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Star Assurance Company Limited

Report and Financial Statements
For the year ended 31 December 2019

CLASSIFICATION: CONFIDENTIAL

Star Assurance Company Limited

Report and financial statements

For the year ended 31 December 2019

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Corporate information

For the year ended 31 December 2019

Directors:	Mr. Michael Odartey-Wellington	-	Chairman
	Mr. Kofi Duffuor	-	Managing Director
	Mr. Samuel Kwaku Ocran	-	Dep. Managing Director
	Boatemaa D. Barfour-Awuah (Mrs.)	-	Executive Director
	Mr. Alexander G. Buabeng	-	Chairman (Retired: 31-Dec-2019)
	Mr. A. K. Basoah	-	Member
	Mr. Solomon Adiyiah	-	Member (Retired: 18-Oct-2019)
	Mr. Kwadwo Okoh	-	Member
	Dr. Charles Andoh	-	Member

Secretary: Summers Darko (Mrs.)

Registered Office:
1st Floor, Stanbic Heights Building
215 South Liberation Link - Airport City
P. O. Box 7532,
Accra - North

Solicitors:
Summers Darko (Mrs.)
Legal Department
Star Assurance Company Limited
P. O. Box 7532,
Accra - North

Auditors:
Deloitte & Touche
The Deloitte Place
Plot No. 71, Off George Walker Bush Highway
P. O. Box GP 453
Accra

Main Bankers:
Absa Bank Ghana Limited
Stanbic Bank Limited
Ghana International Bank - England
Fidelity Bank Limited

Star Assurance Company Limited
Directors' report

The directors present herewith the financial statements for the year ended 31 December 2019, which disclose the state of affairs of Star Assurance Company Limited

Statement of Directors Responsibilities:

The directors are responsible for the preparation of the financial statements that give a true and fair view of the Company comprising the statement of financial position as at 31 December 2019, and the income statement and statement of changes in equity and cash flow for the year then ended. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and follow Intetrnational Financial Reporting Standards (IFRS), and requirements of the Companies' Act 2019 (Act 992), and the Insurance Act, 2006 (Act 724).

Going Concern:

The directors have made an assessment of the Company's ability to continue in business as a going concern and have no reason to believe that the business will not be a going concern in the period ahead.

Nature of Business:

The principal activity of the Company is the provision of insurance services in accordance with the Regulations of the Company. There were no changes in the principal activities carried out during the year.

Share Capital:

The Company has a paid up capital of GH¢130.235million as at December 2019 (December 2018 GH¢130.235million) which is far in excess of the new capital requirement by the National Insurance Commission (NIC) of GH¢50million.

Details are shown in note 24 of the attached financial statements.

The shareholding structure of the Company as at December 31 2019 stood as follows:

	No. of shares	**Dec. 19**	Dec. 18
HODA Holdings	6,294,869,539	**99.9979%**	99.9979%
Mr. Andrews Basoah	130,461	**0.0021%**	0.0021%
Total	6,295,000,000	**100%**	100%

Dividend

The Directors did not recommend any dividend payment to members for the year 2019.

Corporate Governance:

Star Assurance is committed to fulfilling its Corporate Governance obligations and responsibilities in the best interests of the shareholders and other stakeholders.

The Company is committed to best practice and has adopted a Corporate Governance Framework in accordance with International Corporate Governance principles, laws of Ghana such as Company Act, 2019 (Act 992), and the Insurance Act, 2006 (Act 724). It is the concern of the Board to guarantee that good corporate governance and its associated standards are entrenched in the ideals and business practices driven by the Board.

Directors' report

Roles and Responsibilities of the Board

The role of the Board is to provide leadership and strategic guidance for the Company. The Board is the highest decision making body of the Company and provides strategic direction and guidance for the business and represents the interests of the shareholders through the creation of sustainable value. The Board continues to focus on the customers, the people, and the environment in which the Company operates and in doing so enhances long-term shareholder returns.

The Board has developed a robust Corporate Governance Framework compliance with the National Insurance Commission's (NIC) Corporate Governance Guidelines which guides the way the Company is governed. The Board Corporate Governance Framework outlines the roles and responsibilities of the Board.

The Board ensures that the Company's governance processes align with regulators' directives and framework. The Board aligns strategies with goals embedded with high level of ethics and integrity, defining roles and responsibilities, and managing risk effectively.

The Board provides leadership to the Company within the boundaries of risk appetite and a framework of prudent and effective controls which enable risk to be identified, assessed, measured and controlled. The Board sets the Company's strategic aims and risk appetite to support the strategy, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives.

Separation of the Chairman and Managing Director Roles

The Board Chairman, Mr. Micheal Odartey-Wellington is an Independent Non-Executive Director. The separation of authority is set out in writing and agreed by the Board in the Corporate Governance Framework. This enhances independent oversight of Executive Management by the Board and helps to ensure that no one individual on the Board has autonomous power, influence or authority.

Composition of the Board

The Board is made of nine Directors, including six Non-Executive Directors out of which 67% are Independent Directors. Both Executive and Non-Executive Directors have clearly defined roles within the Board structure documented in the Corporate Governance Framework.

Biographical information of directors

	Name	Profession	Nationality	Date of birth
1	Mr. Alexander G. Buabeng	Lawyer/Insurance Expert	Ghanaian	3-Nov-1942
2	Mr. Kofi Duffuor	Chartered Insurer	Ghanaian	7-Jan-1966
3	Mr. Samuel Kwaku Ocran	Chartered Insurer	Ghanaian	29-Apr-1970
4	Boatemaa D. Barfour-Awuah (Mrs.)	Chartered Insurer	Ghanaian	29-Nov-1983
5	Mr. A. K. Basoah	Teacher/Businessman	Ghanaian	23-Aug-1945
6	Mr. Solomon Adiyiah	Information Technologist	Ghanaian	12-Sep-1958
7	Mr. Kwadwo Okoh	Chartered Insurer	Ghanaian	10-Sep-1979
8	Mr. Michael Odartey-Wellington	Chartered Accountant	Ghanaian	28-Sep-1965
9	Dr. Charles Andoh	Lecturer/ Risk Analyst	Ghanaian	30-May-1968

Directors' report

Details of serving directors and their other engagements:

Directors	Qualifications	Other engagements
Mr. Alexander G. Buabeng	LLM (Marine Insurance, Maritime Law and Law of Business Taxation), BL, LLB	Consultant in Maritime Law and Maritime Legislation. International Maritime Organization – UN Specialized agency.
Mr. Kofi Duffuor	Chartered Insurer, MBA	Chairman - WAICA Reinsurance Corporation Plc; Board member - Starlife Assurance Company Ltd.
Mr. Samuel Kwaku Ocran	Chartered Insurer, MBA	Board Member, Nationwide Financial Services, Member, Technical Committees of National Insurance Commission.
Boatemaa D. Barfour-Awuah (Mrs.)	Chartered Insurer, MSc (Finance)	Board member - Telemedia Communications Ltd
Mr. A. K. Basoah	Post Dip	
Mr. Solomon Adiyiah		CEO eSolutions Consulting
Mr. Kwadwo Okoh	Chartered Insurance Practitioner (ACII)	Board Trustee - HODA Employee Pension Scheme
Mr. Michael Odartey-Wellington	Chartered Accountant	Managing Director, Panbros Salt Industries Limited.
Dr. Charles Andoh	Bsc Mathematics, Msc Mathematics, Msc Finanacial Mathematics, Phd Natural Science	Senior Lecturer, University of Ghana Business School.

Independence of Board of Directors

All directors are expected to bring independent and unfettered judgment to the Board's deliberations.

The larger number of Non-Executive Directors on the Board, makes the Board more independent and allows it to provide higher level of Corporate Governance to shareholders. It also satisfies our criteria for independence, which aligns with the guidance and recommendation provided in the Corporate Governance Framework.

Each Director is expected to disclose any business or other relationship that he or she has directly, or as a partner, shareholder or officer of a Company or other entity that has an interest in the Company or a related entity. The Board considers information about any such interests or relationships, including any related financial or other details, when it assesses the Director's independence.

Directors' report

Capacity building of directors to discharge their duties

On appointment to the Board, Directors are provided with full, formal and tailored programmes of induction, to enable them gain in-depth knowledge about the Company's business, the risks and challenges faced, the economic knowledge and the legal and regulatory environment in which the Company operates. Programmes of strategic and other reviews, together with the other training programmes provided during the year, ensure that Directors continually update their skills, knowledge and familiarity with the Company's businesses. This further provides insights about the insurance sector and other developments to enable them effectively fulfil their role on the Board and committees of the Board.

Particulars of entries in the Interests Register during the financial year

No Director had any interest in contracts and proposed contracts with the Company during the year under review, hence there were no entries recorded in the Interests Register as required by 194(6), 195(1)(a) and 196 of the Companies Act, 2019 (Act 992).

Auditors and Audit fees

In accordance with Section 139(5) of the Companies Act, 2019 (Act 992), Deloitte & Tocuhe remains in office as auditors for the Company. As at 31 December 2019, the amount payable in respect of audit fees was GHS95,000.

Corporate Social Responsibility

Star Assurance recognises that it operates within a community comprising various stakeholders and therefore demonstrates its responsibility to the community through activities that deepen the partnership and relationship existing between them.

During the year 2019, the Company focused its corporate social responsibility program mainly on health and education.

In the area of health, the Company undertook Breast Cancer Awareness Campaign during the awareness month in the month of October. The Company in partnership with the 37 Military Hospital mobilised its staff to donate blood into the hospital's blood center. Star Assurance also sponsored the Komfo Anokye Teaching Hospital International Conference on Stroke which was held during the year.

The Company, through its internship program offered over twenty students from the Universities the opportunity to gain corporate exposure and experience in their various lines of discipline. About ten graduates were also given the chance to fulfill their national service obligation to the State and to prepare them for the start of their work life. Four final year students of the University of Ghana Medical School were also supported towards their international exchange program.

Star Assurance will continue to assess the critical needs of its community and provide the necessary support with the aim of enhancing its core values.

Star Assurance Company Limited

Directors' report

Board Committees

There are six (6) Committees that assist the Board in carrying out its responsibilities. These are the Audit Committee, the Risk Committee, the Investment Committee, the ICT Committee, the Strategy and Finance Committee, and the Remuneration Committee. In deciding the committee memberships, the Board endeavours to make the best use of the range of skills and experience across board and share responsibility. Membership of the Committees is reviewed on an annual basis or as and when the need arises.

To ensure effective oversight leadership, the Board receives the minutes/reports of all Committee meetings at Board meeting for ratification and approval.

Directors' Remuneration

Determining the remuneration of the Directors is subject to shareholders approval. The Board Chairman was paid a net monthly fee of GHS2,500 and a sitting allowance of GHS1,200 per Board meeting. The other Non-Executive Directors were paid a monthly fee of GHS2,300 and a sitting allowance of GHS900 per meeting.

Other Matters:

The directors confirm that no matters have arisen since 31 December, 2019 which materially affect the financial statements of the Company for the year ended on that date.

Account	**Dec-19 Gh¢'000**	Dec-18 Gh¢'000
Gross Premium	**125,605**	125,914
Reinsurance Premium	**(38,252)**	(39,496)
Profit before Tax	**622**	23,227
Corporate tax provision of	**(5,479)**	(6,265)
and National Fiscal Stabilisation Levy	**(31)**	(1,162)
leaving Net Profit (loss) after Tax of	**(4,888)**	15,800
which is added Income Surplus Account brought forward from 31 December of the previous year	**61,094**	50,158
making a total Income Surplus of	**56,206**	65,958
from which is deducted Dividend paid of;		(1,087)
a transfer to Contingency Reserve of	**(3,768)**	(3,777)
leaving a net balance on the Income Surplus Account which is carried to the Statement of Financial Position	**52,438**	61,094

Approval of consolidated and separate financial statements

The financial statements set out on pages 13 to 75, which have been prepared on the going concern basis, were approved by the board of directors on May 29, 2020 and were signed on its behalf by:

....

Board Chairman **Managing Director**

Dated 29/5/20 **.2020.**

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Independent auditors' report

To the members of Star Assurance Company Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Star Assurance Company Limited which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, the notes to the financial statements including a summary of significant accounting policies and other national disclosures.

In our opinion, the financial statements give a true and fair view of the financial position of Star Assurance Company Limited as at 31 December 2019 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Insurance Act, 2006 (Act 724) and in the manner required by the Companies Act, 2019 (Act 992).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Company in accordance with the requirements of the International Federation of Accountants Code of Ethics for Professional Accountants (including International Independent Standards) (the Code) issued by the International Ethics and Standards Board for Accountants (IESBA) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
The methodology and assumptions used in setting outstanding claims and other technical insurance liabilities	
Insurance reserves include the company's insurance liabilities, a provision for Incurred But Not Reported (IBNR) claims, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period. The determination of the value of the insurance reserves requires significant judgment in the selection of key assumptions and methodologies. Management exercises significant judgement in respect of the appropriate methodology in estimating the claims and other technical reserves. Where possible, the company adopts multiple techniques to estimate the required level of provisions. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The disclosures relating to claims IBNR are included in the financial statements are considered important to the users of the financial statements given the level of judgement and estimation involved.	We evaluated and tested the design and implementation of the key controls over the estimation of future claim payments. In performing the tests of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the control, frequency and consistency with which the control is performed. We challenged management's key assumptions over estimation of future claim payments by performing the following: We obtained the actuarial report and agreed the recorded IBNR to the recorded balance. We performed procedures to test the completeness and accuracy of the claims and premium data used in the determination of the IBNR. We worked with the Deloitte Actuarial & Insurance Solutions Specialist to ascertain the basis of loss ratios and challenged management on the appropriateness or otherwise of the ratios used in the expected loss ratio method. We evaluated the appropriateness of the loss ratios used. We further confirmed whether data used in determining IBNR is sufficient and appropriate in terms of sufficiency and precision. We worked with the Deloitte Actuarial & Insurance Solutions Specialist to perform the following: a. evaluated the appropriateness and suitability of the methodologies used by the management expert i.e. basic chain ladder method and expected loss ratio method b. evaluated the appropriateness and reasonability of underlying assumptions and adjustments made in determining the claims IBNR c. performed a re-computation of the claims IBNR using the claims data and gross premiums data and agree results to amounts determined by the management expert. We carried out procedures to test the competence, capabilities and objectivity of the management's expert. We found that the assumptions assessed by management were comparable to historical performance and have been assessed as reasonable. We considered the disclosure relating to the insurance liabilities and have found it to be appropriate and adequate.

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Independent auditors' report

To the members of Star Assurance Company Limited

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Financial Highlights, which we obtained prior to the date of this auditor's report.The other information does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the Insurance Act, 2006 (Act 724) and the requirements of the Companies Act, 2019, (Act 992) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

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

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Independent auditors' report

To the members of Star Assurance Company Limited

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

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

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

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

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

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

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Independent auditors' report

To the members of Star Assurance Company Limited

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

Report on Other Legal and Regulatory Requirements

In accordance with the Seventh Schedule of the Companies Act, 2019 (Act 992) we expressly state that:

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

2. In our opinion:

    - proper books of accounts have been kept by the company, so far as appears from our examination of those books.
    - the information and explanations provided to us, were in the manner required by Act 992 and give a true and fair view of the:

        a. statement of financial position of the company at the end of the financial year, and

        b. statement of profit or loss and other comprehensive income for the financial year.
3. The company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the accounting records and returns.
4. We are independent of the company, pursuant to section 143 of Act 992.

In accordance with section 78(1) (a) of the Insurance Act, 2006, (Act 724), the company has kept accounting records that are sufficient to explain its transactions and financial position with respect to its insurance business and any other business that it carries on.

The company has generally complied with the provision in the insurance Act 2006(Act 724) except for the breach noted under Note 36.

The engagement partner on the audit resulting in this independent auditor's report is **Abena Biney (ICAG/P/1508)**

Deloitte & Touche.

For and on behalf of Deloitte & Touche (ICAG/F/2020/129)
The Deloitte Place, Plot No.71
Off George Walker Bush Highway
North Dzorwulu
Accra

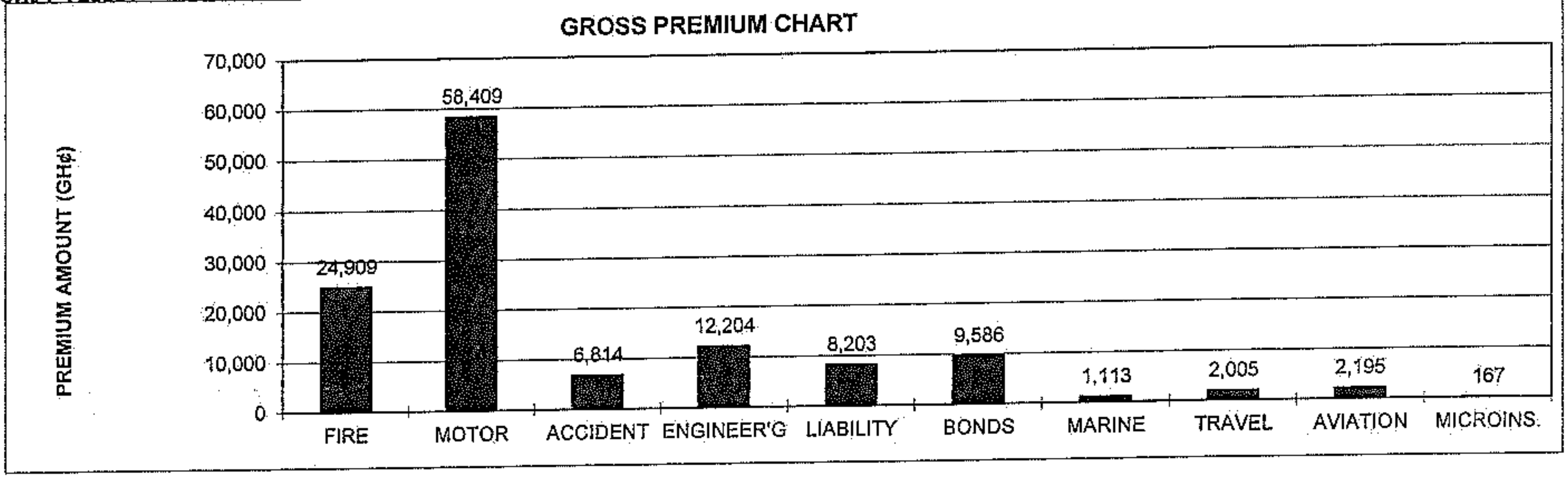
29th May, **2020**

Star Assurance Company Limited

Financial highlights (Summary)

For the year ended 31 December 2019

POLICY TYPE	FIRE	MOTOR	ACCIDENT	ENGINEER'G	LIABILITY	BONDS	MARINE	TRAVEL	AVIATION	MICROINS.	TOTAL
	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000
Insurance premium revenue	24,909	58,409	6,814	12,204	8,203	9,586	1,113	2,005	2,195	167	**125,605**
Net Underwriting Income	9,735	57,017	4,913	8,374	4,854	39,896	753	1,912	934	167	**128,555**
Management Expenses	8,639	20,259	2,363	4,233	2,845	3,325	386	696	761	50	**43,557**
Underwriting Profit / (Loss)	(10,970)	2,298	919	607	(1,889)	660	(56)	232	(1,877)	58	**(10,018)**



Star Assurance Company Limited

Statement of financial position

As at 31 December 2019

	Notes	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Assets			
Property, Plant & Equipment	16	2,263	3,990
Right of use Leased Assets	17a	3,591	-
Intangible Assets	18	119	216
Investment Property	19	178,672	73,663
Available-for-sale Equity Investments	20 (a)	106,575	76,319
Amount due from Reinsurers	5.5	3,024	2,024
Other Receivables	21	4,987	8,242
Current tax asset	15.3	537	-
National Fiscal Stabilisation Levy	29	108	-
Available-for-sale Debt Investment	22	53,304	142,036
Cash and Bank Balances	23	3,750	11,335
Total Assets		**356,930**	317,825
Equity and Liabilities			
Stated Capital	24	130,235	130,235
Available-for-sale Reserve	20 (b)	31,386	1,131
Contingency Reserves	24a	29,097	25,329
Income Surplus	25	52,438	61,094
Total Equity		**243,156**	217,789
Liabilities			
Insurance Claims Liabilities	26	47,566	38,062
Amount due to Re-insurers	5.5	6,567	7,946
Lease Liability	17	1,097	-
Creditors and Accruals	28	9,317	4,849
Provision for Unearned Premium	27	39,380	38,295
Deferred tax liability	30	9,847	6,169
Current tax liability	15	-	3,190
National Fiscal Stabilisation Levy	29	-	1,525
Total Liabilities		**113,774**	100,036
Total Equity and Liabilities		**356,930**	317,825

Approved by the Board on 29/5/20 **2020.**

Board Chairman **Managing Director**

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Note	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Insurance premium revenue	6	125,605	125,914
Insurance premium ceded to reinsurers	6	(38,252)	(39,496)
Premium retained		87,353	86,418
Less unearned premium provision		(1,087)	(4,104)
Net premium earned		86,266	82,314
Reinsurance commission	8	9,789	9,182
Investment income	9	9,342	42,539
Other Income	10	1,405	1,293
Net income		106,802	135,328
Underwriting Expenses			
Commission expense	11	24,590	25,134
Claims and loss adjustment expenses	12	70,424	27,756
Claims and loss adjustments expenses recovered		(32,498)	(2,202)
Net insurance expenses		62,516	50,688
Operating expenses	13	43,557	43,691
Total expenses		106,073	94,379
Results of operating activities		729	40,949
Impairment Provision on Fixed Deposit Inv		-	(17,685)
Finance cost	14	(107)	(37)
Profit before taxation		622	23,227
Income tax expense	15.1	(5,479)	(6,265)
National fiscal stabilisation levy	29	(31)	(1,162)
Profit (Loss) for the year		(4,888)	15,800
Other comprehensive income			
Items that may be reclassified subsequent to profit or loss			
Revaluation gains on Available-for-sale assets	20	30,255	46
Total comprehensive income		25,367	15,846

Star Assurance Company Limited

Statement of changes in equity

For the year ended 31 December 2019

	Stated Capital Gh¢'000	Available-for-sale Reserve Gh¢'000	Contingency Reserve Gh¢'000	Income Surplus Gh¢'000	Total Total Gh¢'000
Dec-19					
Balance at 1 January	**130,235**	**1,131**	**25,329**	**61,094**	**217,789**
Comprehensive income					
Profit for the year	-	-	-	(4,888)	(4,888)
Other comprehensive income					
Gains on Available-for-sale assets	-	30,255	-	-	30,255
Transfers within equity					
Transfer to / (from) Contingency reserve	-	-	3,768	(3,768)	-
Balance at 31 December	**130,235**	**31,386**	**29,097**	**52,438**	**243,156**
Dec-18					
Balance at 1 January	130,235	1,084	21,551	50,158	**203,028**
Comprehensive income					
Profit for the year	-	-	-	15,800	15,800
Other comprehensive income					
Gains on Available-for-sale assets	-	47	-	-	47
Transaction with equity holders					
Dividend paid	-	-	-	(1,087)	(1,087)
Transfers within equity					
Transfer to / (from) contingency reserve	-	-	3,778	(3,777)	-
Balance at 31 December	**130,235**	**1,131**	**25,329**	**61,094**	**217,789**

Star Assurance Company Limited

Statement of cash flows

For the year ended 31 December 2019

	Note	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Reconciliation of operating Income to cash flow from operating activities			
Profit before tax		**622**	23,227
Adjustments for:			
Depreciation charges		**1,700**	2,268
Amortisation of intangible assets		**97**	97
Amortisation of right of use lease assets		**4,448**	-
Investment Income		**(9,342)**	(42,539)
Operating profit before working capital changes		**(2,475)**	(16,947)
Change in amount due from re-insurers		**(1,002)**	2,204
Change in loans and receivables		**3,255**	(2,047)
Change in provision for unearned premium		**1,086**	4,103
Change in insurance claims liabilities		**9,503**	1,513
Change in creditors and accruals		**4,467**	(329)
Change in amount due to re-insurers		**(1,377)**	5,571
Change in lease liability		**1,097**	-
Cash inflow from operating activities		**14,554**	(5,932)
Return on investment and servicing of finance			
Investment income		**9,342**	42,539
Taxation			
Corporate tax paid		**(5,529)**	(5,950)
National Fiscal Stabilisation Levy Paid		**(1,664)**	(1,897)
Net Cash inflow from operating activities		**16,703**	28,760
Investing activities			
Acquisition of property and equipment		**(320)**	(2,458)
Acquisition of available-for-sale financial assets		**-**	(59,264)
Acquisition of investment property		**(105,009)**	(61,603)
Acquisition of right of use Lease asset		**(7,691)**	-
Net cash flow from investing activities		**(113,020)**	(123,325)
Financing activities			
Dividend paid		**-**	(1,087)
Net cash flow from financing activities		**-**	(1,087)
Increase in cash and cash equivalents		**(96,317)**	(95,652)
Cash and cash equivalents 1 January		**153,371**	249,023
Cash and cash equivalents 31 December	*31*	**57,054**	153,371

Notes to the financial statements
For the year ended 31 December 2019

1 General information

1.1 Corporate information

Star Assurance Company Limited, a company limited by shares was incorporated in Ghana under the Companies Act, 1963 (Act 179) which is now revised Companies Act, 2019 (Act 992) 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 the First Floor of the Stanbic Heights Building, 215 South Liberation Link - Airport City, Accra - Ghana.

1.2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board (IASB), as required by the Institute of Chartered Accountants (Ghana), the National Insurance Commission, per the Insurance Act 2006 (Act 724) and the Companies Act, 2019 (Act 992).

1.3 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs). Additional information required by the Companies Act, 2019 (Act 992) 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 . The financial statements are presented in Thousands of Ghana Cedis (Gh¢'000).

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and amended IFRS Standards that are effective for the current year

(i) Impact of initial application of IFRS 16 Leases

In the current year, The Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The impact of the adoption of IFRS 16 on The Company's financial statements is described below.

The date of initial application of IFRS 16 for The Company is 1 January 2019.

The Company has applied IFRS 16 using the modified retrospective approach, with no restatement of the comparative information.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and amended IFRS Standards that are effective for the current year

(i) Impact of initial application of IFRS 16 Leases

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, The Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on Lessee Accounting

b (i) Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

(a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), The Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

Notes to the financial statements

For the year ended 31 December 2019

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and amended IFRS Standards that are effective for the current year

(i) Impact of initial application of IFRS 16 Leases

b (ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's consolidated financial statements.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

(d) Financial impact of the initial application of IFRS 16

As a result of the application of IFRS 16, the Right of Use Asset as at 1 January 2019 can be reconciled to the operating lease commitments of the Company as of year end December 31 as below

Asset	**Gh¢'000**
Operating lease commitments as at 1 January 2019	**2,617**
Weighted average incremental borrowing rate as at 1 January 2019	**-**
Discounted operating lease commitments as at 1 January 2019	**2,617**
New Leases during 2019	**4,277**
Lease Amortisation during the year	**(4,448)**
Lease Obligation determined at 31 December 2019	**797**
Right of Use Asset at 31 December 2019	**3,243**

Notes to the financial statements

For the year ended 31 December 2019

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2 New and amended IFRS Standards that are effective for the current year but with no material impact upon adoption

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(i) Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The Company has opted to defer the adoption of the new standard. However, upon adoption, the Company will not restate comparative information. The Company is currently conducting a detailed impact assessment of all three aspects of IFRS 9 for a smooth implementation.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available during the course of the detailed assessment.

(i) Amendments to IFRS 9 Prepayment Features with Negative Compensation

Overall, the Company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Company expects an increase in the loss allowance resulting in a negative impact on equity. In addition, the Company will implement changes in classification of certain financial instruments.

(ii) IFRS 15 "Revenue from Contracts with Customers" and further amendments (effective for annual periods beginning on or after 1 January 2018).

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company adopted this standard and has applied it in the measurement and recognition of revenues other than insurance revenue.

(iii) IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations;

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2 New and amended IFRS Standards that are effective for the current year but with no material impact upon adoption

(iii) IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

This standard does not however apply to the operations of the Company.

(v) Amendments to IAS 40 - Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments

An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. This standard became effective for annual periods beginning on or after 1 January 2018.

(v) Amendments to IFRS 4 Insurance Contracts

The IASB issued amendments to IFRS 4 providing two options for entities that issue insurance contracts within the scope of IFRS 4:

• an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;

• an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.3 Annual Improvements to IFRS Standards 2015–2017 Cycle

(i) IAS 12 Income Taxes

The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where The Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

(ii) IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

(iii) IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation.

(v) Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

These amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

Temporary exemption from IFRS 9

The Company is applying the temporary exemption from IFRS 9 and below is the predominance percentage calculated as at 31 December 2019 that justifiesthis temporary exemtion application.

	Dec-19	Dec-18
	Gh¢'000	Gh¢'000
Insurance liabilities	**93,513**	84,303
Total Insurance liabilities as at December 31	**113,774**	100,036
Predominance percentage	**82%**	84%

This predominance continue to apply at of the year end as there is no change in the Company's activities.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.3 Annual Improvements to IFRS Standards 2015–2017 Cycle

(v) Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

(vi) IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:
(a) determine whether uncertain tax positions are assessed separately or as a group;
(b) assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

(vii) IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

• An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

• If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which:

(a) the investment entity associate or joint venture is initially recognised;

(b) the associate or joint venture becomes an investment entity; and

(c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.3 Annual Improvements to IFRS Standards 2015–2017 Cycle

(viii) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018.

An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

(ix) IFRIC Interpretation 22 Foreign Currency Transactions and Advance

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

i. The beginning of the reporting period in which the entity first applies the interpretation Or
ii. The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the company's current practice is in line with the Interpretation, the company does not expect any effect on its financial statements.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.3 Annual Improvements to IFRS Standards 2015–2017 Cycle

(x) IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The company will apply interpretation from its effective date.
The Entity has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Entity anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Entity in the period of initial application

2.4 New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

(i) IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.
IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.
The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.4 New and revised IFRS Standards in issue but not yet effective

(i) IFRS 17 Insurance Contracts

An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2023.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)
• A simplified approach (the premium allocation approach) mainly for short-duration contracts.

(ii) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

(iii) Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.4 New and revised IFRS Standards in issue but not yet effective

(iii) Amendments to IFRS 3 Definition of a business

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

(iv) Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

(v) Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

Notes to the financial statements

For the year ended 31 December 2019

3 Critical Accounting 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.

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.

3.1 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.

3.2 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.

3.3 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 Critical Accounting estimates and judgement

3.4 Fair value of non-financial instruments

The fair value of non-financial assets reflect the highest and best use of the assets from a market participant's perspective. Fair value measurements of non-financial assets take into account 'a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use', with due consideration given to what is physically possible, legally permissible and financially feasible.
As per the requirements of IAS 36, impairment testing is conducted on the various classes of non-financial assets in the determination of their fair value.
Professional Services are engaged in the valuation of non-financial instruments where appropriate.

5 Summary of significant accounting policies

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

4.1 Revenue recognition

(i) 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.

(ii) 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.

(iii) 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.

(iv)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.

(v) Rent income

Rental Income from Investment Properties is recognised on an accrual basis.

4.2 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.

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.

(i) 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 period which comprise; provision for claims reported during the period pending settlement; claims reported and settled within the period whether paid during the period or not; and a provision for claims incurred but not reported (IBNR).

(ii) Outstanding claims liabilty

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 period are closed and include a provision for IBNR claims. IBNR claims are computed using statistical tools based on outstanding claims as at the reporting date.
Claims paid represent all payments made during the period, whether arising from events during that period or prior periods.

(iii) 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.

4 Summary of significant accounting policies (cont'd)

4.2 Insurance contracts (Cont'd)

(iv) Receivables and payables related to insurance 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.

(v) 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 salvaged 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.

4.3 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 period 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.

4.4 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.

4 Summary of significant accounting policies (cont'd)

4.5 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 year 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.

Each year, the difference between depreciation based on the revaluation carrying amount of the asset and depreciation based on the asset's original cost, net of any related deferred income tax, is transferred from the revaluation surplus to retained earnings.

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%
Computer Hardware	25%
Freehold building	5%
Computer Software	25%

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.

4.6 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.

4 Summary of significant accounting policies (cont'd)

4.6 Investment Properties

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 year in which they arise.

Transfers from Investment Properties are made when the Company changes the use of the Investment Property. 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.

4.7 Financial Assets and Financial Liabilities

(i) 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.

(ii) 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:

4 Summary of significant accounting policies (cont'd)

4.7 Financial Assets and Financial Liabilities

(iii) 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.

(iv) 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.

(v) Loans and Receivables

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

(vi) 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.

(vii) 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.

(viii) 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'.

(ix) 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.

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.

4 **Summary of significant accounting policies (continued)**

4.70 **Financial Assets and Financial Liabilities (Cont'd)**

(x) 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.

(xi) 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.

(xii) 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.

(xiii) 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.

Notes to the financial statements

For the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

4.70 Financial Assets and Financial Liabilities (Cont'd)

(xiv) Gains and Losses (Cont'd)

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.

(xv) 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.

(xvi) 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.

(xvii) 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.

4 **Summary of significant accounting policies (continued)**

4.7 **Financial Assets and Financial Liabilities (Cont'd)**

(xviii) 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:

a) financial difficulty of the issuer or the obligor;

b) a breach of contract, such as a default or delinquency in interest or principal payment;

c) 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;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

e) 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:

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

4 Summary of significant accounting policies (continued)

4.7 Financial Assets and Financial Liabilities (Cont'd)

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.

4.9 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.

4 Summary of significant accounting policies (Cont'd)

4.9 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 twelve months or less from the date of acquisition and bank overdrafts.

4.10 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 year 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.

4.11 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.

4.12 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.

4.13 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

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

Notes to the financial statements

For the year ended 31 December 2019

4 Summary of significant accounting policies (Cont'd)

4.14 Leases

(i) The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, The Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, The Company uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that The Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, The Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4 Summary of significant accounting policies (Cont'd)

4.14 Leases

(ii) The Company as lessor

Leases for which The Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When The Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of The Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on The Company's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, The Company applies IFRS 15 to allocate the consideration under the contract to each component.

4.15 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.

4.16 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.

4 Summary of significant accounting policies (Cont'd)

4.16 Impairment of non-financial assets

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.

4.17 Employee benefits

(i) 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.

(ii) 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.

(iii)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.

4.18 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.

4 Summary of significant accounting policies (Cont'd)

4.19 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.

4.20 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 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.

4.21 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 five (5) 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.

(ii) Deferred expenses

Refurbishment expenditure on rented offices to reflect the standard corporate image are capitalised and classified as Deferred Expenses.

The capitalised expnditure is then amortised over three (3) years.

5 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.

5 Management of insurance and financial risks

5.1 Insurance and Financial Risk Management Framework

The Board is ultimately responsible for the Company's risk management, and through its Committee on Risk Management 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).
iv. Risk Management Department (RMD).
iv. Internal Audit
v. Quality Assurance

The Company's risk governance structure consists of four main levels, namely the Board of Directors through its Committee on risk, Executive Management Committee, Risk Management Department and Operational Units. At the third level are also Investment Committee, Information Technology Committee, Strategy and Finance Committee and Audit and Investigation Committee. 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.

The Executive Management Committee (EMC) reports to the Board of Directors through the Board Committee on Risk. The Risk Mnagement Department 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 Risk Management Department include:

I. Draw up Enterprise Risk Management Framework
ii. Review effectiveness of the risk management process throughout the company,
iii. Report directly to the Board Committee on Risk
iv. Facilitate communication within the operational units on common risk issues,
v. Conduct risk assessment workshops to deepen the awareness of the need to assess risk

The Internal Audit and Investigation Department also examines and expresses its 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.

5 Management of insurance and financial risks (Cont'd)

5.2 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 Enterprise Risk Management 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.

Management further ensures that the Company is not exposed to concentration risk. Management 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.

Notes to the financial statements

For the year ended 31 December 2019

5 Management of insurance and financial risks (Cont'd)

5.2 Insurance Risk

5.2.1 Maximum Insured Loss

As at 31 December 2019

By currency: / **Geographical area analysis:**

	Ghana Cedi Gh¢'000	US Dollar Gh¢'000	GB Pound Gh¢'000	Euro Gh¢'000	Total Gh¢'000	Accra Region Gh¢'000	Other Regions Gh¢'000
Fire	3,713,727	8,368,904	969	32,320	**12,115,920**	11,783,950	331,970
Motor	760,733	610,602	665	26,907	**1,398,907**	1,242,223	156,684
Accident	3,938,482	404,529	3,374	1,461	**4,347,846**	4,020,993	326,853
Engineering	440,355	11,747,721	403,340	746,900	**13,338,316**	13,217,077	121,239
Liability	368,123	2,019,371	-	12,749	**2,400,243**	2,353,026	47,217
Bonds	666,518	1,811,890	225	413,250	**2,891,883**	2,753,659	138,224
Marine	5,260	780	-	-	**6,040**	6,040	-
Travel	60,717	-	-	-	**60,717**	49,654	11,063
Aviation	-	448,819	-	-	**448,819**	448,819	-
Total	**9,953,915**	**25,412,616**	**408,573**	**1,233,587**	**37,008,691**	**35,875,441**	**1,133,250**

5.2.2 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 Thousands of Ghana Cedis (Gh¢'000).

	Month of development						
Loss year	**12**	**24**	**36**	**48**	**60**	**72**	**84**
2013	5,180	3,495	973	1,119	570	292	170
2014	7,493	3,362	1,177	1,519	512	156	
2015	17,819	5,203	1,843	1,107	431		
2016	11,431	5,244	1,621	1,026			
2017	13,491	8,621	3,109				
2018	17,130	11,050					
2019	38,625						

5 Management of insurance and financial risks (Cont'd)

5.3 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.

5.4 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 Risk Management Department (RMD) and limits on the level of credit risk reviewed and approved by the Board of Directors through its Committee on Risk Management.

A portfolio impairment provision 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.

The carrying amount of the Company's financial assets as stated in the statement of financial position best represents their respective maximum exposure to credit risk.

	Dec-19	Dec-18
	Gh¢'000	Gh¢'000
Amount due from Reinsurers	**3,024**	2,024
Other Receivables	**4,987**	8,242
Available-for-sale Debt Investment	**53,304**	142,036
	61,315	152,302

The company holds no collateral over any of these balances.

In order to minimise credit risk, the risk management unit of the company regularly reviews the credit risk profile of counterparties and limit its exposures to certain corporate entities, individuals or a group of them. Such limits on the level of credit risk are also regularly reviewed and approved by the Board of Directors through its Committee on Risk.

5 Management of insurance and financial risks (Cont'd)

5.4 Credit Risk (Cont'd)

Insurance assets past due but not impaired are analysed as follows:

	Receivables arising from reinsurance contracts	
	Dec-19	Dec-18
	Gh¢'000	Gh¢'000
Up to 30 days	**908**	1,387
31 to 60 days	**605**	925
61 to 90 days	**303**	462
Over 90 days	**1,210**	1,849
	3,026	4,623

5.5 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 inflow due to reduced premium production coupled with high commitment cost.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the company's short-, medium- and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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 due. 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.

Maturity period analysis of Debts Securities held by the company is as follows:

	Dec-19	Dec-18
	Gh¢'000	Gh¢'000
Maturing within 91 days	**7,145**	47,183
Maturing within 182 days	**25,599**	67,408
Maturing within 365 days	**1,401**	9,613
Maturing after 365 days	**19,160**	17,832
Totals	**53,305**	142,036

5. Management of insurance and financial risks (Cont'd)

5.5 Liquidity Risk (Cont'd)

The following are the maturity profile of the company's financial assets and financial liabilities:

Dec-19	Due within 91 days Gh¢'000	Due within 182 days Gh¢'000	Due within 365 days Gh¢'000	Due above 365 days Gh¢'000	Total Gh¢'000
Financial Assets:					
Amount due from Reinsurers	1,814	1,210	-	-	3,024
Other Receivables	4,988	-	-	-	4,988
Available-for-sale Debt Investment	7,145	25,599	1,401	19,160	53,305
Cash and Bank Balances	3,750	-	-	-	3,750
	17,699	26,809	1,401	19,160	65,069
Financial Liabilties:					
Amount due to Reinsurers	6,567	-	-	-	6,567
Claims Liabilities	7,132	21,966	18,469	-	47,567
Creditors and Accruals	9,318	-	-	-	9,318
Tax Liability	101	-	-	-	101
	23,115	21,966	18,469	-	63,550
Net Liquidity position at December 31	**(5,416)**	**4,843**	**(17,068)**	**19,160**	**1,519**

Dec-18	Due within 91 days Gh¢'000	Due within 182 days Gh¢'000	Due within 365 days Gh¢'000	Due above 365 days
Financial Assets:				
Amount due from Reinsurers	1,568	-	2,659	-
Other Receivables	6,195	-	-	-
Available-for-sale Debt Investment	39,945	101,871	14,613	-
Cash and Bank Balances	92,594	-	-	-
	140,302	101,871	17,272	-
Financial Liabilties:				
Amount due to Reinsurers	2,378	-	-	-
Claims Liabilities	36,551	-	-	-
Borrowings	-	-	-	-
Creditors and Accruals	5,179	-	-	-
Tax Liability	5,150	-	-	-
	49,258	-	-	-
Net Liquidity position at December 31	91,044	101,871	17,272	-

5 Management of insurance and financial risks (Cont'd)

5.6 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.

Market risk is governed by the Company's Executive Management Committee (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 executive Management Committee 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.

5.7 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. Some 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 2019:

	USD Gh¢'000	GBP Gh¢'000	Euro Gh¢'000
Assets	2,383	1	131
Due from reinsurers	1,500	99	23
Cash & cash equivalents	108,578	-	-
Available For Sale Equity Investment	173,659	5,012	-
Investment Properties			
	286,120	**5,112**	**154**
Liabilities	5,817	1	250
Due to reinsurers	-	-	-
	5,817	**1**	**250**

5 Management of insurance and financial risks (Cont'd)

Sensitivity analysis

The Company used 5% average rate of change in foreign exchange to demonstrate the effect of changes in foreign exchange rates on profit before tax and shareholders' fund. At the reporting date, the Company's sensitivity to a 5% increase and decrease in the value of the cedi against the United States Dollar (US$) is analysed below:

	Dec-19 Gh¢'000	5% increase Gh¢'000
Profit after tax	622	31
Shareholders' fund	245,605	12,280

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 5% would increase profit before tax for the period and shareholders' fund by Gh¢31,313 and Gh¢12,280,261 respectively , while a decrease in exchange rates by 5% would decrease profit before tax for the period and shareholders' fund by the same amounts.

5.8 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.

5.9 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.

5 Management of insurance and financial risks (Cont'd)

5.10 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 new solvency framework of the National Insurance Commission (NIC) requires non-life insurance companies to hold a minimum level of paid up capital of Gh¢15.0 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¢130,235,000 (December 2018 - GH¢130,235,000). The table below shows the summary of solvency margin of the Company at the end of the year to December 31, 2019.

	Dec-19	Dec-18
Available Capital Resources (Gh¢'000)	131,976	154,282
Solvency Capital Required (Gh¢'000)	21,839	21,637
Capital Adequacy Ratio	**604%**	713%

5.11 Fair Value of Financial Instrument

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

Level 1: inputs that are quoted market prices (unadjusted) in active market for identical instruments.

Level 2: inputs other than quoted prices included within level 1 that are observable either directly or indirectly. This category includes instruments valued using: quoted market price in active market for similar instrument; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

5 Management of insurance and financial risks (Cont'd)

5.11 Fair Value of Financial Instrument

Valuation techniques include net present value and discounted cash flows models, comparison with similar instruments for which market observable prices exists and other valuation models. Assumptions and inputs used in valuation techniques risk free and benchmark interest rates, credit spreads estimating discount rate, bond and equity price volatilities and correlations.

The following table shows fair value measurements recognised in the statement of financial position or disclosed in the financial statements by class of asset or liability and categorised by level according to the significance of the inputs used in making the measurement.

Dec-19

	Level 1 Gh¢'000	Level 2 Gh¢'000	Level 3 Gh¢'000	**Total Gh¢'000**
Non-pledged trading assets				
Government Securities	-	3,867	-	**3,867**
Debt Securities	-	49,437	-	**49,437**
Equity Securities	1,081	108,578	-	**109,659**
Cash and cash equivalents	-	3,750	-	**3,750**
Loans and receivables	-	8,014	-	**8,014**
Balance at December 31	**1,081**	**173,646**	-	**174,727**

Dec-18

	Level 1 Gh¢'000	Level 2 Gh¢'000	Level 3 Gh¢'000	Total Gh¢'000
Non-pledged trading assets				
Government securities	-	2,654	-	2,654
Debt Securities	-	157,067	-	157,067
Equity Securities	1,247	75,073	-	76,320
Cash and cash equivalents	-	11,335	-	11,335
Loans and receivables	-	10,266	-	10,266
Balance at December 31	**1,247**	**243,600**	-	**244,847**

Notes to the financial statements

For the year ended 31 December 2019

5 Management of insurance and financial risks (Cont'd)

5.11 Fair Value of Financial Instrument

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the level 2 of the fair value hierarchy:

Dec-19	Cash and cash equivalents	Debt securities	Loans and receivables	Equity securities	Trading liabilities	Total
	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000
Balance at 1 January 2018	92,594	156,428	10,421	17,009	(7,556)	**268,897**
Movements in 2018						
Total gains and losses:						
in profit or loss	-	23,241	-	-	-	**23,241**
in OCI	-	-	-	(55)	-	**(55)**
Purchases	-	29,500	2,203	59,365	-	**91,068**
Settlements	(81,259)	(67,133)	(2,358)	-	(5,242)	**(155,992)**
Transfer into/(out) of level 3	-	-	-	-	-	**-**
Balance at 31 December 2018	11,335	142,036	10,266	76,319	(12,798)	**227,159**
Movements in 2019						
Total gains and losses:						
in profit or loss	-	6,329	-	-	-	**6,329**
in OCI	-	-	-	33,340	-	**33,340**
Purchases	-	4,238	(2,252)	-	-	**1,986**
Issues	-	-	-	-	(1,097)	**(1,097)**
Settlements	(7,585)	(99,299)	-	-	(3,088)	**(109,972)**
Balance at December 31	**3,750**	**53,305**	**8,014**	**109,659**	**(16,980)**	**157,748**

Notes to the financial statements

For the year ended 31 December 2019

6. 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:

Dec-19	FIRE Gh¢'000	MOTOR Gh¢'000	ACCIDENT Gh¢'000	ENGINEER'G Gh¢'000	LIABILITY Gh¢'000	BONDS Gh¢'000	MARINE Gh¢'000	TRAVEL Gh¢'000	AVIATION Gh¢'000	MICROINS. Gh¢'000	TOTAL Gh¢'000
Underwriting Income											
Insurance premium revenue	24,909	58,409	6,814	12,204	8,203	9,586	1,113	2,005	2,195	167	125,605
Insurance premium ceded to reinsurers	(15,928)	(1,385)	(3,129)	(7,560)	(4,063)	(3,308)	(593)	(91)	(2,195)	-	(38,252)
Premium Retained	8,981	57,024	3,685	4,644	4,140	6,278	520	1,914	-	167	87,353
Less Unearned Premium Provision	(3,173)	(515)	314	1,676	(477)	539	69	(2)	482	-	(1,087)
Net insurance premium revenue	5,808	56,509	3,999	6,320	3,663	6,817	589	1,912	482	167	86,266
Ceding commission earned	3,235	326	858	1,968	1,188	1,607	155	-	452	-	9,789
Claims and loss adjustments recovered	691	182	56	86	2	31,472	9	-	-	-	32,498
Net underwriting income	9,734	57,017	4,913	8,374	4,853	39,896	753	1,912	934	167	128,553
Underwriting Expenses											
Agency commission incurred	4,745	11,666	1,333	2,672	1,610	1,684	162	182	486	50	24,590
Claims and loss adjustment expense	7,320	22,795	298	862	2,286	34,227	261	802	1,564	9	70,424
Operating Expenses	8,639	20,257	2,363	4,233	2,845	3,325	388	696	761	50	43,557
	20,704	54,718	3,994	7,767	6,741	39,236	811	1,680	2,811	109	138,571
Underwriting Profit / (Loss)	(10,970)	2,299	919	607	(1,888)	660	(58)	232	(1,877)	58	(10,018)
Investment income	-	-	-	-	-	-	-	-	-	-	9,342
Other Income	-	-	-	-	-	-	-	-	-	-	1,405
Finance Cost	-	-	-	-	-	-	-	-	-	-	(107)
Profit before tax	(10,969)	2,299	919	607	(1,889)	660	(56)	232	(1,877)	58	622

Notes to the financial statements

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6. Operating segment (continued)

Dec-18	FIRE Gh¢'000	MOTOR Gh¢'000	ACCIDENT Gh¢'000	ENGINEER'G Gh¢'000	LIABILITY Gh¢'000	BONDS Gh¢'000	MARINE Gh¢'000	TRAVEL Gh¢'000	AVIATION Gh¢'000	MICROINS. Gh¢'000	TOTAL Gh¢'000
Underwriting Income											
Insurance premium revenue	22,760	55,273	10,046	14,397	8,396	9,141	1,053	1,829	2,731	288	125,914
Insurance premium ceded to reinsurers	(13,868)	(1,388)	(4,132)	(10,178)	(4,905)	(1,996)	(562)	(79)	(2,388)	-	(39,496)
Premium Retained	8,892	53,885	5,914	4,219	3,491	7,145	491	1,750	343	288	86,418
Less Unearned Premium Provision	158	1,470	(1,315)	(3,162)	(864)	(949)	863	(11)	(480)	186	(4,104)
Net Insurance premium revenue	9,050	55,355	4,599	1,057	2,627	6,196	1,354	1,739	(137)	474	82,314
Ceding commission earned	3,295	293	964	2,311	984	700	195	-	440	-	9,182
Claims and loss adjustments recovered	319	1,466	22	377	1	-	11	6	-	-	2,202
Net underwriting income	12,664	57,114	5,585	3,745	3,612	6,896	1,560	1,745	303	474	93,698
Underwriting Expenses											
Agency commission incurred	5,871	9,241	1,964	3,232	1,873	1,942	191	151	583	86	25,134
Claims and loss adjustment expense	2,831	20,748	1,315	1,442	1,395	105	(865)	625	141	19	27,756
Management Expenses	7,901	19,185	3,487	4,997	2,914	3,173	365	635	948	86	43,691
	16,603	49,174	6,766	9,671	6,182	5,220	(309)	1,411	1,672	191	96,581
Underwriting Profit / (Loss)	(3,939)	7,940	(1,181)	(5,926)	(2,570)	1,676	1,869	334	(1,369)	283	(2,883)
Investment income	-	-	-	-	-	-	-	-	-	-	42,539
Other Income	-	-	-	-	-	-	-	-	-	-	1,293
Impairment Prov. On Fixed Deposits	-	-	-	-	-	-	-	-	-	-	(17,685)
Finance Cost	-	-	-	-	-	-	-	-	-	-	(37)
Profit before tax	(3,939)	7,940	(1,181)	(5,926)	(2,570)	1,676	1,869	334	(1,369)	283	23,227

Notes to the financial statements

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7. The insurance premium revenue (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:

	Direct Premium Income Gh¢'000	Reinsurance Premium Income Gh¢'000	Gross Written Premium Gh¢'000	Adjustment in unearned premium Gh¢'000	Insurance Premium Revenue Gh¢'000	Reinsurance Cost Gh¢'000	Total Gh¢'000
Dec-19							
Fire	22,975	1,934	24,909	(3,173)	21,736	(15,928)	5,808
Motor	57,937	472	58,409	(515)	57,894	(1,385)	56,509
Accident	6,152	662	6,814	313	7,127	(3,129)	3,998
Engineering	12,026	178	12,204	1,676	13,880	(7,560)	6,320
Liability	7,792	411	8,203	(476)	7,727	(4,063)	3,664
Bonds	9,421	165	9,586	539	10,125	(3,308)	6,817
Marine	982	131	1,113	69	1,182	(593)	589
Travel	2,005	-	2,005	(2)	2,003	(91)	1,912
Aviation	2,195	-	2,195	482	2,677	(2,195)	482
Microinsurance	167	-	167	-	167	-	167
	121,652	**3,953**	**125,605**	**(1,087)**	**124,518**	**(38,252)**	**86,266**
Dec-18							
Fire	21,175	1,585	22,760	158	22,918	(13,868)	9,050
Motor	54,990	283	55,273	1,470	56,743	(1,388)	55,355
Accident	9,357	689	10,046	(1,315)	8,731	(4,132)	4,599
Engineering	14,183	214	14,397	(3,162)	11,235	(10,178)	1,057
Liability	8,107	289	8,396	(864)	7,532	(4,905)	2,627
Bonds	9,101	40	9,141	(949)	8,192	(1,996)	6,196
Marine	1,028	25	1,053	863	1,916	(562)	1,354
Travel	1,829	-	1,829	(11)	1,818	(79)	1,739
Aviation	2,731	-	2,731	(480)	2,251	(2,388)	(137)
Microinsurance	288	-	288	186	474	-	474
	122,789	3,125	125,914	(4,104)	121,810	(39,496)	82,314

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For the year ended 31 December 2019

		Dec-19 Gh¢'000	Dec-18 Gh¢'000
8.	**Reinsurance commission**		
	Fire	**3,235**	3,295
	Motor	**326**	293
	Accident	**858**	964
	Engineering	**1,968**	2,311
	Liability	**1,188**	984
	Bonds	**1,607**	700
	Marine	**155**	195
	Aviation	**452**	440
	Total	**9,789**	9,182

9. INVESTMENT INCOME

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Interest on Short Term Investments	**6,541**	41,596
Dividends on Equities	**2,801**	943
	9,342	42,539

10. OTHER INCOME

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Interest on Staff Loan	**86**	136
Premium Recoveries	**-**	106
Other Sundry Income	**1,319**	13
Exchange Gain	**-**	1,038
	1,405	1,293

11. COMMISSION EXPENSE

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Fire	**4,745**	5,871
Motor	**11,666**	9,241
Accident	**1,333**	1,964
Engineering	**2,672**	3,232
Liability	**1,610**	1,873
Bonds	**1,684**	1,942
Marine	**162**	191
Travel	**182**	151
Aviation	**486**	583
Microinsurance	**50**	86
	24,590	25,134

Notes to the financial statements

For the year ended 31 December 2019

12. CLAIMS AND LOSS ADJUSTMENT EXPENSES

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Settled during the period	**64,128**	28,694
Increase / (Decrease) in provision	**6,296**	(938)
Gross Claims Expense	**70,424**	27,756

13. OPERATING EXPENSES

These include:

Auditors' Remuneration	**95**	87
Directors' Remuneration	**320**	325
Depreciation	**1,700**	2,268
Donations	**60**	123

14. FINANCE COST

Lease Rental	**106**	28
Finance charges	**1**	9
	107	37

Notes to the financial statements

For the year ended 31 December 2019

15. TAXATION

15.1 Income tax expense

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Current tax (See note 15.3)	**1,801**	3,039
Tax Audit Liability from previous years (See note 15.3)	**-**	3,212
Deferred tax charge/(credit) (See note 30.1)	**3,678**	15
	5,479	6,266

15.2 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:

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Profit before taxation	**622**	23,227
Tax at applicable tax rate at 25% (December 2018: 25%)	**156**	5,807
Liability from Previous years' tax audit	**-**	3,212
Dividend taxed at 8%	**224**	75
Tax impact of non-deductible expenses	**6,633**	9,970
Tax impact of non-chargeable income	**(700)**	(10,860)
Tax impact of capital allowances	**(4,467)**	(1,900)
Tax impact of allowable expenditure	**-**	-
Capital gains tax at 15%	**-**	-
Tax rebates	**(45)**	(54)
Deferred Tax	**3,678**	15
Income Tax Expense	**5,479**	6,265
Effective tax rate	**880.89%**	27.19%

15.3 Company Income Tax

Year of Assessment	Balance at 1 Jan. Gh¢'000	Payments and credits Gh¢'000	Charge for the year Gh¢'000	Balance at 31 Dec. Gh¢'000
Tax Audit Liability from previous years	1,412	(738)	-	674
Corporate Tax 2018	1,779	(705)	-	1,074
Corporate Tax 2019	-	(4,086)	1,801	(2,285)
	3,191	(5,529)	1,801	(537)

Notes to the financial statements

For the year ended 31 December 2019

16. PROPERTY, PLANT & EQUIPMENT

	Land	Buildings	Motor Vehicles	Office Furn. & Equipment	Bungalow Furn. & Equipment	Computer Hardware	Library Books	Total
Cost/Revaluation	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000
Balance at 01/01/19	348	235	5,165	5,015	291	1,768	1	12,823
Additions	-	-	9	244	-	67	-	320
Disposals/Reclassification	(348)	-	-	-	-	-	-	(348)
Balance at 31/12/19	**-**	**235**	**5,174**	**5,259**	**291**	**1,835**	**1**	**12,795**
Depreciation								
Balance at 01/01/19	-	168	3,403	3,680	266	1,314	1	8,832
Charge for the year	-	12	749	646	11	282	-	1,700
Balance at 31/12/19	**-**	**180**	**4,152**	**4,326**	**277**	**1,596**	**1**	**10,532**
Carrying Amount								
At 31/12/19	**-**	**55**	**1,022**	**933**	**14**	**239**	**-**	**2,263**

16. PROPERTY, PLANT & EQUIPMENT (continued)

	Land	Buildings	Motor Vehicles	Office Furn. & Equipment	Bungalow Furn. & Equipment	Computer Hardware	Library Books	Total
Cost/Revaluation	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000	Gh¢'000
Balance at 01/01/18	348	235	3,378	4,472	281	1,651	1	10,366
Additions	-	-	1,787	543	10	117	-	2,457
Balance at 31/12/18	348	235	5,165	5,015	291	1,768	1	12,823
Depreciation								
Balance at 01/01/18	-	156	2,421	2,750	249	987	1	6,564
Charge for the year	-	12	982	930	17	327	-	2,268
Balance at 31/12/18	-	168	3,403	3,680	266	1,314	1	8,832
Carrying Amount								
At 31/12/18	348	67	1,762	1,335	25	454	-	3,990

Notes to the financial statements

For the year ended 31 December 2019

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
17. LEASES		
a. Right of use lease asset		
Cost		
Balance at 1 January	2,617	-
Payment during the year	4,277	-
Reclassification	348	-
Payment during the year	797	-
Balance at 31 December	8,039	-
Amortisation		
Balance at 1 January	-	-
Charged for the year	4,448	-
Balance at 31 December	4,448	-
Net Book Value	3,591	-
b. Lease Liability		
Balance at 1 January	-	-
Accrued leases payables	300	-
Lease liability relating to Right of Use Asset	797	-
Balance at 31 December	1,097	-

Dec-19
Gh¢

18. INTANGIBLE ASSETS

Cost	Computer software licences Gh¢'000	Deferred expense Gh¢'000	Total Gh¢'000
Balance at 1 January 2018	1,422	292	**1,714**
Additions	-	-	-
Balance at 31 December 2018	1,422	292	**1,714**
Movements in 2019:			
Additions	-	-	-
Balance at 31 December 2019	1,422	292	**1,714**
Accumulated amortisation and impairment:			
Balance at 1 January 2018	1,109	292	**1,401**
Amortisation and impairment during the year	97	-	**97**
Balance at 31 December 2018	1,206	292	**1,498**
Movements in 2019:			
Amortisation and impairment during the year	97	-	**97**
Balance at 31 December 2019	1,303	292	**1,595**
Carrying amount at 31 December 2019	120	-	**120**
Carrying amount at 31 December 2018	216	-	216

19. INVESTMENT PROPERTY

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Balance at 1 January	**73,663**	12,060
Acquisitions	**105,009**	61,603
Balance at 31 December	**178,672**	73,663

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

a) Available-for-Sale Equity Investments

	Listed Equity Securities Gh¢'000	Unlisted Equity Securities Gh¢'000	Total Gh¢'000
Balance at 1 January 2018	1,292	15,707	17,000
Changes in 2018:			
Acquisition	-	59,365	59,365
Revaluation	(46)	-	(46)
Balance at 31 December 2018	1,247	75,072	76,319
Changes in 2019:			
Acquisition	-	-	-
Revaluation	(166)	30,421	30,255
Disposal	-	-	-
Balance at 31 December	**1,081**	**105,493**	**106,575**
Balance at 31 December 2018	1,247	75,072	76,319

Listed Equity Investments

Details of the Company's shareholdings in other companies listed on the Ghana Stock Exchange (GSE) as at December 2019 are as follows:

GCB Bank Ltd	-	48,566 shares
Societe Generale (Ghana) Ltd	-	144,863 shares
The Trust Bank (Gambia)	-	193,493 shares
HFC Bank	-	18,420 shares
Standard Chartered Bank (Ghana)	-	7,000 shares
Guinness Ghana Breweries Ltd	-	45,814 shares
Unilever Ghana Ltd	-	13,400 shares
Mechanical Llyod Company Ltd	-	75,145 shares
Produce Buying Company Ltd	-	18,550 shares
Aluworks	-	22,000 shares
Cocoa Processing Company Ltd	-	13,042 shares
Pioneer Kitchen Ltd	-	12,600 shares
Clydestone Ltd	-	141,821 share
Benso Oil Palm Plantation	-	70,181 share

Unlisted Equity Investments

The Company's shareholding interest in other companies not listed on the Stock Exchange also stood as follows:

Waica Reinsurance Corporation	-	10,427,957 shares
Accra Breweries Ltd	-	184,980 shares
CFAO Motors	-	500 shares

Notes to the financial statements

For the year ended 31 December 2019

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

a) Available-for-Sale Equity Investments (cont.)

Sensitivity Analysis

The Company is exposed to equity securities price risk because of investments in quoted and unquoted shares classified as Available-for-Sale. An average market prices change of 5% will impact the statement of financial position to the tune of Gh¢5,482,971.

b) Available-for-Sale Reserve

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Balance at 1 January	**1,131**	1,084
Revaluation of Equity Investments	**30,255**	47
Balance at 31 December	**31,386**	1,131

21. OTHER RECEIVABLES

Staff Debtors	**1,342**	2,490
Agency Loan	**30**	41
Prepayments & Deposits	**3,436**	2,724
Sundry Debtors	**100**	2,844
Current Account with Star Microinsurance	**77**	19
National Reconstruction Levy	**2**	2
Accountable Imprest	**-**	70
Sticker & Levies	**-**	52
	4,987	8,242

a. The maximum amount owed by staff to the Company did not at any time during the year exceed Gh¢1,342,338 (December 2018 - Gh¢2,490,387).

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

22. AVAILABLE-FOR-SALE DEBT INVESTMENTS

Government Securities	**1,428**	582
Fixed Deposits	**49,437**	2,072
Statutory Deposit	**2,439**	157,067
Impairment Prov. On Fixed Deposits	**-**	(17,685)
	53,304	142,036

22. AVAILABLE-FOR-SALE DEBT INVESTMENTS

Sensitivity Analysis

Fixed interest rate financial instruments carried at fair value expose the company to fair value interest rate risk. Variable interest rate financial instruments expose the company to cash flow interest rate risk.

Investment contracts with fixed and guaranteed terms, government securities and deposits with financial institutions held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.

23. CASH AND BANK BALANCES

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Cash on Hand	176	164
Cash at Bank	3,574	11,171
	3,750	11,335

24. STATED CAPITAL

	Dec-19 No. of Shares (million)	Dec-18 No. of Shares (million)
Authorised Ordinary Shares of no par value.	100,000	100,000
Issued Ordinary Shares of no par value fully paid for	6,295	6,295

	Number of shares ('million)	Gh¢'000	Number of shares ('million)	Gh¢'000
Balance at 1 January	6,295	130,235	6,295	130,235
Issued of shares	-	-	-	-
Balance at 31 December	6,295	130,235	6,295	130,235

Other disclosures required by the Companies

	Number of shares ('million)	Gh¢'000	Number of shares ('million)	Proceeds Gh¢'000
Issue for Cash	4,800	111,983	4,800	111,983
Issue Other than Cash Consideration	569	6,950	569	6,950
Transfer from Income Surplus	926	11,302	926	11,302
	6,295	130,235	6,295	130,235

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

Notes to the financial statements

For the year ended 31 December 2019

24a 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.

25. INCOME SURPLUS

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

26. INSURANCE CLAIMS LIABILITIES

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Settled but Outstanding	7,132	3,928
Outstanding Claims Provision	21,966	18,139
Incurred But Not Settled (IBNR)	18,468	15,995
	47,566	38,062
Movement in total claims liability		
Claims Outstanding at January 1	38,062	36,551
Additional Claims Provision	6,299	(938)
Claims Settled during the period	64,127	28,693
Cash paid during the year	(60,922)	(26,245)
Balance at 31 December	47,566	38,062

Claims Liabilities by Product

	Settled but Outstanding	Reported but not settled	Incurred but not reported	Total
Dec-19	**Gh¢'000**	**Gh¢'000**	**Gh¢'000**	**Gh¢'000**
Fire	-	7,579	560	**8,139**
Motor	6,050	10,988	14,892	**31,930**
Accident	-	958	111	**1,069**
Engineering	-	482	345	**827**
Liability	1,082	582	867	**2,531**
Bonds	-	1,040	833	**1,873**
Marine	-	250	132	**382**
Travel	-	87	389	**476**
Aviation	-	-	339	**339**
Balance at 31 December 2019	**7,132**	**21,966**	**18,468**	**47,566**
Dec-18				
Fire	826	1,569	558	2,953
Motor	2,616	13,481	13,538	29,635
Accident	486	817	330	1,633
Engineering	-	561	726	1,287
Liability	-	453	256	709
Bonds	-	1,040	208	1,248
Marine	-	180	30	210
Travel	-	38	208	246
Microinsurance	-	-	141	141
Balance at 31 December 2018	3,928	18,139	15,995	38,062

26. INSURANCE CLAIMS LIABILITIES

Sensitivity Analysis

Claims estimation is based on the following parameters:

a) the general price levels or inflationary trends within the economy

b) the rate of currency depreciation as significant portion of risk underwritten are quoted in foreign

c) the awareness level of the insuring public and their rights to claim under insurance contracts

d) the general level of risk conciousness of the population

The impact of a 5% average change in the above parameter will result in a change to the tune of Gh¢2,080,165 positive or negative in the statement of financial position, depending on the direction of the change.

27. PROVISION FOR UNEARNED PREMIUM

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Balance at 1 January		34,191
Additional Provision	**1,086**	4,104
Balance at 31 December	**39,380**	38,295

28. CREDITORS AND ACCRUALS

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Commission Payable	**1,414**	1,726
Witholding Tax	**421**	
Stickers & Levies	**150**	-
Accruals	**4,073**	829
Sundry Creditors	**3,259**	1,895
	9,317	4,849

29. NATIONAL FISCAL STABILIZATION LEVY

Year of Assessment	Balance at 1 Jan. '19 Gh¢'000	Payments during the year Gh¢'000	Charge for the year Gh¢'000	Balance at 31 Dec. '19 Gh¢'000
2018	1,525	-	-	**1,525**
2019	-	(1,664)	31	**(1,633)**
	1,525	(1,664)	31	**(108)**

This is a levy of 5% of accounting profit before tax for the year. This was suspended in 2012, but re-introduced in July 2013, and extended in December 2019. It is payable to the Commissioner of Ghana Revenue Authority under the National Fiscal Stabilization Levy Act, 2009 (Act 785).

Notes to the financial statements

For the year ended 31 December 2019

		Dec-19 Gh¢'000	Dec-18 Gh¢'000
30.	**DEFERRED TAX**		
30.1	**The movement on the deferred tax account is as follows:**		
	Balance at 1 January	**6,169**	6,154
	Origination / reversal of temporary differences: recognised in the income statement	**3,678**	15
	Balance at 31 December	**9,847**	6,169
31.	**ANALYSIS OF CASH AND CASH EQUIVALENTS**		
	Cash and Bank Balances (Note 23)	**3,750**	11,335
	Short term Investments (Note 20)	**53,304**	142,036
		57,054	153,371

32. CONTINGENT LIABILITIES

There were no contingent liabilities as at the year end December 31, 2019 (December 2018 - Nil)

33. CAPITAL COMMITMENTS

There were no material capital commitments as at the year end December 31, 2019 (December 2018 - Nil)

34. EVENTS AFTER BALANCE SHEET DATE

No significant event occurred after the end of the reporting date which is likely to affect these financial statements.

Possible impact of the corona virus (COVID-19)

It is significant to mention that the novel Corona virus disease (COVID-19) which has taken the world by storm is likely to have a material impact on the entire world's economy of which Star Assurance is a player. Ghana's projected GDP growth of 7.1 percent for the year 2020 has been reviewed downwards to about 2.5 percent. This shows how significant the likely impact of the disease on economic activities is expected to be.

The Company anticipate a negative impact on its business prospecting efforts which is likely to result in a lower than expected revenue for the year 2020. Crisis management strategies have therefore been put in place in dealing with the impact on business prospecting.

The Company also anticipate a negative impact on its investment activities resulting from the reduction in anticipated revenue. This may eventually result in lower investment income should interest rates remain at the same levels or even reduce.

The Company shall strictly observe all the protocols as prescibed by the World Health Organisation, the Ghana Health Service and the Government of Ghana to protect its staff, clients and all other stakeholders. The Company has reviewed and strengthened its business continuity strategy, and also strengthened its control measures to ensure an unhindered going concern status.

Notes to the financial statements

For the year ended 31 December 2019

35. RELATED PARTY TRANSACTIONS

HODA Holdings incorporated in Ghana, owns 99.996% of the issued ordinary shares of the Company. Mr. Andrews Basoah holds the remaining 0.004%. uniBank (Ghana) Limited, uniCredit Ghana Limited and uniSecurities Ghana Limited (all of which are currently dissolved), were all related through common shareholding. StarLife Assurance Company Limited, Star Microinsurance Company Limited, uniPrecision Printing Press, Telemedia Communications, E.I.B. Network, Integrated Properties Limited, HODA Properties and Alban Logistics are also related through common shareholding and directorship.

Below are balances held on related parties account as at the close of the year

Nature of Transaction	Related Party	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Available-for-sale Investment:			
Fixed Deposits	uniCredit Savings & Loans Ltd	**693**	693
Fixed Deposits	uniSecurities (Ghana) Ltd	**-**	57,422
Commercial Paper	Integrated Properties Ltd (IPL)	**-**	54,713
		693	112,828
Bank Balances			
Current Accounts	uniCredit Savings & Loans Ltd	**526**	445
		526	445
Balances due from:			
Rent Prepayment	StarLife Assurance Company Ltd	**-**	-
Star Assurance Employees		**1,342**	2,706
		1,342	2,813
Balances due to:			
Rent / Facility Maint. Fees	StarLife Assurance Company Ltd	**202**	39
Advertising Expense	Telemedia Communications Ltd	**398**	5
Insurance Claims	Star Microinsurance Ltd	**77**	524
		677	28

35. RELATED PARTY TRANSACTIONS (CONTINUED)

Payments to Related Parties:

		Dec-19 Gh¢'000	Dec-18 Gh¢'000
Claims payment	StarLife Assurance Co. Ltd	**111**	11
Claims payment	Telemedia Communications Ltd	**15**	-
Claims payment	uniBank (Ghana) Ltd.	-	38
Claims payment	uniSecurities (Ghana) Ltd	-	-
Claims payment	Topp Core Security	**4**	15
Security & prof driving services	Topp Core Security	**126**	239
Life Insurance premium	StarLife Assurance Co. Ltd	**123**	492
Marketing and adverts	Telemedia Communications Ltd	**2,347**	1,692
Printing of stationery items	uniPrecision Printing Press	**419**	347
Purchase of Fixed Assets	Alban Logistics	**9**	149
Supply of stationery and others	Alban Logistics	**75**	60
Lease Rentals	Alban Logistics	**133**	-
		3,362	3,043

Receipts from Related Parties:

		Dec-19 Gh¢'000	Dec-18 Gh¢'000
Insurance Premium	Integrated Properties Ltd (IPL)	-	14
Insurance Premium	HODA Holdings	**4**	-
Insurance Premium	HODA Properties	**55**	-
Insurance Premium	StarLife Assurance Company Ltd	**384**	299
Insurance Premium	Star Microinsurance Ltd	**10**	25
Insurance Premium	uniBank (Ghana) Ltd.	-	46
Insurance Premium	uniCredit Savings & Loans Ltd	**3**	273
Insurance Premium	uniSecurities (Ghana) Ltd	**30**	20
Insurance Premium	uniPrecision Printing Press	**19**	28
Insurance Premium	E. I. B Network Ltd	-	70
Insurance Premium	Alban Logistics	**56**	57
Insurance Premium	Telemedia Communications Ltd	**6**	11
		567	857

Compensation to key management personnel:

Salaries and other short-term employment benefits	**1,370**	1,005
Employers' pension contributions	**315**	231
	1,685	1,236

Transactions with directors:

Remuneration in the form of salaries is paid to executive directors and non-executive directors are paid fees.

Directors' emoluments are disclosed in Note 13.

36. Compliance with laws and regulations

The company has not fully complied with the National Insurance Commission directive (dated March 18, 2019) in respect of landed and investment properties and the "No Premium No Cover" directive.

Notes to the financial statements
For the year ended 31 December 2019

OPERATING EXPENSES	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Staff Cost		
Salaries and Allowances	**12,108**	12,362
Wages	**148**	328
Medical	**480**	464
Staff Uniform	**28**	4
Training/Seminar - Staff	**1,439**	611
	14,203	13,769

Promotional Expenses

Marketing and Advertisement	**5,591**	5,108
Agents Training & Support Expenses	**98**	128
Donations	**60**	123
Business Promotions	**900**	1,808
	6,649	7,167

Star Assurance Company Limited

Notes to the financial statements

For the year ended 31 December 2019

	Dec-19 Gh¢'000	Dec-18 Gh¢'000
Administrative Expenses		
Legal Fees & Expenses	**149**	434
Motor Vehicles Running	**1,799**	1,652
Motor Vehicles Repairs	**214**	216
Generator Expenses	**353**	283
Travelling & Transport-Local	**407**	355
Repairs - Others	**117**	121
Printing & Stationery	**966**	983
Bank Charges	**184**	248
Auditors' Remuneration and Charges	**112**	113
Professional Fees	**855**	637
Software Support Services	**593**	377
Board Meeting Expenses	**31**	53
Directors' Remuneration	**320**	325
Communication Expenses	**1,363**	1,247
Subs/Reg & Licensing	**964**	369
NIC Subscription	**901**	1,157
Client Rescue fund Levy of NIC	**123**	130
Office Expenses	**134**	87
Entertainment	**459**	292
Insurance	**574**	477
Cleaning and Sanitation	**655**	697
Security Services	**706**	535
Depreciation	**1,700**	2,268
Amortisation Expenditure	**97**	97
Trekking Expenses	**275**	267
Overseas Travelling	**281**	143
Rent & Rates	**2,605**	8,025
Lease Amortisation	**4,448**	-
Electricity & Water	**1,158**	1,167
Exchange Loss	**162**	-
	22,705	22,755
Total	**43,557**	43,691