH¢54,993,524 in 2012 representing 56.83%. Net Premium income also shot up by 45% from GH¢20,325,719 in 2011 to GH¢28,986,884. Net Income recorded increased from GH¢25,501,792 to GH¢37,176,210 by 45.78% in the same period 2012.

Gross Claims expense went up by about 75% from GH¢4,984,987 in 2011 to GH¢8,701,776, thus an evidence of our commitment to be the insurance risk management partner and our promise to honour genuine claims payment.

Profit before taxation for the year recorded a tremendous increase of 120% from GH¢3,688,172 in 2011 to

GH¢8,112,874 in 2012 making profit after tax also recording a remarkable jump from GH¢2,482,981 to GH¢6,426,207. Total assets and Shareholders funds equally enjoyed increases over the past year by 43.47% and 89.65% respectively.

We continue to cherish and count on the support of our Reinsurers, Brokers and Agents. These continue to remain as our strategic partners as we seek to satisfy all the insurance needs of our customers. It is therefore not surprising that Star Assurance is currently the preferred insurer to a lot of our foreign partners.

Ladies and gentlemen, in order to maintain and sustain our strategic position in the industry, we do not recommend payment of dividend. We believe that the strong capital base being built would enable us increase our premium retention which in the long term would put us in a better position to declare appreciable dividends.

Outlook for 2013

Our outlook for 2013 is a rather ambitious but achievable one. This is primarily driven by the investments being rained into this country in the areas of capital infrastructure investments, services in support of these investments, growth in the economy in the area of business development and developments accruing from the discovery of the natural resources.

As a result, Star Assurance will continue to invest in its human capital base to enable us meet the demands and sophistications that the market would be challenged with. Our corporate brand still remains very strong but we hope to enhance this as we lift up our new ultra modern corporate head office.

Appreciation

Ladies and gentlemen, the nature and operations of our business is such that we always have to count on the loyalty of our cherished clients who continue to do business with us and are always confident that we stand with them as their solid partner to provide insurance protection at all times. Our dear clients we say ‘thank you’.

We also recognize the immense support and businesses from our esteemed intermediaries including our Brokers and Agents. Special appreciation also goes to our Reinsurers, both local and international for their continuous support and referrals to us. We thank you so much.

To our Shareholders and Founder, we promise to add more value to your equity. Thank you for your vision and directions to us. To the Executive Management and the entire staff, we have seen great and remarkable professionalism that you have attached to our work here at Star Assurance and we know that your dedication has really contributed to our mutual success. God bless you.

To my fellow colleagues on the Board, you have continued to show and proved that indeed you understand the business we are giving direction to and honestly am proud to be a part of you.

Thank you for your immense assistance and direction.

Thank you.

Alexander G. Buabeng
Board Chairman


HIGHLY INSURED

MESSAGE FROM
THE MANAGING DIRECTOR

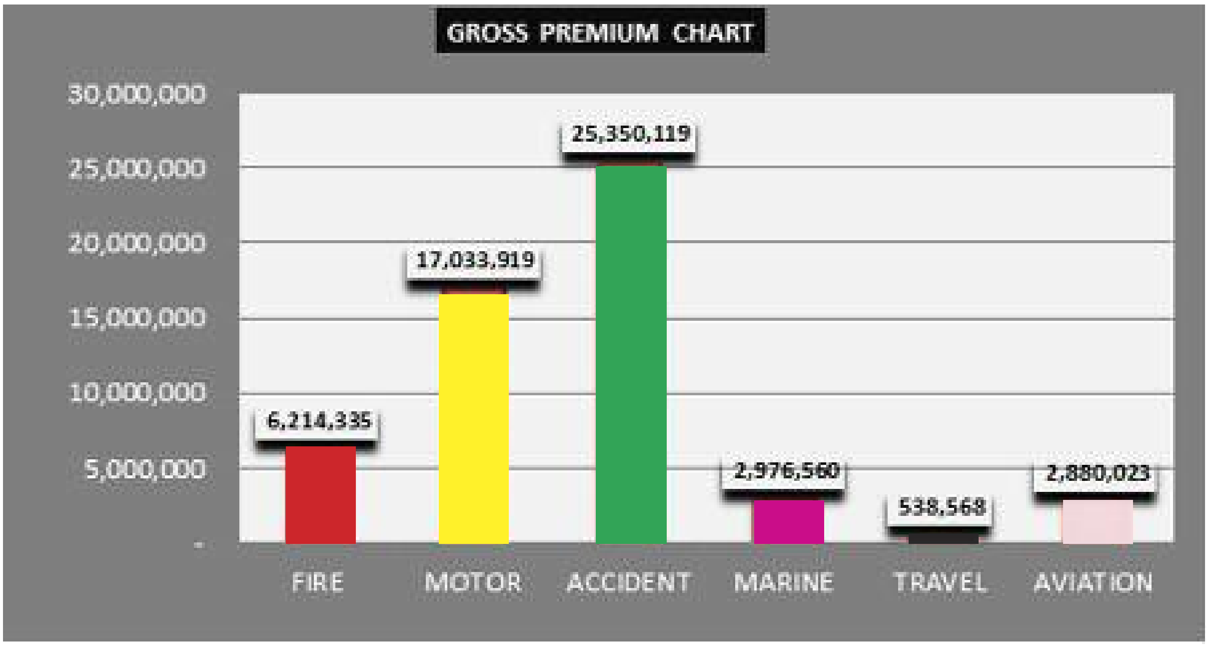
Distinguished Shareholders, ladies and gentlemen once again I have the greatest pleasure to report to you the performance of our operation in 2012. We started the year 2012 on a very good note as per our strategic plan and successfully managed to keep our heads up till the year ended. We were able to do this because our clients continued to show faith in us and could rely on our promises to keep them secured in the event of a loss.

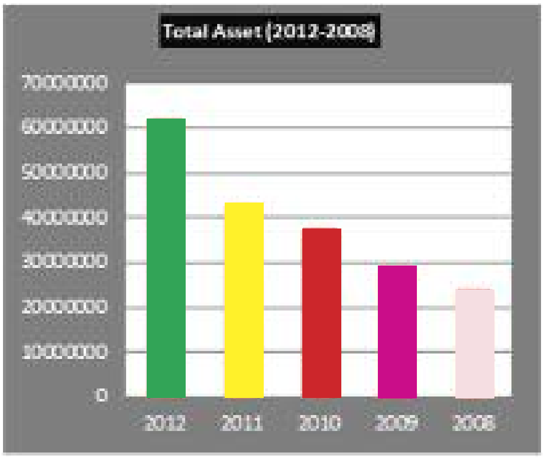
COMPANY PERFORMANCE

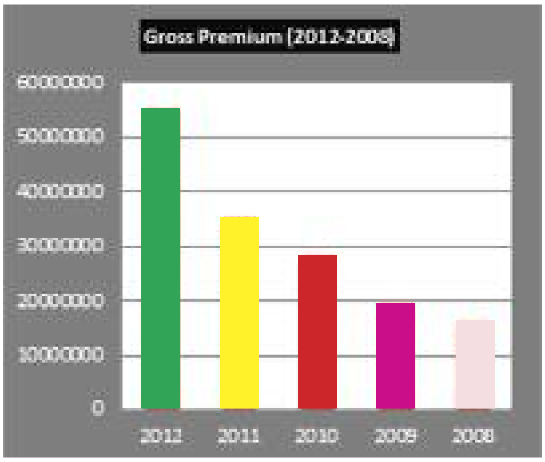
FIVE YEAR FINANACIAL SUMMARY	2012 GHC	2011 GHC	2010 GHC	2009 GHC	2008 GHC
Gross Premium	54,993,524	35,066,187	28,168,710	19,132,991	15,888,616
Net premium Earned	28,986,884	20,325,719	17,039,283	11,717,953	7,970,694
Underwriting Profit	4,122,600	1,656,739	3,275,940	318,066	1,464,951
Investment income	1,909,504	1,438,471	1,880,478	1,758,398	1,205,214
Net Profit Before Tax	8,112,874	3,688,172	5,828,001	2,119,481	2,915,508
Total Assets	61,666,997	42,981,799	37,294,131	28,865,306	23,656,818
Total Investments	32,825,797	21,755,186	21,101,624	14,672,926	12,939,019
Shareholders' Fund	25,745,571	13,575,604	11,224,812	7,599,923	7,070,546

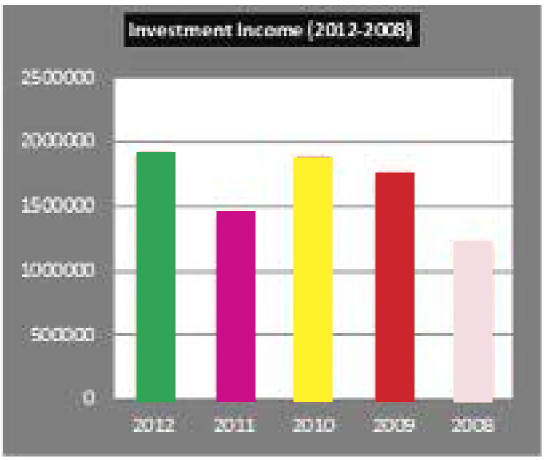
Another remarkable performance by Management and Staff of your company was the consistency in growth over the past years as tabled above.This in no doubt confirms that Star Assurance is indeed the preferred indigenous insurer and a proud one as such.

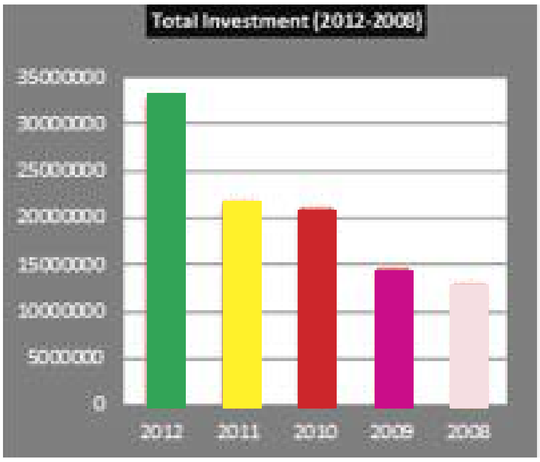
Gross premium shot up significantly by 56.8% from a record of GHC35, 066,187 in 2011 to a record of GHC54,993,524. As indicated on the table above, all the other parameters are showing positive gains and I believe it is commendable.











We continue to harness the bond of relationship between us, our Brokers and Sales Representatives as strategic partners to the success of our operations. This relationship has been enhanced such that we now have a Binding Agreement with some of our key brokers to underwrite business directly from the comfort of their offices on our behalf.

Currently, the binding agreement is being piloted by a few brokers from which, if successful, would be extended to other recommended brokers. In this agreement, Star Assurance seeks to authorize the Brokers to do direct underwriting while Star is directly responsible to the client. This program has so far yielded very positive results and we hope it will deepen our relationship with our brokers.

This project is one of the innovations and proactive moves that Star is always initiating as a market leader. Already, our two programs that we initiated last year, the Amadeus and the Default Insurance Programs are doing very well and growing in high demand.

Our market position in the past three years makes us the second largest premium income earner but from the ongoing growth trend and market support we are having, I sincerely hope that we will soon climb to the topmost position in a couple of years.

We are determined to remain focused and professional in all our dealings and with the able leadership of our Board of Directors, we will continue to work hard to improve on the gains we have already chalked.

I therefore wish to thank you all for your continued support and direction to the success of your cherished company.

Thank you all and may God bless us all.

Kofi Duffuor
Managing Director

DIRECTORS' REPORT

In accordance with the requirements of Section 132 of the Companies Code, we the Board of Directors of Star Assurance Company Limited, submit herewith our Annual Report on the state of affairs of the Company for the year ended 31 December, 2012.

	2012 GH¢	2011 GH¢
1. Account		
Insurance Premuim Revenue	**54,993,524**	35,066,187
Insurance premium ceded to reinsurers	**(26,006,640)**	(14,740,468)
Profit before Tax	**8,112,874**	3,688,172
Less Corporate tax provision of	**(1,686,667)**	(1,019,628)
And National Fiscal Stabilisation Levy	**0**	(185,563)
Leaving Net Profit after Tax of	**6,426,207**	2,482,981
which is to be added to the Income Surplus Account from the previous	**2,761,028**	4,048,156
years as adjusted with net IFRS adjustment at transition date of	**0**	1,109,327
making a total Income Surplus of from which are deducted	**9,187,235**	7,640,464
a transfer to Contingency Reserve of	**(1,649,806)**	(1,075,089)
a transfer to Stated capital of	**0**	(3,804,348)
Leaving a net balance on the Income Surplus Account which is carried to the Balance Sheet	**7,537,429**	2,761,028

2. Principal Activity
The principal activity of the Company during the year was in accordance with the Regulations of the Company. This represents no change from the activities carried out for the previous year.

3. Auditors
In accordance with Section 134(5) of the Companies Code, 1963 (Act 179), PKF will continue in office as auditors of the company.

4. Other Matters
The Directors confirm that no matters have arisen since 31 December, 2012 which materially affect the Financial Statements of the Company for the year ended on that date.

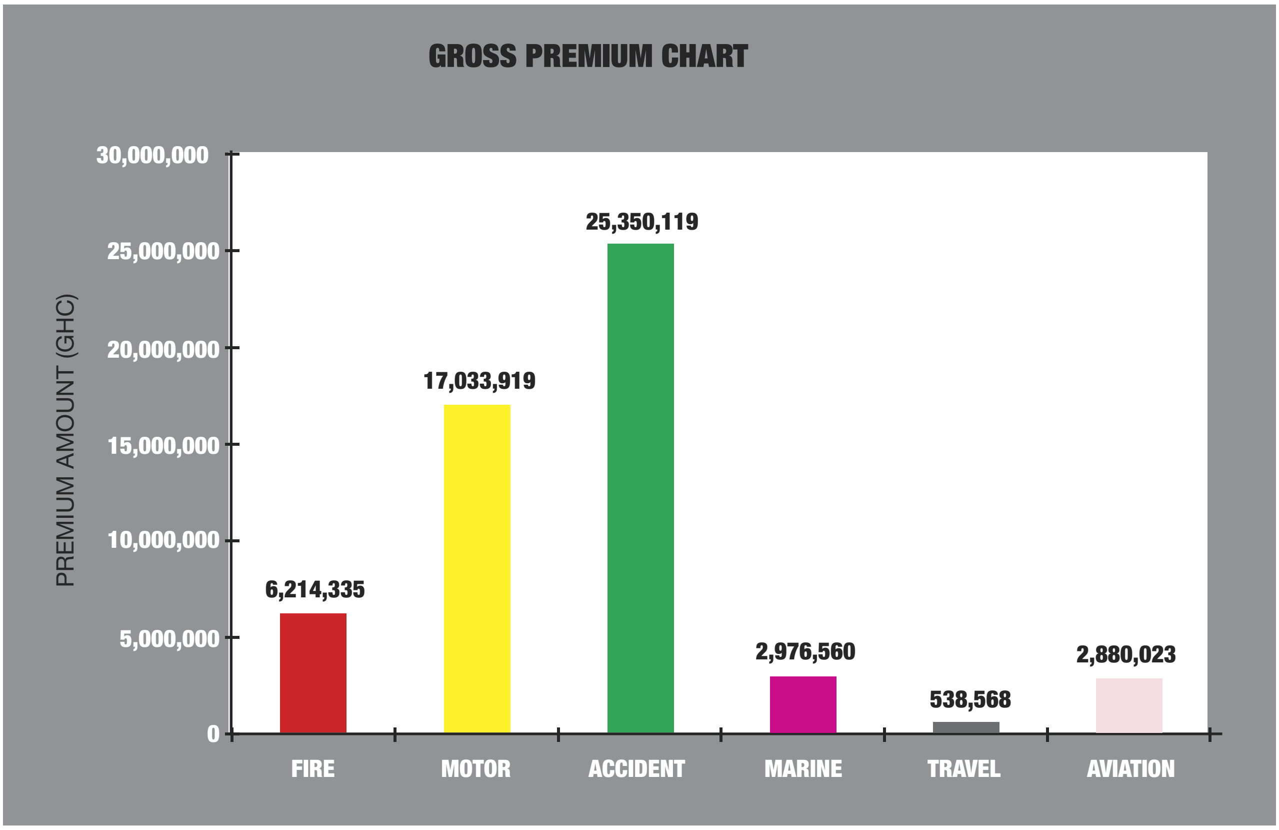
Board Chairman

Managing Director

Dated: 28th May 2013

FINANCIAL HIGHLIGHTS (SUMMARY)

POLICY TYPE	FIRE GH¢	MOTOR GH¢	ACCIDENT GH¢	MARINE GH¢	TRAVEL GH¢	AVIATION GH¢	TOTAL GH¢
Insurance premium revenue	6,214,335	17,033,919	25,350,119	2,976,560	538,568	2,880,023	**54,993,524**
Net Underwrting Income	6,027,335	17,618,577	9,280,457	450,315	368,836	297,398	**34,042,918**
Management Expenses	1,385,314	3,797,242	5,651,109	663,542	120,059	642,022	**12,259,287**
Underwriting Profit/(Loss)	423,889	5,047,467	(563,200)	(523,421)	157,767	(419,903)	**4,122,600**



EXECUTIVE MANAGEMENT

KOFI DUFFUOR
(Managing Director)

He had his insurance training in the United Kingdom and has been in the insurance industry for over twenty years. He is well oriented in marketing. He holds a Master of Business Administration degree in Entrepreneurial Management from the University of Ghana. He is a Chartered Insurer and a Fellow of the Insurance Institute (FCII) - UK. He is also a Fellow of the Insurance Institute of Ghana (FIIG). He is a member of the Executive Council of Ghana Insurers Association. He has attended several conferences and seminars at home and abroad in insurance management and financial management. Prior to his appointment as Managing Director in 2001, he was the General Manager in charge of Finance and Administration. He is currently the Board Chairman of WAICA Reinsurance Corporation PLC, headquartered in Freetown, Sierra Leone.

Samuel Ocran
(Deputy Managing Director)

He graduated from the School of Administration, University of Ghana with a BSc. Admin. (Insurance Option). He also holds a Master of Business Administration (Marketing Option) degree from the same University. He is a Chartered Insurer and a Fellow of the Chartered Insurance Institute (UK). He is a member of the Chartered Institute of Marketing (UK). Prior to joining Star Assurance Company Limited, he was with the prestigious African Reinsurance Corporation in Lagos, Nigeria. Mr. Ocran is also an adjunct lecturer in insurance at the University of Ghana Business School.

Boatemaa Panin Duffuor
(Executive Director)

She graduated from the University of Leicester, U.K. with a BA (Hons) in History and Politics. She also holds an Msc in Management and an Msc in Accounting and Finance from the University of Southampton. Miss Duffuor is a Chartered Insurer and an Associate member of the Chartered Insurance Institute, U.K. Miss Duffuor was employed as a Legal and Administrative Assistant in September 2001 and has risen through the ranks through her continuous dedication and commitment to excellent professional standards. In 2009 she was made the Executive Director.

Emmanuel Baiden
(General Manager - F&A)

He had his accountancy training from the Institute of Professional Studies, Legon. He is a Chartered Accountant and a member of the Institute of Chartered Accountants (Ghana). He also holds a Master's degree in Finance from the University of Ghana. He has several years of working experience. Before joining Star Assurance Company Limited, he had worked for Ghana Postal Services Company Limited, Ghana Commercial Bank and Akuaba Toys & Furniture Company . He has attended several seminars and conferences both in Ghana and Abroad on Finance and Insurance.

FUNCTIONAL HEADS

1.	Yaw Adom-Boateng	- Technical Operations
2.	Adelaide Dwomoh	- Office of the C.O.O.
3.	Henrietta Denanyoh	- Human Resource
4.	Bernard Ahiafor	- Legal
5.	Richard Adu Marfo	- Research, Reinsurance & Statistics
6.	Toni J.C Bakawu	- Information Technology
7.	Samuel Abrokwa	- Internal Audit
8.	Moses K. Atobrah	- Business Development
9.	William Larmie	- Credit Control
10.	Joseph Kwame Antwi	- Agency
11.	Justice Frank Offei	- Accounts
12.	Esther Baffour-Awuah	- Claims
13.	Eldon Moses Otu	- Northern Sector

INDEPENDENCE AUDITOR'S REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2012

PKF
Accountants & business advisers

Report on the Financial Statements

We have audited the accompanying financial statements of Star Assurance Company Limited which comprise the Statement of Financial Position as of December 31, 2012, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The 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 Code, 1963 (Act 179) and the Insurance Act, 2006 (Act 724). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Star Assurance Company Limited as of December 31, 2012, and of its financial performance and its cash flows for the year then ended and are in accordance with International Financial Reporting Standards and comply with the Companies Code, 1963 (Act 179) and the Insurance Act, 2006 (Act 724).

Report on Other Legal and Regulatory Requirements

The Companies Code, 1963, (Act 179) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) In our opinion proper books of accounts have been kept by the Company so far as appears from our ex amination of those books, and

iii) The Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income are in agreement with the books of accounts.

PKF

CHARTERED ACCOUNTANTS,
FARRAR AVENUE ACCRA
28th May 2013.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
AS AT 31 DECEMBER 2012

	Notes	2012 GH¢	2011 GH¢
Insurance premium revenue	5	**54,993,524**	35,066,187
Insurance premium ceded to reinsurers	5	**(26,006,640)**	(14,740,468)
Net Premium		**28,986,884**	20,325,719
Reinsurance commission	7	**2,664,283**	3,110,310
Investment income	8	**1,909,504**	1,438,471
Other Income	9	**3,615,539**	627,292
Net Income		**37,176,210**	25,501,792
Underwriting Expenses			
Commission Expense	10	**8,959,255**	6,038,411
Claims and loss adjustment expenses	11	**8,701,776**	4,984,987
Claims and loss adjustments expenses recovered		**(2,391,751)**	(317,935)
Net insurance expenses		**15,269,280**	10,705,463
Operating Expenses	12	**12,259,287**	9,511,943
Total Expenses		**27,528,567**	20,217,406
Results of operating activities		**9,647,643**	5,284,386
Finance cost	13	**(1,534,769)**	(1,596,214)
Profit before Taxation		**8,112,874**	3,688,172
Income tax expense	14	**(1,686,667)**	(1,019,628)
National Fiscal Stabilisation Levy	31	**0**	(185,563)
Profit for the year		**6,426,207**	2,482,981
Other Comprehensive Income			
Revaluation gain/(loss) on Available-for-sale assets	18	**72,320**	(54,470)
Total other Comprehensive Income		**72,320**	(54,470)
Total Comprehensive Income		**6,498,527**	2,428,511

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	2012 GH¢	2011 GH¢	1 JAN 2011 GH¢
Assets				
Property, Plant & Equipment	15	**1,011,585**	900,742	714,479
Intangible Assets	16	**445,650**	677,790	29,840
Investment Properties	17	**11,307,087**	6,405,058	7,884,838
Available-for-sale Equity Investments	18	**10,013,627**	3,941,307	3,956,777
Insurance Receivables	19	**23,352,116**	16,571,890	12,517,204
Loans and Receivables	20	**2,142,170**	2,135,908	2,107,685
Available-for-sale Debt Investment	21	**11,505,083**	11,408,821	9,260,009
Cash and Bank Balances	22	**1,889,679**	940,283	823,298
Total Assets		**61,666,997**	42,981,799	37,294,130
Equity and Liabilities				
Stated Capital	23	**12,235,000**	6,235,000	2,735,000
Available-for-sale Reserve	25	**157,796**	85,476	139,946
Contingency Reserve	26	**5,815,346**	4,165,540	3,090,451
Income Surplus	27	**7,537,429**	2,761,028	5,157,483
Total Equity		**25,745,571**	13,247,044	11,122,880
Liabilities				
Insurance Liability	28	**26,644,273**	19,214,747	18,041,748
Creditors and Accruals	30	**4,050,988**	5,001,851	3,305,933
Borrowings	32	**2,839,743**	3,331,120	2,457,485
Deferred tax liability	33	**816,552**	346,905	143,354
Taxation	14	**1,556,365**	1,535,227	1,912,536
National Fiscal Stabilisation Levy	31	**13,505**	304,905	310,194
Total Liabilities		**35,921,426**	29,734,755	26,171,250
Total Equity and Liabilities		**61,666,997**	42,981,799	37,294,130

Approved by the Board on

Board Chairman

Managing Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

2012	Stated Capital GH¢	Capital Surplus GH¢	Available-for-sale Reserve GH¢	Contingency Reserve GH¢	Income Surplus GH¢	Total GH¢
Balance at 1 January 2012	**6,235,000**	**0**	**85,476**	**4,165,540**	**2,761,028**	**13,247,044**
Comprehensive Income						
Profit for the year	0	0	0	0	6,426,207	6,426,207
Other comprehensive income						
Gains on Available-for-sale assets	0	0	72,320	0	0	72,320
Total other comprehensive income	**0**	**0**	**72,320**	**0**	**0**	**72,320**
Transaction with Equity holders						
Issue of shares for cash	6,000,000	0	0	0	0	6,000,000
Transfers within equity						
Transfer to / (from) Contingency reserve	0	0	0	1,649,806	(1,649,806)	0
Transfer to Stated Capital	0	0	0	0	0	0
Total transfers within equity	**0**	**0**	**0**	**1,649,806**	**(1,649,806)**	**0**
Balance at 31 December 2012	**12,235,000**	**0**	**157,796**	**5,815,346**	**7,537,429**	**25,745,571**

2011	Stated Capital GH¢	Capital Surplus GH¢	Available-for-sale Reserve GH¢	Contingency Reserve GH¢	Income Surplus GH¢	Total GH¢
Balance as at January 2011	**2,735,000**	**1,351,204**	**0**	**3,090,451**	**4,048,156**	**11,224,811**
Net IFRS adjustments	0	(1,351,204)	139,946	0	1,109,327	(101,931)
Revised Balance at 1 January 2011	**2,735,000**	**0**	**139,946**	**3,090,451**	**5,157,483**	**11,122,880**
Comprehensive Income						
Profit for the year	0	0	0	0	2,482,981	2,482,981
Other comprehensive income						
Gains on Available-for-sale assets	0	0	(54,470)	0	0	(54,470)
Total other comprehensive income	**0**	**0**	**(54,470)**	**0**	**0**	**(54,470)**
Transfers within equity						
Transfer to / (from) Contingency reserve	0	0	0	1,075,089	(1,075,089)	0
Transfer to Stated Capital	3,500,000	0	0	0	(3,804,348)	(304,348)
Total transfers within equity	**3,500,000**	**0**	**0**	**1,075,089**	**(4,879,437)**	**(304,348)**
Balance at 31 December 2011	**6,235,000**	**0**	**85,476**	**4,165,540**	**2,761,028**	**13,247,044**

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 GH¢	2011 GH¢
Reconciliation of Operating Income to Cash Flow			
from Operating Activities			
Profit before tax		**8,112,874**	3,688,172
Adjustments for:			
Depreciation Charges		**250,743**	165,803
Amortisation of Intangible Assets		**232,140**	193,661
Revaluation Gain on Investment Properties		**(3,060,279)**	0
Profit on Disposal		**0**	(616,713)
Investment Income		**(1,909,504)**	(1,438,471)
Interest Expense		**474,280**	224,817
Amortisation of Fees on Borrowings		**18,343**	23,080
Operating Profit before working capital changes		**4,118,597**	2,240,349
Increase in Insurance Receivables		**(6,780,226)**	(4,054,686)
Increase in Loans and Receivables		**(6,262)**	(28,223)
Increase in Insurance Liabilities		**7,429,526**	1,172,999
Increase in Creditors and Accruals		**(950,864)**	1,391,570
Cash Inflow from Operating Activities		**3,810,771**	722,009
Return on Investment and Servicing of Finance			
Investment Income		**1,909,504**	1,438,471
Taxation			
Corporate Tax Paid		**(1,195,882)**	(1,193,386)
National Fiscal Stabilisation Levy Paid		**(291,400)**	(190,852)
Net Cash Inflow from Operating Activities		**4,232,993**	776,242
Investing Activities			
Acquisition of Property and equipment		**(361,585)**	(352,066)
Proceeds from sale of Investment Property		**0**	2,143,275
Acquisition of Available-for-sale financial assets		**(6,000,000)**	(39,000)
Acquisition of Investment Property		**(1,841,750)**	(46,781)
Acquisition of Intangible Assets		**0**	(841,611)
Net cash flow from investing activities		**(8,203,335)**	863,817
Financing Activities			
Issue of Shares		**6,000,000**	0
Proceeds of borrowings		**0**	2,400,000
Repayment of borrowings		**(984,000)**	(1,774,262)
Net cash flow from financing activities		**5,016,000**	625,738
Increase in Cash and Cash Equivalents		**1,045,658**	2,265,797
Cash and Cash Equivalents at 1 January		**12,349,104**	10,083,307
Cash and Cash Equivalents at 31 December	35	**13,394,762**	12,349,104

1 General Information

1.1 Corporate information

Star Assurance Company Limited, a company limited by shares was incorporated in Ghana under the Companies Code, 1963 (Act 179) and the Insurance Act 2006 (Act 724). The company is permitted by its regulations to carry on, inter alia, the business of non-life insurance business, including fire, motor, general accident, marine, travel and aviation. The registered office of the company is No. C551/4 Cola Street (adjacent ATTC) Kokomlemle, Accra Ghana.

1.2 Statement of compliance

The financial statements have been prepared in accordance with all International Financial Reporting Standards, including International Accounting Standards and Interpretations issued by the International Accounting Standard Board and its Committees, as required by the Institute of Chartered Accountants (Ghana) and the National Insurance Commission.

1.3 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as defined by IAS 1. Additional information required by the Companies Code, 1963 (Act 179) and the Insurance Act, 2006 (724) are included where appropriate. They have been prepared on a historical cost basis except for the following assets and liabilities that are stated at their fair values: financial instruments that are fair value through profit or loss; financial instruments classified as available-for-sale; investment properties and property, plant and equipment. The financial statements are presented in Ghana Cedis (GH¢).

The company has applied the rules for first-time adoption of IFRSs as set out in IFRS 1, First-time Adoption of International Financial Reporting Standard. IFRS 1 requires the use of the same accounting policies in the IFRSs transition balance sheet and for all periods presented thereafter. These policies must comply with all IFRSs effective at the reporting date for the first financial reporting under IFRSs.

In general, for the first-time adoption, of IFRSs, the standards are applied retrospectively. However, IFRS 1 permits a number of optional exemptions as well as prohibiting retrospective application of other IFRSs.

The principal effect of changing from Ghana Accounting Standards to IFRSs, including reconciliations between the IFRSs and Ghana Accounting Standards financial information are set out in note 36 to these financial statements.

The financial statements for the year ending 31 December 2012, including restated comparative information for the year ended 31 December 2011 together constitute the first financial statements prepared in conformity with the IFRSs.

The following accounting standards, interpretations and amendments to published accounting standards that impact the operations of the Company were adopted:

IFRS 1 First-time Adoption of International Financial Reporting Standards
IFRS 4 Insurance Contracts
IFRS 7 Financial Instruments: Disclosures
IAS 1 Presentation of Financial Statements
IAS 2 Inventories
IAS 7 Statement of Cash Flows
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 Events after the Reporting Period
IAS 12 Income Taxes
IAS 16 Property, Plant and Equipment
IAS 17 Leases

IAS 18 Revenue
IAS 19 Employee Benefits
IAS 21 The Effects of Changes in Foreign Exchange Rates
IAS 23 Borrowing Costs
IAS 24 Related Party Disclosures
IAS 26 Accounting and Reporting by Retirement Benefit Plans
IAS 27 Consolidated and Separate Financial Statements
IAS 28 Investments in Associates
IAS 32 Financial Instruments: Presentation
IAS 33 Earnings per Share
IAS 36 Impairment of Assets
IAS 37 Provisions, Contingent Liabilities and Contingent Assets
IAS 39 Financial Instruments: Recognition and Measurement
IAS 40 Investment Property

2 Use of estimates and judgement

The preparation of financial statements in conformity with IFRSs requires Management to make judgement, certain critical accounting estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and the associated assumptions are based on historical experience and other factors that are reasonable under the circumstances, the results of which form the basis of making judgement about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.1 The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the company will ultimately pay for such claims. For example insurance contracts are sold out to different insured who are exposed to diverse insurance risks.

2.2 Impairment of available-for-sale financial assets

The company assesses at each reporting date whether there is objective evidence that available-for-sale financial assets are impaired and impairment loss determined when the fair value of the asset is significantly less than its carrying amount shown in the books of the company. This determination of what is significant requires judgement. In making this judgement, the company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

2.3 Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

3 Summary of significant accounting policies

The significant accounting policies adopted by Star Assurance Company Limited under the International Financial Reporting Standards (IFRSs) are set out below:

3.1 Revenue recognition

■ Insurance premium revenue

Premiums arising from insurance contracts 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 reporting date is reported as the unearned premium liability. Premiums are shown before the deduction of premium payable to reinsurers and commissions payable to intermediaries but exclude cancellations and refunds.

■ Commission income

Commission income consists primarily of reinsurance and profit commissions. Commission income is generally recognised on an accrual basis when the service has been provided.

■ Interest income

Interest income for financial assets that are not classified as fair value through profit or loss is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

■ Dividend income

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

■ Rental income

Rental income is recognised on an accrual basis.

3.2 Insurance contracts

The Company undertakes non-life insurance contracts. An insurance contract is a contract under which the Company accepts significant insurance risk from insured (policyholder) by agreeing to compensate the insured if an uncertain future event (the insured event) occurs. The insurance contracts are broadly categorised into casualty, property and personal accident.

Under casualty insurance contracts, the company protects the policyholders against claims for causing harm to third parties as a result of legitimate activities of the policyholders.

Property insurance contracts mainly compensate policyholders for damage suffered to their properties or for the value of property lost or for the loss of earnings caused by the inability of the policyholder to use the insured properties in their business activities (business interruption cover).

Under personal accident insurance contracts, the Company mainly compensates the policyholders for bodily injuries suffered by them or their family members or employees.

The major lines of businesses involved in the above categories are motor, fire, marine and aviation and other accidents.

Claims and loss adjustment recoveries

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation payable to claimants when the insured event occurs.

Claims incurred are expenses for the year which comprise; provision for claims reported during the year pending settlement; claims reported and settled in the year whether paid during the year or not; and a provision for claims incurred but not reported (IBNR).

Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed and include a provision for IBNR claims. IBNR claims are computed at 20% of outstanding claims at the end of the last preceding year.

Claims paid represent all payments made during the year, whether arising from events during that year or prior years.

Liability adequacy test of insurance liabilities

An insurance liability is insurer's net contractual obligations under an insurance contract. At each reporting date, the Company performs a liability adequacy test on its insurance liabilities less related deferred acquisitions costs and intangible assets to ensure that the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant investment returns. If that assessment shows that the carrying amount of the liability is inadequate, any deficiency is recognised as an expense to the statement of comprehensive income initially by writing off the intangible assets and subsequently by recognising an additional liability for claims provision or recognising a provision for unexpired risks.

At each reporting date, liability adequacy tests are performed to ensure the adequacy of all insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss.

In determining the adequacy of unearned premium, the liability adequacy test on unexpired risk premium is determined by computing the premium unearned on each policy at the reporting date. However, for line of businesses which are managed together, unexpired risk provision is assessed in aggregate.

Liability adequacy test in respect of claims is determined by taking the settled amount for each claim, agreed with the claimant. The sum insured is considered the best test for non-settled claims and 20% provision for estimated claims unreported at the reporting date.

Receivables and payables related to reinsurance contracts

Receivable and payables arising from insurance and reinsurance contracts are recognised when due and measured at amortised cost using the effective interest rate method. These include amounts due to and from agents, brokers, policyholders and reinsurers. The Company assesses at each reporting date, whether there is any objective evidence that insurance receivable is impaired. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the statement of comprehensive income. Receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after its initial recognition (a loss event) and that loss event has an impact on the estimated future cash flows which can be estimated reliably.

Salvage and subrogation

Some insurance contracts permit the Company to sell damaged property acquired in settling a claim known as salvage. The company assumes the right of ownership of the property after the related claim has been adjusted and settled to the mutual satisfaction of the company and the claimant.

Income from the salvage property is recognised at the point of sale. This is at the point where the inflow of the economic benefit embodiment becomes probable and can be measured reliably.

Under subrogation, the company may have the right to pursue third parties for payment of some or all cost of certain claims payable if it is proved beyond reasonable doubt that the third party caused the accident. Income from subrogation is recognised when the third party agrees to the amount recoverable or when a judgement is given in favour of the company.

3.3 Current taxation

The Company provides for income taxes at the current tax rates on its taxable profits. Current tax is the expected tax payable on the taxable income for the year, using tax rates (and laws) that have been enacted or substantially enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

3.4 Deferred taxation

Deferred tax is the amount of income tax (tax asset or tax liability) recoverable or payable in future periods in respect of taxable temporary differences. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.5 Property, plant and equipment

All items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes the purchase prices of items of property, plant and equipment and directly attributable cost of acquisition.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increase in the carrying amount arising on revaluation of asset is credited directly to equity under the heading of revaluation surplus. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. On the other hand, a decrease in the carrying amount of an asset as a result of a revaluation is recognised in profit or loss. However, a decrease is debited directly to equity under the heading of revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation gain on an asset recognised in revaluation reserve, net of any related deferred income tax, is transferred from the revaluation surplus to retained earnings only upon disposal of the asset.

Land is not depreciated. Depreciation on other assets is computed using the straight-line method to allocate the depreciable amounts over the assets' useful lives, at the following annual rates:

Motor Vehicle	**25%**
Furniture and equipments	**20%**
Library books	**20%**
Computer Hardware	**25%**
Freehold building	**5%**

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

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of assets is the greater of their net selling price and value in use. The impairment losses are recognised in the statement of comprehensive income.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount. These are included in profit or loss. When revalued assets are sold, the amount included in the revaluation surplus is transferred to income surplus.

3.6 Investment Properties

Investment properties are properties owned or leased by the Company which are held for long-term rental income and for capital appreciation other than properties held for use in the production or supply of service or for administrative purposes; or for sale in the ordinary course of business. Investment property is measured initially at its cost including transaction costs. The initial cost of a property interest held under a lease and classified as an investment property is the lower of the fair value of the property and the present value of the minimum lease payments. After initial recognition, the Company measures its investment properties using the fair value model with which investment properties are measured at values that reflect market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are recognised in profit or loss for the period in which they arise.

Transfers from investment properties are made when the Company commences owner-occupation or commences development with a view to sale. And transfers to investment properties are made when the Company ends owner-occupation or commences an operating lease to another party. When the Company transfers investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting in accordance with IAS 16 or IAS 2 is its fair value at the date of change in use. On the other hand when the Company transfers previously occupied property to investment property it applies IAS 16 up to the date of change in use. The Company treats any difference at that date between the carrying amount of the property in accordance with IAS 16 and its fair value in the same way as a revaluation in accordance with IAS 16.

Investment properties are derecognised and eliminated from the statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss (unless IAS 17 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.

3.7 Financial Assets and Financial Liabilities

Categorisation of financial assets and financial liabilities

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivable; available-for-sale financial assets; and held-to-maturity investments. Financial liabilities are classified as either held at fair value through profit or loss, or amortised cost. Management determines the categorisation of its financial assets and financial liabilities at initial recognition.

Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

Financial asset or liability at fair value through profit or loss is a financial asset or financial liability that meets either of the following conditions:

Held for trading

A financial asset or financial liability is classified as held for trading if it is: acquired or incurred principally for the purpose of selling or repurchasing in the near future; or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Designated at fair value through profit or loss
Upon initial recognition as financial asset or financial liability, it is designated by the Company as at fair value through profit or loss except for investments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Loans and receivables
Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated on initial recognition as available-for-sale and are held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Held-to-maturity investment
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

Initial recognition of financial assets and financial liabilities
The Company recognises a financial asset or financial liability on its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument subject to the provisions in respect of regular way purchases or sales of a financial asset which state that, 'a regular way purchase or sale of financial assets is recognised and derecognised using either trade date or settlement date accounting'.

Derecognition of financial assets and financial liabilities
Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or where the Company has transferred substantially all the risks and rewards of ownership. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset.

A financial liability (or part of a financial liability) is removed from the Company's statement of financial position when, and only when, it is extinguished – ie when the obligation specified in the contract is: discharged; cancelled; or expired.

Initial Measurement of Financial Assets and Financial Liabilities
When a financial asset or financial liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

When the Company uses settlement date accounting for an asset that is subsequently measured at cost or amortised cost, the asset is recognised initially at its fair value on the trade date.

Subsequent measurement of financial assets
After initial recognition, the Company measures financial assets, including derivatives that are assets, at their fair value, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets: loans and receivables, which shall be measured at amortised cost using the effective interest method; held-to-maturity investments, which shall be measured at amortised cost using the effective interest method; and investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

Subsequent measurement of financial liabilities
After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method, except for: financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that

are liabilities, are measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which are measured at cost; and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach.

Gains and losses

The Company recognises a gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship as follows: a gain or loss on a financial asset or financial liability classified as at fair value through profit or loss are recognised in profit or loss; a gain or loss on an available-for-sale financial asset are recognised directly in equity, through the statement of changes in equity except for impairment losses and foreign exchange gains and losses until the financial asset is derecognized, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss.

Interest calculated using effective interest method is recognised in profit or loss; dividends on an available-for-sale equity instrument are recognised in profit or loss when the Company's right to receive payment is established;

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Amortised cost measurement

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

Fair value measurement

The determination of fair values of quoted financial assets and financial liabilities in active markets are based on quoted market prices or dealer price quotations. If the market for a financial asset or a financial liability is not actively traded or unlisted security, the Company establishes fair value by using valuation techniques. These techniques include the use of arms' length transactions, discounted cash flow analysis, and valuation models and techniques commonly used by market participants.

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors that market participants take into account when entering into a transaction. Management believe that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value in the statement of financial position.

Offsetting

Financial assets and financial liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company 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.

Income and expense are presented on the net basis only when permitted by the accounting standards or interpretation, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events may have caused the impairment. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

i. financial difficulty of the issuer or the obligor;
ii. a breach of contract, such as a default or delinquency in interest or principal payment;

iii. the lender (the Company), for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Company would not otherwise consider;

iv. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

v. the disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including:

a. adverse changes in the payment status of borrowers in the group (eg an increased number of delayed payments); or

b. national or local economic conditions that correlate with defaults in the group (eg an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil companies, or adverse changes in the industry conditions that affect the borrowers in the group).

A provision for credit losses is established if there is objective evidence that the Company will be unable to collect all amounts due on a claim according to the original contractual term.

An allowance for credit loss is reported as a reduction in carrying value of a claim on the statement of financial position, whereas for an off-balance sheet item such as a commitment, a provision for credit loss is reported in other liabilities. Additions to provisions for credit losses are made through credit loss expense.

Provision for credit losses is based on the following principles:
Counterparty-specific – A claim is considered as a loss when management determines that it is probable that the Company will not be able to collect all amounts due according to the original contractual terms.

Individual credit exposures are evaluated based on the borrower's character, overall financial condition, resources and payment record, prospects of support from financially responsible guarantor and cash collaterals.

An impaired asset refers to an asset where there is no longer reasonable assurance of timely collection of the full amount of principal and interest due to deterioration in the credit quality of the counterparty. An asset is impaired if the estimated recoverable amount of an asset is less than its carrying amount shown in the books of the Company. Impairment is measured and a provision for credit losses is established for the difference between the carrying amount and its estimated recoverable value.

Estimated recoverable amount is measured by discounting the expected future cash flows at the effective interest rate inherent in the asset. When the amount and timing of future cash flows cannot be estimated with reasonable reliability, estimated, recoverable amounts may be measured at either:

- The fair value of any security underlying the assets, net of expected costs of recovery and any amount legally required to be paid to the borrowers; or

- Observable market prices for the assets.

Upon impairment the accrual of interest income based on the original terms of the claim is discontinued until the

asset has been written down to its estimated recoverable amount. Interest income thereafter is recognised.
A write-off is made when all or part of a claim is deemed uncollectible or forgiven. Write-offs are charged against previously established allowances for credit losses or directly to credit loss expense and reduce the principal amount of a claim.

3.8 Investments

Investments are recognised on a trade date basis and are classified as held-to-maturity or available-for-sale. Investments with fixed maturity dates, where management has both the intent and ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in the market, are classified as available-for-sale.

Investments are initially measured at cost. Available-for-sale investments are subsequently re-measured at fair value based on quoted prices. Fair values for unlisted securities are estimated using market values of the underlying securities or appropriate valuation methods.

Held-to-maturity investments are carried at amortised cost less any provision for impairment. Amortised cost is calculated on the effective interest method.

3.9 Cash and cash equivalents

For the purposes of statement of cash flows cash and cash equivalents include cash, non-restricted balances with banks and other financial institutions, short-term highly liquid investments maturing in three months or less from the date of acquisition and bank overdrafts.

3.10 Dividends distribution on ordinary shares

Dividends on ordinary shares distributed to the Company's shareholders are recognised in the statement of changes in equity as owner changes in equity in the period in which such dividends are approved by the shareholders.

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events notes.
Interim dividends are recognised when paid.

3.11 Translation of foreign currencies

The Company's functional currency is the Ghana Cedi. In preparing the statement of financial position of the Company, transactions in currencies other than Ghana Cedis are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in shareholders' equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in the shareholders' equity.

3.12 Leases

Leases are tested to determine whether the lease is finance or operating lease and treated accordingly.

Finance leases - leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at inception of the lease at the lower of the fair value of the lease property, plant and equipment and the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included on other long term borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases – leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Rentals payable under operating leases are charged to income statement on a straight- line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into operating lease are also spread on a straight-line basis over the lease term.

3.13 Provision

Provisions for restructuring costs, legal claims and similar events are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

3.14 Financial guarantee

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the term of a debt instrument.

Financial guarantees are initially recognised at fair value, and the fair value is amortised over the life of the financial guarantee. The financial guarantees are subsequently carried at the higher of the amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as non-current liabilities where the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3.16 Inventories

Inventory is stated at the lower of cost or net realisable value. Costs of inventories includes, the purchase price, and related cost of acquisition. The cost of inventory is determined using weighted average cost formula.

3.17 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets other than 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 assets recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication 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 assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.18 Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate fund and has no legal or contractual obligation to pay further contributions if the fund does not hold sufficient asset to pay all employee benefits relating to employee service in the current and prior periods.

Obligation for contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income when they are due.

Short-term benefits

Short-term employee benefits are amount payable to employees that fall due wholly within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term employee benefits are recognised as an expense in the period when the economic benefit is given, as an employment cost. Unpaid short-term employee benefits as at the end of the accounting period are recognised as an accrued expense and any short-term benefit paid in advance are recognised as prepayment to the extent that it will lead to a future cash refund a reduction in future cash payment.

Wages and salaries payable to employees are recognised as an expense in the statement of comprehensive income at gross. The Company's contribution to social security fund is also charged as an expense.

Termination Benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptance can be estimated reliably.

3.19 Events after the reporting date

The Company adjusts the amounts recognised in its financial statements to reflect events that provide evidence of conditions that existed at the reporting date.

Where there are material events that are indicative of conditions that arose after the reporting date, the Company discloses, by way of note, the nature of the event and the estimate of its financial effect, or a statement that such an estimate cannot be made.

3.20 Stated capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. All shares are issued at no par value.

3.21 Contingency reserve

In accordance with the industry's legal and regulatory frameworks, a contingency reserve is established and maintained in respect of each class of reinsurance business, to cover fluctuations in securities and variations in statistical estimates. The Company maintains contingency reserve which is not less than 3% of the total premiums or 20% of the net profits whichever is the greater and such amount shall accumulate until it reaches the minimum paid-up capital or 50% of the net premiums whichever is the greater.

3.22 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring it to usable stage. These costs are amortised over their estimated useful lives. The current computer software acquired is amortised over ten (10) years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads

3.23 New standards and interpretation not yet adopted

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not yet applied in preparing these financial statements. Standards applicable to financial statements beginning on or after 1 January 2013 are disclosed as follows:

New Standards

i. IFRS 9 – Financial Instruments
ii. IFRS 10 – Consolidated Financial Statements
iii. IFRS 11 – Joint Arrangements
iv. IFRS 12 – Disclosure of Interests in other Entities
iv. IFRS 13 – Fair Value Measurement

Revised Standards

i. IAS 19 Employee Benefits
ii. IAS 27 Consolidated and Separate Financial Statements
iii. IAS 28 Investments in Associates

New Interpretation

i. IFRIC 20

4 Management of insurance and financial risks

The Company has exposure to the following risks from its underwriting activities and financial instruments:

i. Insurance risk
ii. Financial risks, namely: credit risk; liquidity risk; market risk; and operational risk.

This note presents information about the Company's exposure to each of the risks, the Company's objective, policies and processes for identifying, evaluating and mitigating such risks.

The Board is ultimately responsible for the Company's risk management, and through its Sub-Committee on risk management has put in place:

4.1 Insurance and financial risk management framework

The Board of Directors has formally established an Enterprise Risk Management (ERM) framework with the aim of enabling management to effectively identify, evaluate and mitigate existing and emerging risks which can potentially prevent the company's ability to maximize stakeholders' value and achieve its business objectives. The framework establishes a culture of continuously strengthening the risk management processes by institutionalizing the elements of risk management into the flow of business processes which cascades into a dedicated Central Risk Management function.

i. Corporate strategic objectives to which management should align its risk management processes;
ii. The company's risk appetite and risk tolerance limits; and
iii. Executive Management Committee (EMC) on risk under the Chairmanship of the Managing Director .
iv. Risk Management Department (RMD).
iv. Internal Audit
v. Credit Control

The company's risk governance structure consists of four main levels, namely the Board of Directors through its Sub-Committee on risk and audit, EMC on risk, Risk Management Department and Operational Units. At the third level are also Investment Team, Information Technology (IT) Strategy Committee and Audit and Investigation. The Board of Directors is responsible for setting the tone for risk management by:

i. Approving the business objective of the Company;
ii. Approving the ERM framework; and
iii. Giving directives to management on the basis of its decisions on risk management.

4 Management of insurance and financial risks (continued)

The EMC reports to the Board of Directors through the Board Sub-Committee on risk. The EMC is responsible for drawing up the ERM framework for the Boards approval. It also exercises oversight role on the risk management functions by ensuring that the Board's risk directives are adhered to.

The roles of the RMD include:

i. Review effectiveness of the risk management process throughout the company,
ii. Report directly to both the DMD and Board Sub Committee on Risk and Audit,
iii. Facilitate communication within the operational units on common risk issues,
iv. Conduct risk assessment workshops to deepen the awareness of the need to assess risk and more importantly to manage risks in the company,
iv. Roll out a 3 year business plan balancing opportunities and risks, and
v. Develop an underwriting directive manual with periodic reports to all stakeholders depicting among others areas like retention per risk, accumulation, underwriting limits, recoveries, tolerance limits, categorization of risk detailing basis to use i.e. sum insured probable maximum loss, estimated maximum loss, unacceptable risks etc.

The Internal Audit and Investigation also examines and expresses their opinion on the adequacy and compliance of risk control processes and makes recommendation for improvement.

The company's risks are assessed and reported on both quantitative and qualitative bases for control and decision making purposes.

4.2 Insurance risk

Insurance risk arises from claims and underwriting profit experience being adversely different from those anticipated in the premiums rating and reinsurance programme. The insurance risks under any insurance 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 Company faces under its insurance contracts is that the actual claims and benefits payments may exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims payments are greater than estimated. When accepting risks, the Company strictly follows its underwriting directive manual as well as the principle of professionalism and prudence.

To mitigate the uncertainty of timing and amount of claims liability, the Company identifies, assesses and manages certain potential risks such as mispricing, inadequate policy data, inadequate or ambiguous policy wordings, failure in claim settlement procedure, accumulation (insuring same event through various policyholders), inadequate reserving etc. To manage such risks effectively, adequate control mechanisms specifically designed to address each risk are spelt out in the company's ERM programme.

Further mitigating measure taken by the company is to hedge against its risk by entering into reinsurance arrangements under facultative and treaty with reputable reinsurance companies. The reinsurance arrangements do not relieve the Company of its obligation to the policyholders. Hence if the reinsurer default on their obligations to the Company, this risk mitigation measure would be ineffective. As a result, the Company ensures that the financial conditions of reinsurers are reviewed annually and placements are carefully made with companies who are financially sound, credible and experienced in the industry.

The Underwriting Department further ensures that the Company is not exposed to concentration risk. The Department does this by identifying the various clientele segments within the insurance industry and their unique risk levels and assigning acceptable maximum loss to each segment. Among other criteria, this guides the Company to identify risks that should be ceded to reinsurers, retained or rejected entirely. The following table discloses the concentration of insurance liabilities by industry sector in which the policyholders operate and by the maximum insured loss limit (gross and net of reinsurance) that may arise from in-force insurance contracts if the loss event occurs.

4.2.1 Maximum Insured Loss

As at 31 December 2012

	Fire	Motor	Accident	Marine	Travel	Aviation	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
By currency:							
Ghana Cedi	1,070,849,949	249,684,870	891,015,612	0	13,135,000	0	2,224,685,431
US Dollar	1,111,282,885	167,137,244	11,974,765,576	149,068,800	3,224,754	1,024,389,000	14,429,868,259
GB Pound	1,006,200	327,600	144,646	0	0	0	1,478,446
Euro	14,411,245	4,255,236	14,169,067	0	0	0	32,835,548
	2,197,550,280	421,404,950	12,880,094,901	149,068,800	16,359,754	1,024,389,000	16,688,867,684
By geographical area:							
Head office	1,920,002,319	283,745,541	12,505,707,604	149,068,800	11,808,754	1,024,389,000	15,894,722,018
Branches	277,547,961	137,659,409	374,387,297	0	4,551,000	0	794,145,667
	2,197,550,280	421,404,950	12,880,094,901	149,068,800	16,359,754	1,024,389,000	16,688,867,684

4.2.2 Claims development table

The table below shows the development of claims settled over a period of 7 years on gross basis. The first colum of each year shows the amount settled in the loss year and the subsequent colum(s) show(s) the cumulative amount settled. The amounts are stated in Ghana Cedis.

Loss year	Management of Development						
	12	24	36	48	60	72	84
2006	264,245	605,008	1,023,465	1,386,727	1,544,696	1,633,096	1,669,296
2007	697,340	1,638,468	2,132,238	2,538,117	2,747,519	2,791,128	
2008	838,456	1,842,945	2,373,058	2,766,590	2,917,170		
2009	1,776,662	3,731,936	4,644,566	4,949,687			
2010	1,677,976	3,607,990	4,381,698				
2011	3,002,837	7,107,364					
2012	2,674,391						

4.3 Financial risk

In its normal course of business, the Company uses primary and secondary financial instruments such as cash and cash equivalents, equity securities, corporate and government debt securities, and receivables. These instruments expose the Company to financial risks such as credit risk, liquidity risk, market risk, and operational risk.

4.3.1 Credit Risk

Credit risk is the risk of financial loss to the Company if policyholders, intermediaries and reinsurers or counterparties to insurance asset or financial instrument fail to meet their contractual obligations.

The Company assesses the credit risk profile of the above parties and counterparties and limit its exposures to certain corporate entities, individuals or a group of them. Such risks are regularly reviewed by the RMD and limits on the level of credit risk reviewed and approved by the Board of Directors through its Sub-Committee on Risk Management.

The objectives of the Credit Control Department include daily monitoring of cash inflows from premium receivable from retail, corporate and broker clients.

A portfolio impairment provisions is held to cover the inherent risk of losses, which although not identified, are known through experience to be present in any asset portfolio. The portfolio impairment provision is set with reference to the past experience and judgmental factors such as the economic environment and the trends in key portfolio indicators.

Set out below is an analysis of various credit exposures of insurance assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired:

Insurance assets that are neither past due nor impaired, past due but not impaired and impaired are summarised as follows:

	Receivables arising from direct insurance contracts		Receivables arising from reinsurance contracts	
	2012 GH¢	**2011 GH¢**	**2012 GH¢**	**2011 GH¢**
Neither past due nor impaired	**12,048,222**	4,252,739	**4,317,098**	4,680,686
Past due but not impaired	**6,986,796**	7,638,465	**0**	0
Impaired	**1,199,998**	900,000	**0**	0
Gross	**20,235,016**	12,791,204	**4,317,098**	4,680,686
Less impairement loss	**1,199,998**	900,000	**0**	0
Net	**19,035,018**	11,891,204	**4,317,098**	4,680,686

Insurance assets past due but not impaired are analysed as follows

	Receivables arising from direct insurance contracts		Receivables arising from reinsurance contracts	
	2012 GH¢	**2011 GH¢**	**2012 GH¢**	**2011 GH¢**
Up to 30 days	**1,418,513**	905,769	**777,078**	2,695,902
31 to 60 days	**2,627,409**	854,916	**1,640,497**	77,587
61 to 90 days	**3,572,972**	2,492,054	**906,591**	84,086
Over 90 days	**11,416,124**	7,638,465	**992,932**	1,823,110
	19,035,018	11,891,204	**4,317,098**	4,680,685

4.3.2 Liquidity risk

Liquidity risk is the possibility of the Company not being able to meet its financial obligations as and when they fall due. This could arise if it is difficult to convert other assets to cash, or when there are unexpected large claim obligation or when there is a serious timing mismatch between cash collection and disbursement or when there is a decline in cash in-flow due to reduced premium production coupled with high commitment cost.

It is the policy of the Company to maintain adequate liquidity at all times, and for all currencies so as to be in a position to meet all obligations (including claims payments) as and when they fall. The Company is also committed to increasing annual productivity by attracting and retaining mutually profitable clients. Again, the Company strictly follows the solvency regulatory framework drawn up by the National Insurance Commission (NIC) which has the objective of, among others, ensuring appropriate asset spread, good yield, and safety of the investments of insurance companies as well as ensuring appropriate asset liability matching.

4.3.3 Market risk

The Company recognises market risk as the exposure created by potential changes in market prices and rates. The Company is exposed to market risk arising principally from client driven financial transactions, and investing activities.

Market risk is governed by the Company's EMC subject to the Board of directors' approval of policies, procedures and levels of risk appetite. The EMC provides market risk oversight and guidance on policy setting. Policies cover both the trading and non-trading books of the Company.

The RMD also approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and currency concentrations where appropriate.

4.3.4 Foreign exchange exposure

The Company's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange exposures are principally derived from client driven transactions. Most of the company's transactions are denominated in US Dollars, Euros and Pound Sterling in addition to the Cedi. Though the company does not hedge foreign exchange exposure, it monitors constantly the assets and liabilities denominated in foreign currencies to address any mismatch as and when it occurs. Concentration of foreign currency denominated assets and liabilities are disclosed below.

Currency exposure at year-end in cedi-equivalents of the following major foreign currencies at 31 December 2012:

	USD GH¢	GBP GH¢	Euro GH¢	Total GH¢
Assets				
Due from contract holders	11,648,444	179	293,491	11,942,114
Due from reinsurers	1,221,385	3,654	33,600	1,258,639
Cash & cash equivalents	977,685	55,037	59,544	1,092,266
Available For Sale Investment in Equity	54,000	0	0	54,000
Investment Properties	0	654,244	0	654,244
	13,901,514	713,114	386,635	15,001,263
Liabilities				
Due to reinsurers	4,715,550	266,159	73,418	5,055,127
	4,715,550	266,159	73,418	5,055,127

Sensitivity analysis

The Company used 21% average rate of change in foreign exchange to demonstrate the effect of changes in foreign exchange rates on profit after tax and shareholders' fund. At the reporting date, the Company's sensitivity to a 21% increase and decrease in the cedi against the three major trading currencies is analysed below:

	2012 GH¢	Scenario 1 21% increase GH¢	Scenario 2 21% decrease GH¢
Profit after tax	6,387,411	1,341,356	(1,341,356)
Shareholders' fund	25,706,775	1,341,356	(1,341,356)

The Company's assets denominated in foreign currencies far outweigh its foreign currency denominated liabilities. So it tends to gain on foreign exchange when exchange rates increase. From the above scenarios, if management takes no actions, increase in exchange rates by 21% would increase profit after tax for the year and shareholders' fund by GH¢1,341,356, while a decrease in exchange rates by 21% would decrease profit after tax for the year and shareholders' fund by the same amount.

4.3.5 Interest rate exposure

The Company's interest rate exposure arises from investments with fixed maturities such as corporate and government debt securities reported at fair value. Changes in interest rate will have an immediate effect on the

Company's comprehensive income and the shareholders' fund. The Company's approach to managing interest rate risk is the maintenance of highly liquid short-term investment portfolio. The Company monitors the investment portfolio closely to redirect investments to investment vehicles with high returns.

4.3.6 Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people and systems, or from external events. The Company seeks to ensure that key operational risks are identified and managed in a timely and effective manner. The ultimate responsibility of operational risk management rests with the Board of Directors. It is the Board's oversight responsibility to ensure that there is an effective and integrated Operational Risk Management framework with clearly defined roles and responsibilities. The Internal Audit Department constantly monitors the company's internal processes, people and systems to ascertain its effectiveness to address its operational needs such as the effectiveness of management in identification of operational risks, estimation of the significance of the risks, assessment of the likelihood of the occurrence of such risks, and actions taken to manage them.

4.3.7 Capital Management

The company's objectives when managing capital which is broader concept than the equity on the statement of financial position are:

i. To comply with the capital and solvency requirements as set out in the Insurance Act 2006 (Act 724);

ii. To provide adequate returns by pricing insurance and investment contracts in commensuration with risks assumed;

iii. To guarantee the company's ability to operate as a going concern and continually provide returns to shareholders and benefit to other stakeholders.

The Insurance Act 2006 (724) requires non-life insurance companies to hold a minimum level of paid up capital of US$1.0 million. It also requires non-life insurance companies to maintain solvency margin with which the company's assets must be at least 150% of its liability at all times.

Management monitors the company's capital adequacy and solvency margin regularly to ensure their continuous compliance.

The company's paid up capital at the end of the year was GH¢12,235,000 (2011 - GH¢6,235,000). The table below shows the summary of solvency margin of the company at the year-end.

	2012	2011
Total Assets (GH¢)	61,666,997	42,981,799
Total Liabilities (GH¢)	35,960,222	29,734,755
Solvency Ratio	**171%**	145%

5. Operating segment

Performance analysis of reportable segment regularly provided for decision making and reconciliation of total reportable segment revenues, profit or loss to corresponding amount in the financial statements:

2012	Fire	Motor	Accident	Marine	Travel	Aviation	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Underwriting Income							
Insurance premium revenue	6,214,335	17,033,919	25,350,119	2,976,560	538,568	2,880,023	**54,993,524**
Insurance premium ceded to reinsurers	(1,844,045)	(698,018)	(17,784,820)	(2,775,706)	(195,809)	(2,708,242)	**(26,006,640)**
Net insurance premium revenue	4,370,290	16,335,901	7,565,299	200,854	342,759	171,781	**28,986,884**
Ceding commission earned	536,028	121,305	1,605,795	249,461	26,077	125,617	**2,664,283**
Claims and loss adjustments recovered	1,121,017	1,161,371	109,363	0	0	0	**2,391,751**
Net underwriting income	6,027,335	17,618,577	9,280,457	450,315	368,836	297,398	**34,042,918**
Underwriting Expenses							
Agency commission incurred	2,167,534	2,839,978	3,527,689	308,171	40,604	75,279	**8,959,255**
Claims and loss adjustment expense	2,050,598	5,933,890	664,859	2,023	50,406	0	**8,701,776**
Management Expenses	1,385,314	3,797,242	5,651,109	663,542	120,059	642,022	**12,259,287**
	5,603,446	12,571,110	9,843,657	973,736	211,069	717,301	**29,920,318**
Underwriting Profit / (Loss)	423,889	5,047,467	(563,200)	(523,421)	157,767	(419,903)	**4,122,600**
Investment income	0	0	0	0	0	0	**1,909,504**
Other Income	0	0	0	0	0	0	**3,615,539**
Finance Cost	0	0	0	0	0	0	**(1,534,769)**
Profit before tax	423,889	5,047,467	(563,200)	(523,421)	157,767	(419,903)	**8,112,874**

Operating segment Continued

2011	Fire GH¢	Motor GH¢	Accident GH¢	Marine GH¢	Travel GH¢	Aviation GH¢	Total GH¢
Underwriting Income							
Insurance premium revenue	6,094,993	14,588,285	11,731,018	1,313,546	372,374	965,971	**35,066,187**
Insurance premium ceded to reinsurers	(4,864,857)	(1,448,527)	(6,130,540)	(1,287,247)	(70,752)	(938,545)	**(14,740,468)**
Net insurance premium revenue	1,230,136	13,139,758	5,600,478	26,299	301,622	27,426	**20,325,719**
Ceding commission earned	847,587	149,113	1,697,519	204,918	0	211,173	**3,110,310**
Claims and loss adjustments recovered	84,945	74,843	158,147	0	0	0	**317,935**
Net underwriting income	2,162,668	13,363,714	7,456,144	231,217	301,622	238,599	**23,753,964**
Underwriting Expenses							
Agency commission incurred	1,471,336	2,711,137	1,535,412	72,559	25,014	222,953	**6,038,411**
Claims and loss adjustment expense	232,015	4,447,935	299,145	0	5,892	0	**4,984,987**
Management Expenses	1,653,309	3,957,172	3,182,119	356,308	101,009	262,026	**9,511,943**
	3,356,660	11,116,244	5,016,676	428,867	131,915	484,979	**20,535,341**
Underwriting Profit / (Loss)	(1,193,992)	(2,247,470)	(2,439,468)	(197,650)	(169,707)	(246,380)	**(3,218,623)**
Investment income	0	0	0	0	0	0	**1,438,471**
Other Income	0	0	0	0	0	0	**627,292**
Finance Cost	0	0	0	0	0	0	**(1,596,214)**
Profit before tax	0	0	0	0	0	0	**3,688,172**

6. The gross premium income (including direct and reinsurance), a portion ceded out and the portion retained are analysed in the main lines of the Company's business as follows:

2012	Direct premium income GH¢	Adjustment in un-earned premium GH¢	Reinsurance income GH¢	Gross premium income GH¢	Reinsurance cost GH¢	Total GH¢
Fire	**8,093,104**	**(2,243,146)**	**364,377**	**6,214,335**	**(1,844,045)**	**4,370,290**
Motor	**18,484,085**	**(1,672,428)**	**222,262**	**17,033,919**	**(698,018)**	**16,335,901**
Accident	**27,263,790**	**(2,214,726)**	**301,055**	**25,350,119**	**(17,784,820)**	**7,565,299**
Marine	**3,434,738**	**(458,178)**	**0**	**2,976,560**	**(2,775,706)**	**200,854**
Travel	**631,060**	**(92,492)**	**0**	**538,568**	**(195,809)**	**342,759**
Aviation	**2,988,574**	**(108,551)**	**0**	**2,880,023**	**(2,708,242)**	**171,781**
	60,895,351	**(6,789,521)**	**887,694**	**54,993,524**	**(26,006,640)**	**28,986,884**
2011						
Fire	5,994,271	(398,530)	499,252	6,094,993	(4,864,857)	1,230,136
Motor	15,526,533	(1,152,065)	213,817	14,588,285	(1,448,527)	13,139,758
Accident	10,460,610	(742,066)	528,342	11,731,018	(6,130,540)	5,600,478
Marine	1,326,100	(21,829)	9,275	1,313,546	(1,287,247)	26,299
Travel	300,465	(71,909)	0	372,374	(70,752)	301,622
Aviation	977,651	(11,680)	0	965,971	(938,545)	27,426
	34,585,630	(770,129)	1,250,686	35,066,187	(14,740,468)	20,325,719

	2012 GH¢	2011 GH¢
7. Reinsurance commission		
Fire	**536,028**	847,587
Motor	**121,305**	149,113
Accident	**1,605,795**	1,697,519
Marine	**249,461**	204,918
Travel	**26,077**	0
Aviation	**125,617**	211,173
	2,664,283	3,110,310
8. Investment Income		
Interest on Short Term Investments	**1,848,444**	1,390,346
Dividends on Listed Equities	**28,507**	21,491
Interest on Staff Loan	**32,553**	26,634
	1,909,504	1,438,471
9. Other Income		
Investment Properties Revaluation Gain	**3,060,279**	0
Profit on Disposal	**0**	616,713
Premium Recoveries	**377,649**	10,579
DIP Registration Fees Income	**23,910**	0
Exchange Gain	**153,701**	0
	3,615,539	627,292

10. Commision Expense

	2012 GH¢	2011 GH¢
Fire	**2,167,534**	1,471,336
Motor	**2,839,978**	2,711,137
Accident	**3,527,689**	1,535,412
Marine	**308,171**	72,559
Travel	**40,604**	25,014
Aviation	**75,279**	222,953
	8,959,255	6,038,411

11. Cliams Loss Adjustment Expense

	Gross GH¢	Reinsurance GH¢	Net GH¢
2012			
Increase in liabilities arising from current year	8,701,776	(2,391,751)	**6,310,025**
Increase / Decrease in liabilities arising from prior years	0	0	0
	8,701,776	**(2,391,751)**	**6,310,025**
2011			
Increase in liabilities arising from current year	4,984,987	(317,935)	**4,667,052**
Increase / Decrease in liabilities arising from prior years	0	0	0
	4,984,987	**(317,935)**	**4,667,052**

12. Operating Expense

These include:

	2012 GH¢	2011 GH¢
Auditors' Remuneration	**24,798**	19,838
Directors' Remuneration	**90,379**	38,425
Depreciation	**250,743**	165,803
Donations	**66,116**	45,714

13. Finance Cost

	2012 GH¢	2011 GH¢
Interest on borrowing	**492,623**	503,202
Lease Rental	**974,291**	887,547
Finance charges	**67,855**	205,465
	1,534,769	1,596,214

14. Taxation

		2012 GH¢	2011 GH¢
14.1	**Income tax expense**		
	Current tax (See note 14.3)	**1,217,020**	816,077
	Deferred tax charge/(credit) (See note 33)	**469,647**	203,551
		1,686,667	1,019,628

14.2 Reconciliation of Effective Tax

The tax charge based on the Company's profit before tax differs from the hypothetical amount that would arise using the statutory income tax rate. This is explained as follows:

	2012 GH¢	2011 GH¢
Profit before taxation	**8,112,874**	3,688,172
Tax at applicable tax rate at 25% (2011: 25%)	**2,028,219**	922,043
Tax impact of non-deductible expenses	**89,634**	82,569
Tax impact of non-chargeable income	**(818,760)**	(166,210)
Tax impact of capital allowances	**(82,072)**	(116,290)
Capital gains tax at 15%	**0**	92,499
Tax rebates	**0**	(37,329)
Deferred Tax	**469,647**	203,551
Income Tax Expense	**1,686,668**	980,833
Effective tax rate	**21%**	27%

14.3 Company Income Tax

Year of Assessment	Balance at 1 Jan. Ghc	Payments and credits Ghc	Charge for the year Ghc	Balance at 31 Dec. Ghc
Capital Gains Tax	800	0	0	800
Interest Withholding Tax	(10,478)	0	0	(10,478)
Rent Income	31,400	0	0	31,400
Corporate Tax 2009	353,515	0	0	353,515
Corporate Tax 2010	1,537,821	0	0	1,537,821
Corporate Tax 2011	(377,831)	0	0	(377,831)
Corporate Tax 2012	0	(1,195,882)	1,217,020	21,138
	1,535,227	(1,195,882)	1,217,020	1,556,365

15. Property, Plant & Equipment

Cost/Revaluation	Land and Buildings Gh¢	Motor Vehicles Gh¢	Office Furn. & Equipment Gh¢	Bungalow Furn. & Equipment Gh¢	Computer Hardware Gh¢	Library Books Gh¢	Total Gh¢
Balance at 01/01/12	582,655	296,774	154,035	130,412	130,669	1,368	1,295,913
Additions	0	272,010	28,092	21,463	40,020	0	361,585
Balance at 31/12/12	**582,655**	**568,784**	**182,127**	**151,875**	**170,689**	**1,368**	**1,657,498**
Depreciation							
Balance at 01/01/12	87,204	140,508	44,588	81,912	39,592	1,367	395,171
Charge for the year	11,500	136,570	36,425	23,575	42,672	0	250,742
Balance at 31/12/12	**98,704**	**277,078**	**81,013**	**105,487**	**82,264**	**1,367**	**645,913**
Carrying Amount							
At 31/12/12	**483,951**	**291,706**	**101,114**	**46,388**	**88,425**	**1**	**1,011,585**
At 31/12/11	495,451	156,266	109,447	48,500	91,077	1	900,742

Earlier valuation of property, plant and equipments which is broadly comparable to fair value has been used as deemed cost at the transition date.

15. Property, Plant & Equipment (Continued)

Cost/Revaluation	Land and Buildings Gh¢	Motor Vehicles Gh¢	Office Furn. & Equipment Gh¢	Bungalow Furn. & Equipment Gh¢	Computer Hardware Gh¢	Library Books Gh¢	Total Gh¢
Balance at 01/01/11	582,655	138,208	68,907	125,011	27,698	1,368	943,847
Additions	0	158,566	85,128	5,401	102,971	0	352,066
Balance at 31/12/11	**582,655**	**296,774**	**154,035**	**130,412**	**130,669**	**1,368**	**1,295,913**
Depreciation							
Balance at 01/01/11	75,704	71,940	13,781	59,651	6,925	1,367	229,368
Charge for the year	11,500	68,568	30,807	22,261	32,667	0	165,803
Balance at 31/12/11	**87,204**	**140,508**	**44,588**	**81,912**	**39,592**	**1,367**	**395,171**
Carrying Amount							
At 31/12/11	**495,451**	**156,266**	**109,447**	**48,500**	**91,077**	**1**	**900,742**
At 31/12/10	506,951	66,268	55,126	65,360	20,773	1	714,479

16. Intangible Assets

	2012	2011
	Gh¢	Gh¢

Cost	**Computer software licences GH¢**	**Refurbishment expenditure GH¢**	**Totall GH¢**
Balance at 1 January 2011	210,269	0	**210,269**
Additions	726,172	115,439	**841,611**
Balance at 31 December 2011	936,441	115,439	**1,051,880**
Movements in 2012:			
Additions	0	0	**0**
Balance at 31 December 2012	936,441	115,439	**1,051,880**
Accumulated amortisation and impairment:			
Balance at 1 January 2011	180,429	0	**180,429**
Amortisation and impairment during the year	155,181	38,480	**193,661**
Balance at 31 December 2011	335,610	38,480	**374,090**
Movements in 2012:			
Amortisation and impairment during the year	155,181	76,959	**232,140**
Balance at 31 December 2012	490,791	115,439	**606,230**
Carrying amount at 31 December 2012	**445,650**	**0**	**445,650**
Carrying amount at 31 December 2011	600,831	76,959	677,790

17. Investment Property

	2012	2011
Balance at 1 January	**6,405,058**	7,884,838
Revaluation	**3,060,279**	0
Disposal	**0**	(1,526,561)
Acquisitions	**1,841,750**	46,781
Balance at 31 December	**11,307,087**	6,405,058

The revaluation surplus arose on the valuation of Plot number 26, 6th Avenue, Ridge (Asylum Down) Accra, and Plot number 2 Old Bekwai Road, Kumasi, on 20 and 21 December 2012 on the basis of comparative method of valuation.These revaluations were done by Assenta Property Consulting (International Property and Development Consultant, Valuers and Property Managers), House No. D564/4 Kojo Thompson Road, Adabraka.

There was a revaluation of Investment Property in November 2010. This revaluation which is broadly comparable to fair value has been used as deemed cost at the transition date.

18. Available-For-Sale Equity Investments

	2012		2011
	Gh¢		Gh¢
	Listed Equity Securities Gh¢	Unlisted Equity Securities Gh¢	Total Gh¢
Balance at 1 January 2011	498,969	3,457,808	3,956,777
Changes in 2011:			
Delisted	(18,508)	0	(18,508)
Acquisition	0	57,508	57,508
Revaluation	(54,470)	0	(54,470)
Balance at 31 December 2011	425,991	3,515,316	3,941,307
Changes in 2012:			
Delisted			0
Acquisition	0	6,000,000	6,000,000
Revaluation	72,320	0	72,320
Balance at 31 December 2012	**498,311**	**9,515,316**	**10,013,627**

Unlisted Securities

Unlisted securities comprise equity holdings by the Company in other companies resident in Ghana and are 100% Ghanaian owned. The Company's holdings at the year end detailed in Note 34.2.

19. Insurance Receivables

Amount due from contract holders less impairment allowance	**19,035,018**	11,891,204
Amount due from reinsurers	**4,317,098**	4,680,686
Less impairment of amount due from reinsurers	**0**	0
Gross amount less bad debts written off	**23,352,116**	16,571,890

20. Loans And Receivables

Staff Debtors	**751,416**	662,115
Sundry Debtors	**583,571**	621,750
Directors' Account	**190,671**	190,671
Prepayments & Deposits	**616,512**	661,372
	2,142,170	2,135,908

a. The maximum amount owed by staff to the Company did not at any time during the year exceed Gh¢751,416 (2011 - Gh¢662,115).

b. Prepayments represent the unexpired portion of certain expenditure spread on time basis.

		2012 Gh¢	2011 Gh¢
21	Available-For-Sale Debt Investments		
	Government Securities	**454,101**	385,190
	Fixed Deposits	**10,814,898**	10,808,360
	Statutory Deposit	**236,084**	215,271
		11,505,083	11,408,821
22	Cash And Bank Balances		
	Cash on Hand	**74,210**	119,170
	Cash at Bank	**1,815,469**	821,113
		1,889,679	940,283

		2012 No. of Shares ('Million)	2011 No. of Shares ('Million)
23.	**Stated Capital**		
23.1	**Authorised Ordinary Shares of no par value.**	**100,000**	100,000
23.2	**Issued Ordinary Shares of no par value fully paid for**	**1,895**	1,895

	Number of shares	GH¢	Number of shares	GH¢
Balance at 1 January	**1,895,000,000**	**6,235,000**	1,895,000,000	6,235,000
Issued of shares	**0**	**6,000,000**	0	0
Bonus issue	**0**	**0**	0	0
	1,895,000,000	**12,235,000**	1,895,000,000	6,235,000

Other disclosures required by the Companies Code.

		Proceeds Gh¢		Proceeds Gh¢
Issue for Cash	**1,895,000,000**	**7,982,626**	1,895,000,000	1,982,626
Issue Other than Cash Consideration	**0**	**92**	0	92
Transfer from Income Surplus	**0**	**4,252,282**	0	4,252,282
	1,895,000,000	**12,235,000**	1,895,000,000	6,235,000

There is no unpaid liability on any share and there are no shares in treasury.

24. Capital Surplus

Balance at 1 January	0	1,351,204
IFRS adjustment to transfer gains to Income Surplus and Available-for-sale Reserve	0	(1,351,204)
Revaluation of Equity Investment	0	0
Revaluation of Investment Properties	0	0
Balance at 31 December	0	0

25. Available-For-Sale Reserve

Balance at 1 January	**85,476**	0
IFRS adjustment to transfer gains from Capital Surplus	**0**	139,946
Revaluation of Equity Investments	**72,320**	(54,470)
Balance at 31 December	**157,796**	85,476

26. Contingency Reserves

This represents amount set aside as undistributable reserve fund from Income Surplus annually in accordance with the Insurance Act, 2006 (Act 724). Amount set aside as undistributable reserve represents amount not less than 3% of the total premiums or 20% of the net profits whichever is the greater, and such amount shall accumulate until it reaches the minimum paid-up capital or 50% of the net premiums whichever is the greater. Movement during the year is set out in Statement of Changes in Equity.

27. Income Surplus

This represents accumulated residual profit available for distribution to the shareholders. Movement during the year is set out in Statement of Changes in Equity.

28. Insurance Liabilities

	2012 Gh¢	2011 Gh¢
Total claims liability	**4,026,354**	2,886,446
Unearned premium reserve	**16,297,092**	9,507,570
Amount due to reinsurers	**6,320,827**	6,820,731
	26,644,273	19,214,747

Movement in total claims liability

	Gross GH¢	Reinsurance GH¢	Net GH¢
2012			
Settled claims	10,145,687	(2,391,750)	**7,753,936**
Reported but unsettled	493,895	0	**493,895**
Incurred but not reported	453,945	0	**453,945**
Balance at 1 January	11,093,527	(2,391,750)	**8,701,776**
Cash paid during the year	(7,964,534)	402,664	**(7,561,870)**
Increase in liabilities arising from current year	2,886,446	0	**2,886,446**
Increase / Decrease in liabilities arising from prior year	0	0	**0**
Balance at 31 December	6,015,438	(1,989,086)	**4,026,352**
Settled but not paid claims	3,291,767	(1,989,086)	**1,302,681**
Reported but unsettled	2,269,728	0	**2,269,728**
Incurred but not reported	453,945	0	**453,945**
Balance at 31 December	6,015,440	(1,989,086)	**4,026,354**

28. Insurance Liabilities (Continued)

2011	Gross GH¢	Reinsurance GH¢	Net GH¢
Settled claims	4,220,850	(317,955)	3,902,895
Reported but unsettled	0	0	0
Incurred but not reported	0	0	0
Balance at 1 January	4,220,850	(317,955)	3,902,895
Cash paid during the year	(5,683,501)	0	(5,683,501)
Increase in liabilities arising from current year	4,667,052	0	4,667,052
Increase in liabilities arising from prior year	0	0	0
Balance at 31 December	3,204,401	(317,955)	2,886,446

29. Provision For Unearned Premium

Balance at 1 January	**9,507,570**	8,737,441
Additional Provision	**6,789,522**	770,129
Balance at 31 December	**16,297,092**	9,507,570

30. Creditors And Accruals

Commission Payable	**3,033,117**	4,274,131
Sundry Creditors	**379,462**	390,627
Accruals	**88,865**	32,746
Witholding Tax	**549,544**	304,347
	4,050,988	5,001,851

31. National Fiscal Stabilization Levy

Year of Assessment	Balance at 1 Jan. '11 Ghç	Payments during the year Ghç	Charge for the year Ghç	Balance at 31 Dec. '11 Ghç
	18,794	0	0	18,794
2009	291,400	0	0	291,400
2010	(5,289)	0	0	(5,289)
2011	0	(291,400)	0	(291,400)
2012	304,905	(291,400)	0	13,505

This is a levy of 5% of accounting profit before tax for the year. This is payable to the Commissioner of Internal Revenue Service under the National Fiscal Stabilization Levy Act, 2009 (Act 785).

32. Borrowings

	2012 GH¢	2011 GH¢
Bank loan	**817,644**	739,120
Commercial paper	**2,020,500**	2,592,000
	2,838,144	3,331,120
Due within one year	**2,839,743**	3,110,576
Due after one year	**0**	220,544
Movement in borrowing is as follows:		
Balance at 1 January	**3,331,120**	2,457,485
Draw down	**0**	2,400,000
Repayment	**(984,000)**	(1,774,262)
Interest outstanding	**474,280**	224,817
Amortisation of borrowing fees	**16,744**	23,080
Balance at 31 December	**2,838,144**	3,331,120

This represents loan of GH¢1.8 million and GH¢1.5 million obtained from Databank and uniBank Ghana Limited respectively. Interest rates are 24.5% and 14.5% per annum respectively. Securities are legal mortgage over landed property, lien over a fixed deposit and joint and several guarantee of the Directors of the Company.

33. Deferred Tax

		2012 GH¢	2011 GH¢
33.1	**The movement on the deferred tax account is as follows:**		
	Balance at 1 January	**346,905**	143,354
	Origination / reversal of temporary differences:		
	recognised in the income statement	**469,647**	203,551
	recognised in equity	**0**	0
	Balance at 31 December	**816,552**	346,905

		2012 GH¢	2011 GH¢
33.2	**Recognised Deferred Tax Liabilities and Assets are as follows:**		
	Deferred Tax Liabilities		
	Accelerated tax depreciation	**175,821**	165,216
	Revaluation of Property	**0**	0
	Revaluation of Investment Property	**640,731**	181,689
	Available-for sale financial assets	**0**	0
		816,551	346,905
	Deferred Tax Assets	**0**	0
	Deferred Tax Liabilities	**816,551**	346,905
	Net Deferred Tax Assets	**816,551**	346,905

33. Deferred Tax (Continued)

		2012 Gh¢	2011 Gh¢
33.3	**The deferred tax charge / (credit) in the statement of**		
	Accelerated tax depreciation	**10,605**	82,425
	Revaluation of Investment Property	**459,042**	121,126
		469,647	203,551

34. Related Party Transactions

Transactions carried out during the year with related parties as well as outstanding balances at the re porting date are as follows:

34.1	**Directors and Employees:**		
	Balances of loans and advances at the end of the year were:		
	Staff Debtors	**751,416**	662,115
	Directors' Account	**190,671**	190,671
		942,087	852,786

34.2 Associate Companies

The available-for-sale unlisted equities include holdings in related companies resident in Ghana. The company's holding at the year end were:

- **i.** StarLife Assurance Company Limited 28% (2011 - 28%)
- **ii.** Intergrated Properties Limited 54% (2011 - 54%)
- **iii.** uniBank Ghana Limited (Equity Investment) 5.4% (2011 - nil)
- **iv.** uniBank Ghana Limited (Non-Cummulative Preference Shares) 13.3% (2011 - nil)

Investments in the associates during the year were GH¢6.00 million (2011: nil)
The balance of investments in associates at the year end was GH¢9.44 million (2011: GH¢3.44 million)

35. Analysis Of Cash And Cash Equivalents

Cash and Bank Balances (Note 22)	**1,889,679**	940,283
Available-for-sale Debt Instruments (Note 21)	**11,505,083**	11,408,821
	13,394,762	12,349,104

36. Transition To IFRS

In preparing its opening statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Ghana Accounting Standards issued by the Institute of Chartered Accountants (Ghana) ("previous GAAP"). An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position and financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

	Notes	Previous GAAP (GAS) Ghc	Effects of transitionto IFRS Ghc	IFRS Ghc
Gross Premium	a.	35,836,316	(35,836,316)	**0**
Insurance premium revenue	a.	0	35,066,187	**35,066,187**
Reinsurance Premium	b.	(14,740,468)	14,740,468	**0**
Insurance premium ceded to reinsurers	b.	0	(14,740,468)	**(14,740,468)**
Net Premium		21,095,848	(770,129)	**20,325,719**
Provision for Unearned Premium	a.	(770,129)	770,129	**0**
Net Premium Earned		20,325,719	0	**20,325,719**
Reinsurance commission	c.	0	3,110,310	**3,110,310**
Investment income		1,438,471	0	**1,438,471**
Other Income		627,292	0	**627,292**
Net Income		22,391,482	3,110,310	**25,501,792**
Underwriting Expenses				
Net Claims	d.	4,667,052	(4,667,052)	**0**
Claims and loss adjustment expenses	d.	0	4,984,987	**4,984,987**
Claims and loss adjustments expenses recovered	d.	0	(317,935)	**(317,935)**
Net Commission	c.	2,928,101	(2,928,101)	**0**
Commission Expenses	c.	0	6,038,411	**6,038,411**
Net Insurance Expenses		7,595,153	3,110,310	**10,705,463**
Management Expenses	e.	11,073,826	(11,073,826)	**0**
Operating and Other Expenses	e, f, & g.	0	9,511,943	**9,511,943**
Total Expenses		18,668,979	1,548,427	**20,217,406**
Results of Operating Activities		3,722,503	1,561,883	**5,284,386**
Exchange Loss	f.	(11,251)	11,251	**0**
Finance costs	g.	0	(1,596,214)	**(1,596,214)**
Profit before Taxation		3,711,252	(23,080)	**3,688,172**
Taxation		(816,077)	(203,551)	**(1,019,628)**
Profit after Taxation	h.	2,895,175	(226,631)	**2,668,544**
National Fiscal Stabilisation Levy		(185,563)	0	**(185,563)**
Profit for the year		2,709,612	(226,631)	**2,482,981**
Other Comprehensive Income				
Revaluation gains on Available-for-sale assets		(54,470)		**(54,470)**
Total other Comprehensive Income		(54,470)		**(54,470)**
Total Comprehensive Income		2,655,142	(226,631)	**2,428,511**

36. Transition To IFRS (Continued)

Equity reported at 31 December 2011 can be reconciled to the amounts reported under previous Ghana GAAP as follows:

	Notes	Previous GAAP (GAS) Ghȼ	Effects of transition to IFRS Ghȼ	IFRS Ghȼ
CAPITAL & SURPLUS				
Stated Capital		6,235,000	0	**6,235,000**
Capital Surplus	i.	1,296,734	(1,296,734)	**0**
Available-for sale Reserve	j.	0	85,476	**85,476**
Contingency Reserve		4,165,540	0	**4,165,540**
Income Surplus	I, j & g	1,878,332	882,696	**2,761,028**
		13,575,606	(328,562)	**13,247,044**
REPRESENTED BY				
NON-CURRENT ASSETS				
Property, Plant & Equipment	k.	1,501,573	(600,831)	**900,742**
Intangible Assets	k.	0	677,790	**677,790**
Investment Properties		6,405,058		**6,405,058**
Long Term Investments	l.	3,941,307	(3,941,307)	**0**
Available-for-sale Financial Assets	l.	0		**3,941.307**
Deferred Expenditure	k.	76,959	(76,959)	**0**
		11,924,897	0	**11,924,897**
CURRENT ASSETS				
Insurance Receivables	m.	0	16,571,890	**16,571,890**
Outstanding Premiums	m.	11,891,204	(11,891,204)	**0**
Amount due from Reinsurers	m.	4,680,686	(4,680,686)	**0**
Loans and Receivables		2,135,908	0	**2,135,908**
Available-for-sale Debt Investments	l.	0	11,408,821	**11,408,821**
Short Term Investments	l.	11,408,821	(11,408,821)	**0**
Cash and Bank Balances		940,283	0	**940,283**
		31,056,902	0	**31,056,902**
CURRENT LIABILITIES				
Insurance Liabilities	n.	0	19,214,747	**19,214,747**
Claims Liability	n.	2,886,446	(2,886,446)	**0**
Amount due to Re-insurers	n.	6,820,731	(6,820,731)	**0**
Creditors and Accruals		5,001,851	0	**5,001,851**
Provision for Unearned Premiums	n.	9,507,570	(9,507,570)	**0**
Borrowing due within one year	g.	3,128,919	202,201	**3,331,120**
Taxation		1,535,227	0	**1,535,227**
National Fiscal Stabilisation Levy		304,905	0	**304,905**
		29,185,649	202,201	**29,387,850**
NET CURRENT ASSETS		1,871,253	(202,201)	**1,669,052**
NON-CURRENT LIABILITIES				
Borrowing due after one year	g.	220,544	(220,544)	**0**
Deferred tax liability	h.	0	346,905	**346,905**
NET ASSETS		13,575,606	(328,562)	**13,247,044**

36. Transition To IFRS (Continued)

Equity reported at 1 January 2011 can be reconciled to the amounts reported underprevious Ghana GAAP as follows:

	Notes	Previous GAAP (GAS)	Effects of transition to IFRS	IFRS
CAPITAL & SURPLUS		Gh¢	Gh¢	Gh¢
Stated Capital		2,735,000	0	**2735,000**
Capital Surplus	i.	1,351,204	(1,351,204)	**0**
Available-for sale Reserve	j.	0	139,946	**139,946**
Contingency Reserve		3,090,451	0	**3,090,451**
Income Surplus	l, j & g	4,048,156	1,109,327	**5,157,483**
		11,224,811	(101,931)	**11,122,880**
REPRESENTED BY				
NON-CURRENT ASSETS				
Property, Plant & Equipment	k.	744,319	(29,840)	**714,479**
Intangible Assets	k.	0	29,840	**29,840**
Investment Properties		7,884,838	0	**7,884,838**
Available-for-sale financial assets	l.	0	3,956,777	**3,956,777**
Long Term Investments	l.	3,956,777	(3,956,777)	**0**
		12,585,934	0	**12,585,934**
CURRENT ASSETS				
Insurance Receivables	m.	0	12,517,204	**12,517,204**
Outstanding Premiums	m.	10,572,806	(10,572,806)	**0**
Amount due from Reinsurers	m.	1,944,398	(1,944,398)	**0**
Loans and Receivables		2,107,685	0	**2,107,685**
Available-for-sale Debt Investments	l.	0	9,260,009	**9,260,009**
Short Term Investments	l.	9,260,009	(9,260,009)	**0**
Cash and Bank Balances		823,298	0	**823,298**
		24,708,196	0	**24,708,196**
CURRENT LIABILITIES				
Insurance Liabilities	n.	0	18,041,748	**18,041,748**
Claims Liability	n.	3,902,895	(3,902,895)	**0**
Amount due to Re-insurers	n.	5,401,412	(5,401,412)	**0**
Creditors and Accruals		3,305,933	0	**3,305,933**
Provision for Unearned Premiums	n.	8,737,441	(8,737,441)	**0**
Borrowing due within one year	g.	1,096,130	1,361,355	**2,457,485**
Taxation		1,912,536	0	**1,912,536**
National Fiscal Stabilisation Levy		310,194	0	**310,194**
		24,666,541	1,361,355	**26,027,896**
NET CURRENT ASSETS		41,655	(1,361,355)	**(1,319,700)**
NON-CURRENT LIABILITIES				
Borrowing due after one year	g.	1,402,778	(1,402,778)	**0**
Deferred tax liability	h.	0	143,354	**143,354**
NET ASSETS		11,224,811	(101,931)	**11,122,880**

36. Transition To IFRS (Continued)

The effects of the above adjustments on Equity at the transition date and the comparative year are as follows:

	Notes	1 January 2011 GH¢	31 December 2011 GH¢
Equity under GAS		11,224,811	13,575,606
Recognition of Deferred tax liability	a	(143,354)	(346,905)
Restatement of Borrowings at fair value	b	50,000	50,000
Amortisation of facility and processing fees on borrowings	c	(8,577)	(31,657)
Equity under IFRS		**11,122,880**	**13,247,044**

36. Transition To IFRS (Continued)

a. Gross Premium / Insurance Premium Revenue

In accordance with a new policy adopted under the IFRS, insurance premium revenue is solely the portion of premium written which relates to the reporting period. In determining premium revenue under IFRS, the increase in unearned premium determined under the GAS has been offset against the Gross premium. The recognition of deferred tax resulted in a tax liability as shown in the reconciliation of equity at 1 January 2011 and 31 December 2011.

b. Reinsurance Premium / Insurance Premium Ceded to Reinsurers

IFRS 4 (Insurance Contracts) specifies that an insurer shall not offset income or expense from reinsurance contracts against the expense or income from the related insurance contracts. On this premise commission earned by the Company on its reinsurance placements has been separated from commission incurred on its engagement of insurance intermediaries.

c. Reinsurance commission / Commission Expense

IFRS 4 (Insurance Contracts) specifies that an insurer shall not offset income or expense from reinsurance contracts against the expense or income from the related insurance contracts. On this premise commission earned by the Company on its reinsurance placements has been separated from commission incurred on its engagement of insurance intermediaries as referenced in this note.

d. Claims and loss adjustment expenses / Net Claims

The amounts representing net claims has now been shown gross and the related recoveries shown separately on the face of the Statement of Profit or Loss in conformity with IFRS 4 Insurance Contracts and the presentation format as prescribed by the NIC.

e. Management Expenses / Operating and Other Expenses

Management expenses is now designated as "Operating Expenses".

f. Exchange loss

This is now captured as part of Operating Expenses.

g. Borrowings / Finance Cost / Operating / Amortisation of Processing Fees

Under IAS 39 (Financial Instruments - Recognition and Measurement) borrowings are measured at amortised cost using effective interest rate. The calculation include all fees paid that are an integral part of the borrowing. Such fees should form part of the borrowing and charged against management expenses over the term of the borrowing. The amortisation adjustments were GH¢8,577 and GH¢23,080 at the transition date and the comparative year end respectively, while the in 2012, the amortisation amounted to GH¢16,744.

This had resulted in a net reduction in borrowings at the transition date of GH¢41,423.50 and a net increase in the Income Surplus by the same amount at the transition date.

In addition, Borrowings due within one year and due after one year which were presented separately in the statement of financial position under GAS has been merged as a line item and the details shown by way of note.

h. Deferred tax

Deferred tax has not been recognised in the financial statements of the Company previously. Currently, the Company recognises deferred tax assets and liabilities relating to deductible and taxable temporary differences respectively.

i. Capital Surplus

In accordance with IFRS 40 Investment Property, fair value gains and losses arising on property held by a company for its rental income and value appreciation are recognised as income in the statement of profit or loss. Under the GAS this has been recognised as equity in the capital surplus account.

j. Available-for-sale Reserve

Under the GAS, revaluation gains and losses arising on investments in shares had been recognised in the Capital Surplus account. These have now been recognised under the heading 'Available-for-sale Reserve'.

k. Property, Plant and Equipment / Intangible Assets

Under the previous GAAP, intangible assets including softwares that did not form an integral part of computer hardware, had been recognised as part of Property, Plant and Equipment. These are now recognised separately under "Intangible Assets.

In addition, deferred expenditure has now been integrated into 'Intangible Assets'.

l. Available-for-sale Financial Assets / Long-term Investments

The designation for investments held in shares which was "Long-term Investments" has now been changed to "available-for-sale financial assets" in compliance with IAS 39.

m. Insurance Receivables / Outstanding Premiums / Amount due from Reinsurers

Unlike GAS, IFRS 4 requires a disclosure of information in the financial statements that identifies and explains the amounts arising from insurance contracts. All assets which arose from insurance contracts have therefore been grouped under one line item called insurance receivables. This consists of outstanding premium, and amount due from reinsurers.

n. Insurance Liabilities / Claims Liability / Amounts due to Reinsurers / Provision for Unearned Premium

Unlike GAS, IFRS 4 requires a disclosure of information in the financial statements that identifies and explains the amounts arising from insurance contracts. All liabilities which arose from insurance contracts have therefore been grouped under one line item called insurance liabilities. This consists of unearned premium, outstanding claims, and amount due to reinsurers.

37. Categories Of Financial Instruments

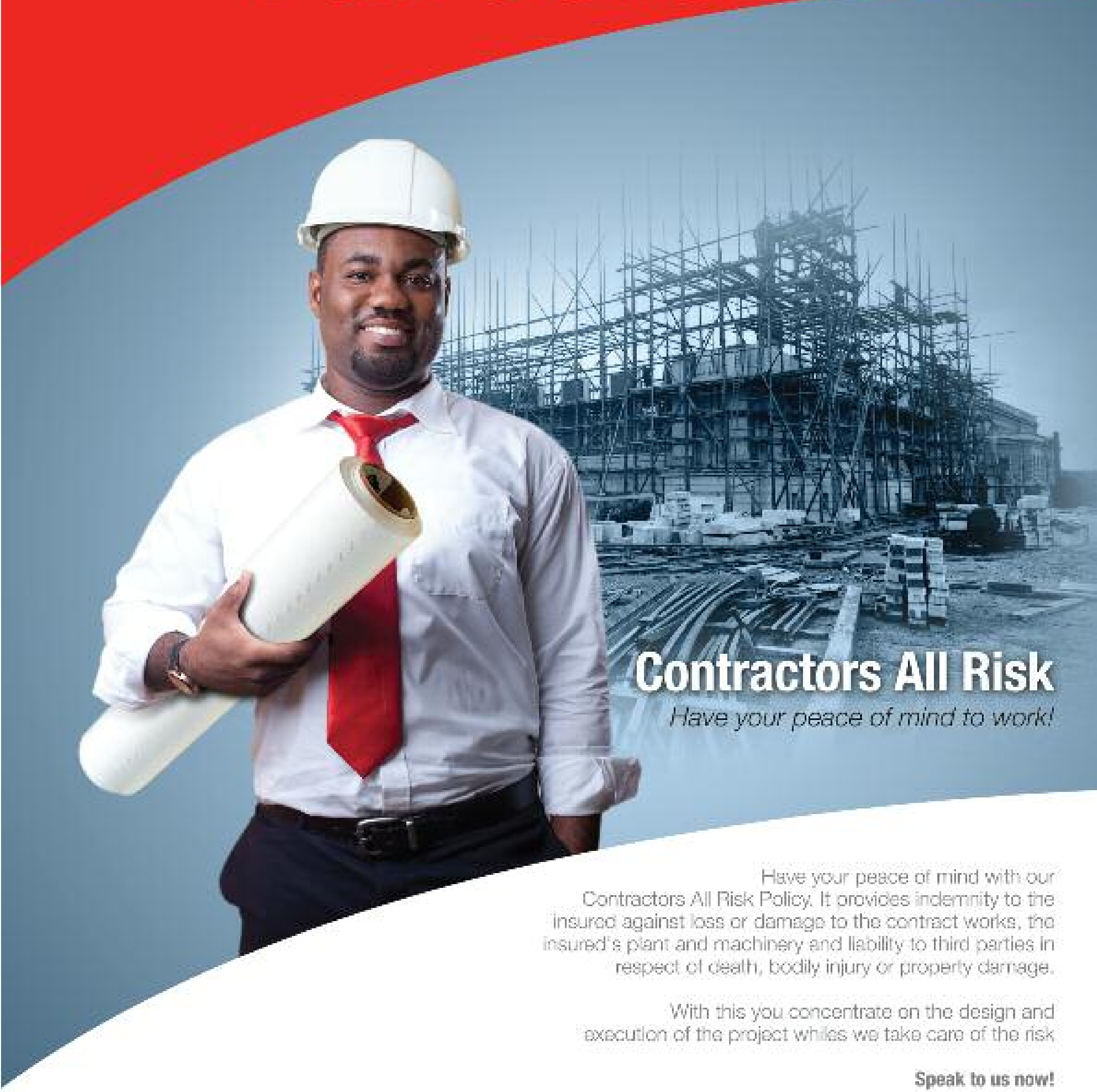
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial instruments of the Company are classified into available-for-sale investments, loans and receivables and financial liabilities measured at amortised cost as follows:

	2012	2011
	GH¢	GH¢
Financial Assets		
Available For Sale Equity Investments	**10,013,627**	3,941,307
Available For Sale Debt Investments	**11,505,083**	11,408,821
Loans and Receivables (Other than Insurance Receivables)	**2,142,170**	2,135,908
	23,660,880	17,486,036
Financial Liabilities		
Borrowings	**2,839,743**	3,331,120
Creditors and Accruals (Measured at Amortised Cost)	**4,050,988**	5,001,851
	6,890,731	8,332,971

The fair values of the above financial assets and liabilities approximate their carrying values. The Company did not hold financial instruments in the category of held-to-maturity nor fair value through profit or loss.

Offering

Full Cover



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