

PKF

Star Assurance Company Limited

Financial statements

31 December 2021

**Star Assurance Company Limited**

Financial Statements

**31 December 2021**

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## Corporate information

**31 December 2021**

**Directors:** Mr. Michael Odartey-Wellington Boatemaa D. Barfour-Awuah (Mrs.) Mr. Kofi Duffuor

Mr. Emmanuel Baiden Mr. A. K. Basoah

Mr. Kwadwo Okoh

Prof. Charles Andoh

* Chairman
* Chief Executive Officer
* Group CEO - Member
* Group CFO - Member
* Member (Retired - August 2021)
* Member
* Member

**Secretary:** Summers Darko (Mrs.)

**Registered Office:** 1st Floor, Stanbic Heights Building

215 South Liberation Link - Airport City P. 0. Box 7532,

Accra - North

**Solicitors:** Summers Darko (Mrs.) Legal Department

Star Assurance Company Limited P.0. Box 7532,

Accra - North

**Auditors:** PKF

GH-GA-093-3684

Farrar Avenue

P. 0. Box GP 1219 Accra

**Main Bankers:** Stanbic Bank Limited

Absa Bank of Ghana Limited GCB Bank Limited

Fidelity Bank Limited Ecobank Ghana Limited

The directors present herewith the financial statements for the year ended 31 December 2021, 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 2021, 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, 2021 (Act 1061).

**Going Concern:**

1ne areaaea cov,a-19 wn,cn tooK tne worIa Dy storm nas largely Deen orougnt under control across the world. However, it has left a devastating Impact on the global economy, which many countries are struggling to overcome. On the other hand however, it has also accelerated key technological innovations to propel businesses to the next level.

The directors have reviewed the business environment, including the impact of the Covid-19 on both the global and local economies, as well as the advent of vaccines, and 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 going concern in the year 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 2021 (December 2020 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 2021 remains as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | No. of shares | **Dec, 21** | Dec. 20 |
| Star Assurance Group | 6,294,869,539 | **99.99790/o** | 99.9979% |
| Mr. Andrews Basoah | 130,461 | **0.0021%** | 0.0021% |
| Total | 6,295,000,000 | **100%** | 100% |
| **Dividend:** |  |  |  |

In line with the provisions in the Companies Act, 2019 (Act 992) and also guided by the dividend policy of the Company, the Board of Directors recommend for the approval of shareholders, a dividend of GH¢6.1 million based on 2021 results. This culminates into GHp0.0965 per share.

**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, 2021 (Act 1061). 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.

**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. Michael 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 six Directors, with five Non-Executive Directors out of which two 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**

**No. Name**

Mr. Michael Odartey-Wellington

**Profession**

Chartered Accountant

**Nationality Date of birth**

Ghanaian 28-Sep-1965

Boatemaa D. Barfour-Awuah (Mrs.) Chartered Insurer Mr. Kofi Duffuor Chartered Insurer

Mr. Emmanuel Baiden Chartered Accountant Mr. A. K. Basoah (Retired: 31/08/21) Teacher/Businessman Mr. Kwadwo Okoh Chartered Insurer

Prof. Charles Andoh Lecturer/ Risk Analyst

**Details of serving directors and their other engagements:**

Ghanaian Ghanaian Ghanaian Ghanaian Ghanaian Ghanaian

29-Nov-1983

7-Jan-1966

16-Jan-1967

23-Aug-1945

10-Sep-1979

30-May-1968

**Directors**

Mr. Michael Odartey-Wellington Boatemaa D. Barfour-Awuah (Mrs.) Mr. Kofi Duffuor

Mr. Emmanuel Baiden

Mr. A. K. Basoah (Retired:31/08/2021)

Mr. Kwadwo Okoh Prof. Charles Andoh

**Qualifications**

Chartered Accountant

Chartered Insurer, MSc (Finance)

Chartered Insurer, MBA

Chartered Accountant,

**MBA**

Post Dip

Chartered Insurance Practitioner {ACII)

Bsc Mathematics, Msc Mathematics, Msc Finanacial Mathematics, Phd Natural Science

**Other engagements** Managing Director, Panbros Salt Industries Limited.

Board member - Telemedia Co Ltd

Star Assurance Group CEO; Chairman, **WAICA** Reinsurance Corporation Pie

Star Assurance Group CFO; Board member - Telemedia Communications Ltd, Star Microinsurance Co. Ltd, **WAICA** RE Capital, etc.

Teacher; Businessman

Board Trustee - HODA Employee Pension Scheme

Associate Professor, University of Ghana Business School.

**Inaepenaence of soara of Directors**

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

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.

**Board Committees**

There are four (4) Committees that assist the Board in carrying out its responsibilities. These are the Risk Management, Audit and Compliance Committee, the Investment Committee, the Strategy and Finance Committee, and the Human Resource, Remuneration and Corporate Governance 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.

**Board and Committee Meetings**

The Main Board met three times in 2021 including an extraordinary meeting. The Audit and Risk Committeemet three times, the Investment Committee once, the Strategy and Finance Committee met two times, whilst the Human Resource and Governance Committee also met once during the year 2021.

The following table indicates the attendance of each member at meetings held during the year 2021.

**Name Name of Committee Meetings Hele**

Mr. Michael Odartey-Wellington Main Board Boatemaa D. Barfour-Awuah (Mrs.) Main Board

3 Meetings

3 Meetings

Mr. Kofi Duffuor

Mr. Emmanuel Baiden

Mr. Kwadwo Okoh

Prof. Charles Andoh

Risk Management, Audit & Compliance Committee Strategy & Finance Committee

Investment Committee

Human Resource, Remuneration and Corporate Governance Committee

Main Board Investment Committee

Human Resource, Remuneration and Corporate Governance Committee

Main Board

Risk Management, Audit & Compliance Committee Strategy & Finance Committee

Investment Committee

Main Board

Human Resource, Remuneration and Corporate Governance Committee

Main Board

Human Resource, Remuneration and Corporate Governance Committee

Strategy & Finance Committee

3 Meetings

2 Meetings

1 Meeting

1 Meeting

3 Meetings

1 Meeting

1 Meeting

3 Meetings

3 Meetings

2 Meetings

1 Meeting

3 Meetings

1. Meeting

3 Meetinos

3 Meetings

2 Meetings

**Partic;ulars 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).

**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 insight about the insurance sector and other developments to enable them effectively fulfill their role on the Board and committees of the Board.

**Corporate Social Responsibilities**

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 2021, the Company focused its corporate social responsibility program mainly on health and education.

in me area or nea1m, me l.:ompany extenaea its partnersn1p w1m Helen Arnca to aonate personal protective equipments (PPEs) to support some driver unions within Accra and Kumasi Metropolis to help combat the Covid-19 Pandemic.

Even in the midst of the Covid-19 pandemic, the Company, through its internship program offered five students from the Universities the opportunity to gain corporate exposure and experience in their various lines of discipline. About eight 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.

The usual support offered to final year students of the University of Ghana Medical School towards

their international exchange program could not be fulfilled due to the various travel restrictions resulting from the Covid-19 pandemic.

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.

**Impact of Covid-19**

In the heat of the Covid-19 pandemic in 2020 the Board reviewed and approved a revised business continuity plan put in place to address the challenges of the pandemic. With the introductions of the various Covid-19 vaccines, the approach to combating the pandemic was also varied at both global level and the national levels. The restrictions placed on movement of people and goods have been eased significantly across the globe. The initial challenges faced by several African countries including Ghana in the acquisition of the vaccines were also significantly subdued

as the year came to an end. The shift system adopted for the Head omce and Branch Offices in

Accra and Kumasi was abolished as vaccines became available to staff in these offices. The wearing of nose mask however continues to be strictly enforced in line with the protocols outlined by the Government of Ghana through the Ghana H alth Service. Staff in other branch offices were also encouraged to take advantage of the national-wide campaign launched in December 2021 by

the Ghana Health Service to get as many people vaccinated as possible against the pandemic. The omicron variant which showed up strongly towards the end of the year has also been brought

under control and all staff who tested positive have all been cleared and have resumed work fully. It is worthy of note that no live has been lost as a result of Covid-19, be it a director, staff or agent.

**Impact of Covid-19 (cont'd)**

The Company shall continue to strictly enforce all the protocols as directed by the appropriate authorities. Mass gatherings shall be minimised as much as possible, and the use *of* virtual training approach which has become the new norm will continue. The Company also plans to develop its own e-learning platforms to facilitate its training programs.

The situation shall be continuously monitored and reviewed, and appropriate variations shall be applied in line with global and national protocol to protect the lives of staff, clients and all other stakeholders.

**Directors' Remuneration**

Determining the remuneration of the Directors is subject to shareholders approval. The Board Chairman was paid a net monthly *fee of* GHS3,450 and a sitting allowance of GHSl,440 per Board meeting. The other Non-Executive Directors were paid a monthly fee of GHS3,174 and a sitting allowance of GHSl,320 per meeting.

**Auditors and audit fees**

In accordance with section 139 (Sd) of the Companies Act, 2019 (Act 992), Messrs PKF were appointed as the new external auditors to take over from Messrs Deloitte and Touche. Amount payable in respect of audit fees was GH¢85,000 (2020: GH¢103,SS0)

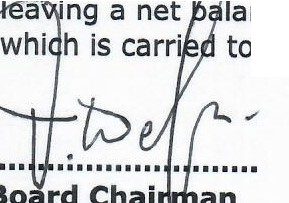
**Other Matters:**

The directors confirm that no matters have arisen since 31 December 2021 which materially affect the financial statements of the Company for the year ended on that date.

|  |  |  |
| --- | --- | --- |
| **Account**  Gross Premium | **Dec-21 Gh¢'000**  **194,026** | Dec-20 Gh¢'000  148,535 |
| Reinsurance Premium | **(74,157)** | (42,175) |
| Profit before Tax | **27,529** | 8,078 |
| Corporate tax provision of | **(6,845)** | (2,033) |
| and National Fiscal Stabilisation Levy | **(1,376)** | (404) |
| leaving Net Profit after Tax of | **19,308** | 5,641 |
| which is added Income Surplus Account brought  forward from 31 December of the previous year | **47,930** | 52,438 |
| making a total Income Surplus of | **67,238** | 58,079 |

from which is deducted Dividend paid of;

a prior year adjustment of

a transfer to C tingency Reserve of

lance on the Income Surplus Account to the Statement of Financial Position



**Bo rd Cha\ ar Chief E>f rive Date:** eip-1 4'\,.c,:)...';)... **Date:** /o4 :;).o.:i:L\_

**Dated....M. 0,;.....?.:.'J.! 2022.**

**(4,786)** (2,174)

(3,519)

**(5,821)** (4,456)

**56,631** 47,930

**irector**

/04(

**Date:** &(.

**Star Assurance Company Limited**

### Certificate of solvency in respect of

###### non-life policies (Regulation 12A)

**As at 31 December 2021**

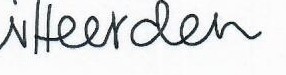


**Report by the Actuary**

I hereby certify that:

The valuation ('001 Star Valuation Report as at 31 December 2021 - final') and this Actuary's Report of Star Assurance Co. Ltd. have been prepared in accordance with Actuarial Practice Note 401 of the Actuarial Society of South Africa. Reporting has been prepared in accordance with guidelines to the insurance industry on the actuarial function issued by the National Insurance Commission ("NIC") in Ghana.

These require that reasonable provision is made for future outgo and premium income, generally based on the assumptions that current conditions will apply. Provision is therefore not made for all possible contingencies.



**C van Heerden**

**Actuary (FASSA)**

**tel** +27 11 038 3745

[christine.van.heerden@qedact.com](mailto:christine.van.heerden@qedact.com) 25 March 2021

**Star Assurance Company Limited**

#### Statement of directors' responsibilities

The Companies Act, 2019 (Act 992) requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing the financial statements, the Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgment and estimates have been made in the preparation of the financial statements for the year ended 31 December 2021. The Directors confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with International Financial Reporting Standards, the Companies Act, 2019 (Act 992) and the Insurance Act, 2021 (Act 1061). They are also responsible for safeguarding the assets of the Company and hence for taking steps for the prevention and detection of fraud and other irregularities. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

**STAR ASSURANCE COMPANY LIMITED**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**Report on the Audit of the Financial Statements Opinion**

We have audited the financial statements of Star Assurance Company Limited set out on pages 17 to 74, which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Star Assurance Company Limited as at 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the International Financial Reporting

Standards, the Companies Act, 2019 (Act 992) and the Insurance Act, 2021 (Act 1061).

**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics 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. We have determined the matter described below to be the key audit matter to be communicated in our report.

The key audit matters noted below relate to the financial statements.

|  |  |
| --- | --- |
| Key audit matter | How our audit addressed the key audit matter |
| **Actuarial Valuation of Technical Provisions** |  |
| Actuarial liability as at the end of the  reporting period is detailed in notes 28 & 30 of the financial statements. The determination of | We tested the completeness and accuracy of the underlying data used by the Actuary in the  actuarial calculations. We reconciled the data |
| this value requires significant judgment in the | to the financial statements and the books of |
| selection of key assumptions and | account. We reviewed the work of the |
| methodologies. | Actuary to assess the appropriateness of the |
|  | method used in calculating the Actuarial |
| National Insurance Commission (NIC) sets | liability and whether they have been applied |
| out a particular methodology (chain ladder, average cost per claim, Bornhuetter Ferguson | consistently over the years.  We also assess the objectivity, independence |
| or Standard Development) that the actuary | and competence of the Actuary. |
| should follow and specifies the main sections |  |
| the report must cover. There is the risk that | Our review did not show any material |
| valuation method may not be | inconsistencies. We considered the |
| consistent with previous years in an attempt to achieve a favorable position.  The Actuary exercises significant judgement | disclosure relating to the Actuarial liability and have found it to be appropriate and adequate. |
| in selecting the appropriate method to use  in estimating actuarial liability. Therefore, there |  |
| is significant measurement uncertainty involved |  |
| in this valuation. As a result, the valuation of |  |
| these instruments was significant to our audit. |  |

**Other Matter**

The financial Statements of Star Assurance Company Limited for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on the financial statements on 31 May 2021.

**Other Information**

The directors are responsible for the Other Information. The Other Information comprises the Directors report, the Statement of Directors' Responsibilities, Actuary's Report and Financial Highlights (Summary), which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. 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 and will not express an audit opinion or any form of assurance conclusion thereon.

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

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

**Responsibilities of the Board of Directors for the Financial Statements**

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992) and the Insurance Act, 2021 (Act 1061) and for such internal control as the Board of 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 Board of Directors is 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 Board of Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. The Boord of Directors is responsible for overseeing tne company"s flnanclal reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

**PKF'**

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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism 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 Board of Directors.
* Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of 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**

**PKr**

The Companies Act, 2019 (Act 992) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion proper books of account have been kept by Star Assurance Company Limited so far as appears from our examination of those books, and proper returns adequate for audit purposes have been received from branches not visited by us.
3. The statement of financial position and statement of comprehensive income are in agreement with the accounting records and returns.
4. The financial statements give a true and fair view of the state of affairs of the Company and its results for the year under review
5. Adequate disclosures have been made in the financial statements for the directors' emoluments and pension as well as amount due from officers and the amount reported in the financial statements are in agreement with the accounting records and returns.
6. We are independent of the Company in accordance with Section 143 of the Companies Act,

2019 (Act 992).

1. In accordance with section 151(1) of the Insurance Act, 2021 (Act 1061) Star Assurance Company Limited has kept accounting records that are sufficient to explain its insurance business and any other business that it carries on.

..PU...............................

**Signed by: DOMINIC DORKENOO (ICAG/P/1449) FOR AND ON BEHALF OF PKF {ICAG/F/2022/039) CHARTERED ACCOUNTANTS**

**FARRAR AVENUE ACCRA.**

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••••••••••••••••••••••••••••••••••••••• **2022.**

**The Engagement Partner responsible for the audit resulting in this Independent Auditor's Report is DOMINIC DORKENOO (ICAG/P/1449).**

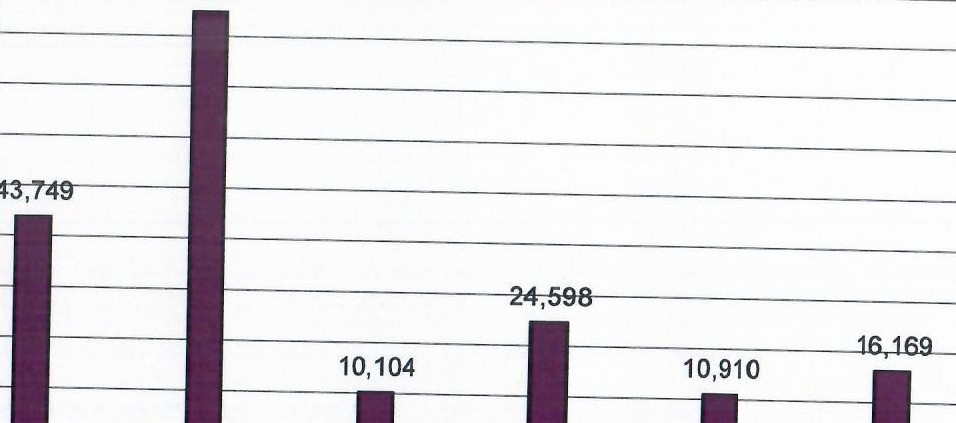
**Star Assurance Company Limited**

Financial highlights (Summary)

**31 December 2021**

**POLICY TYPE FIRE MOTOR ACCIDENT ENGINEER'G LIABILITY BONDS MARINE TRAVEL AVIATION TOTAL**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** |
| **Insurance premium revenue** | 43,749 | 84,700 | 10,104 | 24,598 | 10,910 | 16,169 | 1,246 | 988 | 1,562 | **194,026** |
| **Net Underwriting Income** | 21,442 | 85,634 | 7,473 | 14,894 | 4,747 | 18,059 | 666 | 727 | 317 | **153,959** |
| **Management Expenses** | 4,740 | 34,907 | 2,318 | 1,213 | 2,816 | 4,908 | 251 | 385 | 95 | **51,634** |
| **Underwriting Profit/ (Loss)** | 9,640 | {1,543) | 1,324 | 3,142 | (3,478) | (5,034) | 120 | 224 | 189 | **4,583** |



**GROSS PREMIUM CHART**

90,000

80,000

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70,000

60,000

50,000

40,000

30,000

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10,000 I■

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MOTOR

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BONDS

1,246

988

1,562

**0.**

IX

FIRE

ACCIDENT ENGINEER'G LIABILITY

MARINE

TRAVEL

AVIATION

16

**Star Assurance Company Limited**

###### Statement of financial position

**As at 31 December 2021**

|  |  |  |  |
| --- | --- | --- | --- |
| ***Notes*** | | **Dec-21**  **Gh¢'000** | Dec-20  Gh¢'000 |
| **Assets** |  |  |  |
| Property, Plant & Equipment | ***16*** | **2,306** | 1,679 |
| Right of use Leased Assets | ***17*** | **9,580** | 11,600 |
| Intangible Assets | ***18*** | **807** | 656 |
| Investment Properties | ***19*** | **188,359** | 177,157 |
| Available-for-sale Equity Investments | ***2D(a)*** | **236,771** | 155,659 |
| Amount due from Reinsurers | ***21*** | **4,376** | 2,395 |
| Other Receivables | ***22*** | **3,450** | 4,757 |
| Current tax asset | ***1.5*** | **2,650** |  |
| Available-for-sale Debt Investment | ***23*** | **83,851** | 64,965 |
| Cash and Bank Balances | ***24*** | **2,485** | 1,586 |
| **Total Assets** |  | **534,635** | 420,454 |
| **Equity and Liabilities** |  |  |  |
| Stated Capital | **25** | **130,235** | 130,235 |
| Available-for-sale Reserve | ***20(b)*** | **129,090** | 68,158 |
| Contingency Reserve | ***26*** | **39,374** | 33,553 |
| Income Surplus | ***27*** | **56,631** | 47,930 |
| **Total Equity** |  | **355,330** | 279,876 |
| **Liabilities** |  |  |  |
| Insurance Claims Liability | ***28*** | **42,397** | 45,660 |
| Amount due to Re-insurers | ***31*** | **13,010** | 7,818 |
| Lease Liability | ***1.7*** | **8,045** | 9,732 |
| Creditors and Accruals | ***32*** | **5,937** | 4,417 |
| Provision for Unearned Premiums | ***30*** | **59,901** | 50,633 |
| Deferred tax liability | ***34*** | **48,794** | 22,176 |
| Current tax liability  National Fiscal Stabilisation Levy | ***15***  ***33*** | **1,221** | 113  29 |
| **Total Liabilities** |  | **179,305** | 140,578 |
| **Total Equity and Liabilities** |  | **534,635** | 420,454 |

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**Star Assurance Company Limited**

Statement of profit or loss and other comprehensive income

**For the year ended 31 December 2021**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***Note*** | **Dec-21 Gh¢'000** | Dec-20 Gh¢'000 |
| Insurance premium revenue | ***6*** | **194,026** | 148,535 |
| Insurance premium ceded to reinsurers | ***6*** | **(74,157)** | (42,175) |
| **Premium Retained** |  | **119,869** | 106,360 |
| Less Unearned Premium Provision |  | **(9,268)** | (11,253) |
| **Net Premium Earned** |  | **110,601** | 95,107 |
| Reinsurance commission | ***8*** | **13,610** | 10,586 |
| Investment income | ***9*** | **14,489** | 12,255 |
| Other Income | ***10*** | **10,627** | 1,677 |
| **Net Income** |  | **149,327** | 119,625 |
| **Underwriting Expenses** |  |  |  |
| Commission Expense | **ll** | **34,889** | 29,103 |
| Claims and loss adjustment expenses | ***12*** | **62,854** | 53,162 |
| Claims and loss adjustments expenses recovered |  | **(29,748)** | (16,217) |
| **Net insurance expenses** |  | **67,995** | 66,048 |
| Operating Expenses | ***13*** | **51,633** | 44,577 |
| **Total Expenses** |  | **119,628** | 110,625 |
| **Results of operating activities** |  | **29,699** | 9,000 |
| Finance cost | ***14*** | **(2,170)** | (922) |
| **Profit before Taxation** |  | **27,529** | 8,078 |
| Income tax expense | ***15*** | **(6,845)** | (2,033) |
| National Fiscal Stabilisation Levy | ***33*** | **{1,376)** | (404) |
| **Profit for the year** |  | **19,308** | 5,641 |
| **Other Comprehensive Income** |  |  |  |
| **Items that may be reclassified subsequent to**  Revaluation gains on Available-for-sale assets | **Profit or Loss**  ***20*** | **81,118** | 49,084 |
| Tax attributable to components of |  |  |  |
| Other Comprehensive Income |  | **(20,186)** | (12,312) |
| **Total other Comprehensive Income** |  | **60,932** | 36,772 |
| **Total Comprehensive Income** |  | **80,240** | 42,413 |

**Star Assurance Company Limited**

Statement of changes in equity

**For the year ended 31 December 2021**

**Dec-21**

**Balance at 1 January**

**Comprehensive Income**

Profit for the year

**Other comprehensive income**

Gains on Available-for-sale assets

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **130,235** | **68,158** | **33,553** | **47,930** | **279,876** |
| - |  | - | 19,308 | 19,308 |
| - | 81,118 | - | - | 81,118 |

**Stated Available- Contingency Income Total Capital for-sale Reserve Surplus Total**

**Reserve**

**Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000**

Deferred Tax attributable to Other Comp. Income - (20,186) - - (20,186)

**Transaction with Equity holders**

Dividend Paid - - - (4,786) (4,786)

**Transfers within equity**

-

Transfer to/ (from) Contingency reserve - 5,821 (5,821)

**Balance at 31 December 130,235 129,090 39,374 56,631 355,330**

**Dec-20**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Balance at 1 January** | 130,235 | 31,386 | 29,097 | 52,438 | **243,156** |
| Prior year Adjustments |  |  |  | (3,519) | **(3,519)** |
|  |  |  |  | 48,919 | 239,637 |
| **Comprehensive Income**  Profit for the year |  |  |  | 5,641 | 5,641 |
| **Other comprehensive income**  Gains on Available-for-sale assets |  | 49,084 |  |  | 49,084 |
| Deferred Tax attributable to Other Comp. Income |  | (12,312) |  |  | (12,312) |
| **Transaction with Equity holders** |  |  |  |  |  |
| Dividend Paid |  |  |  | (2,174) | (2,174) |
| **Transfers within equity**  Transfer to/ (from) Contingency reserve |  |  | 4,456 | (4,456) |  |
| **Balance at 31 December** | **130,235** | **68,158** | **33,553** | **47,930** | **279,876** |

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**Star Assurance Company Limited**

Statement of cash flows

**For the year ended 31 December 2021**

***Note***

**Dec-21 Gh¢'000**

Dec-20 Gh¢'000

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Reconciliation of Operating Income to Cash Flow**  **from Operating Activities** |  | | | |
| Profit before tax  **Adjustments for:** |  | **27,529** |  | 8,078 |
| Depreciation Charges |  | **1,481** |  | 1,413 |
| Amortisation of Intangible Assets |  | **358** |  | 256 |
| Amortisation of Right of Use Lease Assets |  | **2,051** |  | 1,420 |
| Notional Lease Finance Cost |  | **2,170** |  | 922 |
| Profit on Disposal of Assets |  | **(1)** |  | (1,113) |
| Revaluation Gains on Investment Properties  Investment Income |  | **(10,570)**  **(14,489}** |  | (12,255) |
| **Operating Profit before working capital changes** |  | **8,529** |  | (1,279) |
| Change in Amount due from Re-insurers |  | **(1,981}** |  | 631 |
| Change in Loans and Receivables |  | **1,307** |  | 230 |
| Change in Provision for Unearned Premium |  | **9,268** |  | 11,253 |
| Change in Insurance Claims Liabilities |  | **(3,263)** |  | (1,907) |
| Change in Creditors and Accruals |  | **1,520** |  | (4,902) |
| Change in Amount due to Re-insurers |  | **5,192** |  | 1,252 |
| **Cash Inflow from Operating Activities** |  | **20,572** |  | 5,278 |
| **Return on Investment and Servicing of Finance** |  |  |  |  |
| **Taxation** |  |  |  |  |
| Corporate Tax Paid |  | **(3,176}** |  | (1,366) |
| National Fiscal Stabilisation Levy Paid |  | **(184)** |  | (267) |
| **Net Cash Inflow from Operating Activities** |  | **17,212** |  | 3,645 |
| **Investing Activities** |  |  |  |  |
| Investment Income |  | **14,489** |  | 12,255 |
| Acquisition of Property and equipment |  | **(2,109}** |  | (828) |
| Proceeds from Sale of Investment Property |  |  |  | 2,881 |
| Proceeds from Sale of Available-for-sale financial assets |  | **7** |  |  |
| Acquisition of Investment Property |  | **(632}** |  | (254) |
| Acquisition of Intangible Assets |  | **(509}** |  | (793) |
| Lease Payments |  | **(3,887)** |  | (5,235) |
| **Net cash flow from investing activities** |  | **7,359** |  | 8,026 |
| **Financing Activities** |  |  |  |  |
| Dividend Paid |  | **(4,786}** |  | (2,174) |
| **Net cash flow from financing activities** |  | **(4,786}** |  | (2,174) |
| **Increase in Cash and Cash Equivalents** |  | **19,785** |  | 9,497 |
| **Cash and Cash Equivalents 1 January** |  | **66,551** |  | 57,054 |
| **Cash and Cash Equivalents 31 December** | ***35*** | **86,336** |  | 66,551 |

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1. **General information**
   1. **Corporate information**

Star Assurance Company Limited, a company limited by shares was incorporated in Ghana under the Companies Act, 2019 (Act 992) and the Insurance Act, 2021 (Act 1061). 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. **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 2021 (Act 1061) and the Companies Act, 2019 (Act 992).

* 1. **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, 2021 (1061) are included where appropriate. They have been prepared on a historical cost basis except for the following assets and liabilities that are stated at their fair values: financial instruments that are fair value through profit or loss; financial instruments classified as

available-for-sale; investment properties and property, plant and equipment. The financial statements are presented in Thousands of Ghana Cedis (Gh¢'000).

1. **Application of new and revised International Financial Reporting Standards (IFRSs)**
   1. **New and amended IFRS Standards that are effective for the current year**

The Company has not adopted early the requirements of 'Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2) which is effective for annual periods beginning on or after 1 January 2021 with earlier adoption permitted.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the Company's financial statements.

* + 1. **IBOR reform Phase 2**

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark

reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

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

* 1. **New and amended IFRS Standards that are effective for the current year**
     1. **IBOR reform Phase 2**

IBOR reform Phase 2 provides temporary reliefs that allow the Company's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Company to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement

takes place. For the retrospective assessment of hedge effectiveness, the Company may

elect on a hedge by hedge basis to reset the cumulative fair value change to zero.

The Company may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives.

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For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Company reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Company is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

The Company does not do hedge accounting and expects this reform to have no impact on the Company's operations when it becomes effective.

* 1. **Impact of the initial application of Covid-19-Related Rent Concessions Amendment**

**to IFRS 16**

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of

COVID-19 and only if all of the following conditions are met:

1. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
2. Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
3. There is no substantive change to other terms and conditions of the lease.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

The Company has applied the practical expedient retrospectively to all rent concessions that

meet the conditions in IFRS 16:46B, and has not restated prior period figures.

* 1. **Amendments to References to the Conceptual Framework in IFRS Standards**

The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. 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 Standards which are amended are 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.

* 1. **Amendments to IFRS 3 Definition of a business**

The Company has adopted the amendments to IFRS 3 for the first time in the current year. 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.

* 1. **Amendments to IFRS 3 Definition of a business**

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

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 1 January 2020.

* 1. **Amendments to IAS 1 and IAS 8 Definition of material**

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments 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.

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**Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains

and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is:accounted for ui.ing the equity method) to fair value are recognised in the former parent's profit or loss only to the

extent of the unrelated investors' interests in the new associate or joint venture.

This standard and the related amendment doesnot apply to the Company in its current operations

1. **Application of new and revised International Financial Reporting Standards**

**2.7**

**Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

* 1. **Amendments to IAS 1 - Classification of Liabilities as Current or Non-current**

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

* 1. **Amendments to IFRS 3 - Reference to the Conceptual Framework**

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an

acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Early application is permitted if an entity also applies all other updated references

(published together with the updated Conceptual Framework) at the same time or earlier.

* 1. **Amendments to IAS 16 - Property, Plant and Equipment-Proceeds before**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use,

i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

2\_10 **Amendments to IAS 16 - Property, Plant and Equipment-Proceeds before Intended Use**

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

* 1. **Amendments to IAS 37 - Onerous Contracts-Cost of Fulfilling a Contract**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials)

and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

Instead, the entity shall recognise the cumulative effect of Initially applying the

amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted

**IFRS 1 First-time Adoption of International Financial Reporting Standards** 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.

In June 2020, the Board issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the Board issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start of 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.

**IFRS 9 Financial Instruments**

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with

early application permitted.

**IFRS 16 Leases**

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

**IFRS 1 First-time Adoption of International Financial Reporting Standards**

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

1. **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.

* 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.

* 1. **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.

Notes to the financial statements

**For the year ended 31 December 2021**

1. **Critical Accounting estimates and judgement**
   1. **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.

1. **Summary of significant accounting policies**

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

* 1. **Revenue recognition**
     1. **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.

* + 1. **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.

* + 1. **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 unwindina the discount as interest income.

* + 1. **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.

* + 1. **Rent income**

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

###### Notes to the financial statements

**For the year ended 31 December 2021**

**4 Summary of significant accounting policies**

* 1. **Revenue recognition (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.

* 1. **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.

* + 1. **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).

* + 1. **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.

* + 1. **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.

#### Notes to the financial statements

**For the year ended 31 December 2021**

**4 Summary of significant accounting policies (cont'd)**

* 1. **Insurance contracts (Cont'd)**
     1. **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.

* + 1. **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.

* 1. **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.

* 1. **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.

**Star Assurance Company Limited**

### Notes to the financial statements

**For the year ended 31 December 2021**

**4 Summary of significant accounting policies (cont'd)**

* 1. **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.

* 1. **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.

**Star Assurance Company Limited**

Notes to the financial statements

**For the year ended 31 December 2021**

**4 Summary of significant accounting policies (cont'd)**

* 1. **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.

* 1. **Financial Assets and Financial Liabilities**
     1. **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.

* + 1. **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-: - -

* + 1. **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.

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**4 Summary of significant accounting policies (cont'd)**

**4.7 Financial Assets and Financial Liabilities**

* + 1. **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.

* + 1. **Loans and Receivables**

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

* + 1. **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.

* + 1. **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.

* + 1. **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'.

* + 1. **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.

* + 1. **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.

* + 1. **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.

* + 1. **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.

* + 1. **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.

* + 1. **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.

* + 1. **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.

* + 1. **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.

* + 1. **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)**

* + 1. **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:

1. financial difficulty of the issuer or the obligor;
2. a breach of contract, such as a default or delinquency in interest or principal payment;
3. 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;
4. it Is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
5. 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.

Star Assurance Company Limited

Notes to the financial statements

**For the year ended 31 December 2021**

1. **Summary of significant accounting policies (continued)**
   1. **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.

* 1. **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.

* 1. **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.

* 1. **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.

* 1. **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.

* 1. **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.

* 1. **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

* + 1. **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.

* + 1. **TheCompany 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.

* 1. **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 reportinq date.

* 1. **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.

* 1. **Impairment of non-financial assets (Cont'd)**

impairment losses recognised in prior periods are assessed at eacn reporting date tor 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.

* 1. **Employee benefits**
     1. **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.

* + 1. **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.

* + 1. **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 mode an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptance can

be estimated reliably.

* 1. **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.

* 1. **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.

* 1. **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.

* 1. **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.

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

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

* 1. 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.

## Notes to the financial statements

**For the year ended 31 December 2021**

**5 Management of insurance and financial risks**

* 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.

* + 1. Corporate strategic objectives to which management should align its risk management processes;
    2. The Company's risk appetite and risk tolerance limits; and
    3. Executive Management Committee (EMC).
    4. Risk Management Department (RMD).

1. Internal Audit
2. Technical Compliance

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:

1. Approving the business objective of the Company;
2. Approving the ERM framework; and
3. 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:

1. Draw up Enterprise Risk Management Framework
2. Review effectiveness of the risk management process throughout the company,
3. Report directly to the Board Committee on Risk
4. Facilitate communication within the operational units on common risk issues,
5. 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.

## Notes to the financial statements

**For the year ended 31 December 2021**

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

* 1. **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.

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Star Assurance Company Limited

Notes to the financial statements

For the year ended 31 December 2021

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

* 1. Insurance Risk
     1. Maximum Insured Loss As at 31 December 2021

By currency: Geographical area analysis:

Ghana Cedi us Dollar **GB Pound Euro Total Accra Region Other Regions**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Fire** | **Gh¢'000**  5,352,645 | **Gh¢'000 Gh¢'000**  19,488,446 887 | | **Gh¢'000**  116,654 | **Gh¢'000**  **24,958,632** |
| **Motor** | 965,531 | 662,484 | 28 | 17,277 | **1,645,320** |
| **Accident** | 4,463,583 | 599,699 | 42 | 57,382 | **5,120,706** |
| **Engineering** | 328,802 | 12,661,796 | 513,980 | 2,442,960 | **15,947,538** |
| **Liability** | 704,947 | 2,646,435 - - **3,351,382** | | | |
| **Bonds** | 1,237,592 | 1,336,461 - 2,003,140 **4,577,193** | | | |
| **Marine** | 23,534 | 453,649 11,528 920 **489,631** | | | |

**Gh¢'000 Gh¢'000**

24,284,578 674,054

1,390,726 254,594

4,905,659 215,047

15,862,814 84,724

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | 3,302,874 | 48,508 |
| 4,019,295 | 557,898 |
| 489,631 |  |
| **526,465** | **4,638,333** | **56,090,402** | **54,255,577** | **1,834,825** |

**Total 13,076,634 37,848,970**

* + 1. **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).

**Loss year**

**12 Months Gh¢'000**

**24 Months Gh¢'000**

**36 Months Gh¢'000**

**Month of development**

**48 Months 60 Months**

**Gh¢'000 Gh¢'000**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **2015** | 17,819 | 5,203 | 7,794 | 1,107 | 431 |
| **2016** | 11,431 | 5,370 | 1,621 | 1,026 | 25 |
| **2017** | 13,493 | 8,621 | 3,109 | 0 | 625 |
| **2018** | 17,167 | 11,050 | 283 | 1,795 |  |
| **2019** | 38,880 | 4,511 | 19,486 |  |  |
| **2020** | 26,025 | 13,948 |  |  |  |
| **2021** | 27,631 |  |  |  |  |

**72 Months Gh¢'000**

747

**84 Months Gh¢'000**

374

46

# Notes to the financial statements

**For the year ended 31 December 2021**

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

* 1. **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.

* 1. **Credit Risk**

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

The Company assesses the credit risk profile of the above parties and counterparties and limit its exposures to certain corporate entities, individuals or a group of them. Such risks are regularly reviewed by the 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-21 Gh¢'000** |  | Dec-20 Gh¢'000 |
| Amount due from Reinsurers | **4,376** |  | 2,395 |
| Other Receivables | **3,450** |  | 4,757 |
| Available-for-sale Debt Investment | **83,851** |  | 64,965 |
|  | **91,677** |  | 72,117 |

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.

Notes to the financial statements

**For the year ended 31 December 2021**

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

* 1. **Credit Risk (Cont'd)**

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

**Receivables arising from reinsurance contracts**

|  |  |  |
| --- | --- | --- |
| **Dec-21**  **Gh¢'000** |  | Dec-20  Gh¢'000 |
| **1,313** |  | 719 |
| **875** |  | 479 |
| **438** |  | 240 |
| **1,750** |  | 957 |
| **4,376** |  | 2,395 |

Up to 30 days 31 to 60 days

61 to 90 days

Over 90 days

* 1. **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-21**  **Gh¢'000** | Dec-20  Gh¢'000 |
| Maturing within 91 days | **18,914** | 7,117 |
| Maturing within 182 days | **39,286** | 53,299 |
| Maturing within 365 days | **15,576** | 4,549 |
| Maturing after 365 days | **10,075** |  |

**Totals**

**83,851**  64,965

##### Notes to the financial statements

**For the year ended 31 December 2021**

1. **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

**Due within Due within Due within Due above Total 91 days 182 days 365 days 365 days**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Gh¢'000**  4,376 | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000**  4,376 |
| 3,450 |  |  |  | 3,450 |
| 18,914 | 39,286 | 15,576 | 10,075 | 83,851 |
| 2,485 |  |  |  | 2,485 |
| 29,225 | 39,286 | 15,576 | 10,075 | 94,162 |
| 13,010 |  |  |  | 13,010 |
| 10,690 | 20,695 | 11,012 |  | 42,397 |
| 13,982 |  |  |  | 13,982 |
| 1,221 |  |  |  | 1,221 |
| 38,903 | 20,695 | 11,012 |  | 70,611 |
| **(9,679)** | **18,591** | **4,564** | **10,075** | **23,551** |
| **Duewithin** | **Due within** | **Due within** | **Due above** | **Total** |

**Dec-21**

**Financial Assets:**

Amount due from Reinsurers Other Receivables

Available-for-sale Debt Investment Cash and Bank Balances

**Financial Liabilties:**

Amount due to Reinsurers Claims Liabilities Creditors and Accruals Tax Liability

**Net Liquidity at December 31**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Dec-20** | **911. days**  Gh¢'000 | **182 days**  Gh¢'000 | **365 days**  Gh¢'000 | **365 days**  Gh¢'000 | Gh¢'000 |
| **Financial Assets:** |  |  |  |  |  |
| Amount due from Reinsurers | 231 | 159 | 1,103 | 902 | 2,395 |
| Other Receivables | 4,758 |  |  |  | 4,758 |
| Available-for-sale Debt Investment | 7,117 | 53,299 | 4,550 |  | 64,966 |
| Cash and Bank Balances | 1,586 |  |  |  | 1,586 |
|  | 13,692 | 53,458 | 5,653 | 902 | 73,705 |
| **Financial Liabilties:** |  |  |  |  |  |
| Amount due to Reinsurers | 7,816 |  |  |  | 7,816 |
| Claims Liabilities | 1,319 | 33,774 | 10,566 |  | 45,659 |
| Creditors and Accruals | 14,149 |  |  |  | 14,149 |
| Tax Liability | 155 |  |  |  | 155 |
|  | 23,439 | 33,774 | 10,566 |  | 67,779 |
| Net Liquidity at December 31 | (9,747) | 19,684 | (4,913) | 902 | 5,926 |

# Notes to the financial statements

**For the year ended 31 December 2021**

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

**S.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 Executive Management Committee (EMC) subject to the Board of directors' approval of policies, procedures and levels of risk appetite. The EMC provides market risk oversiqht and quidance on policy settinQ. Policies cover both the tradinci 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.

* 1. **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 period-end in cedi-equivalents of the following major foreign**

**currencies at 31 December 2021:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | USO | GBP |  | Euro |
| **Dec-21** | Gh¢'000 | Gh¢'000 |  | Gh¢'000 |
| **Assets**  Due from reinsurers | 1,449 | 1 |  | 190 |
| Cash & cash equivalents | 206 | 44 |  | 97 |
| Available For Sale Equity Investment | 235,488 |  |  |  |
| Investment Properties | 180,921 | 7,438 |  |  |
|  | **418,064** | **7,483** |  | **287** |
| **Liabilities** |  |  |  |  |
| Due to reinsurers | 8,105 | 109 |  | 379 |
|  | **8,105** | **109** |  | **379** |
| **Dec-20** |  |  |  |  |
| **Assets** |  |  |  |  |
| Due from reinsurers | 1,622 |  |  | 652 |
| Cash & cash equivalents | 310 | 1 |  | 7 |
| Available For Sale Equity Investment | 154,874 |  |  |  |
| Investment Properties | 172,145 | 5,012 |  |  |
|  | **328,951** | **5,013** |  | **659** |
| **Liabilities** |  |  |  |  |
| Due to reinsurers | 7,152 | 7 |  | 252 |
|  | **7,152** | **7** |  | **252** |

# Notes to the financial statements

**For the year ended 31 December 2021**

**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:

5%

|  |  |  |
| --- | --- | --- |
|  | **Dec-21** | increase |
| **Gh¢'000** | Gh¢'000 |
| Profit before tax | 27,529 | 1,376 |
| Shareholders' fund | 355,330 | 17,766 |

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 year and shareholders' fund by Gh¢1,376,441 and Gh¢17,766,704 respectively , while a decrease in exchange rates by 5% would decrease profit before tax for the period and shareholders' fund by the same amounts.

* 1. **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.

* 1. **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.

Notes to the financial statements

**For the year ended 31 December 2021**

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

* 1. **Capital Management**

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

* + 1. To comply with the capital and solvency requirements as set out in the Insurance Act 2021 (Act 1061);
    2. To provide adequate returns by pricing insurance and investment contracts in commensuration with risks assumed;
    3. 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¢50.0 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 2020 - 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, 2021.

|  |  |  |
| --- | --- | --- |
|  | **Dec-21** | Dec-20 |
| Available Capital Resources | 164,169 | 130,204 |
| Solvency Capital Required | 29,967 | 26,591 |
| Capital Adequacy Ratio | **5480/o** | 490% |

* 1. **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.

###### Notes to the financial statements

**For the year ended 31 December 2021**

**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-21**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | Level 1  Gh¢'000 |  | Level 2  Gh¢'000 |  | Level 3 Gh¢'000 |  | **Total Gh¢'000** |  |
| **Non-pledged trading assets** |  |  |  |  |  |  |  |  |
| Government Securities |  |  |  | 24,372 |  |  |  | **24,372** |
| Debt Securities |  |  |  | 59,479 |  |  |  | **59,479** |
| Equity Securities |  | 1,283 |  | 235,488 |  |  |  | **236,771** |
| Cash and cash equivalents |  |  |  | 2,485 |  |  |  | **2,485** |
| Loans and receivables |  |  |  | 7,826 |  |  |  | **7,826** |
| **Balance at December 31** |  | **1,283** |  | **329,650** |  |  |  | **330,933** |
| **Dec-20** |  | Level 1 |  | Level 2 |  | Level 3 |  | Total |  |
|  |  | Gh¢'000 |  | Gh¢'000 |  | Gh¢'000 |  | Gh¢'000 |  |
| **Non-pledged trading assets** |  |  |  |  |  |  |  |  |  |
| Government securities |  |  |  | 12,191 |  |  |  | 12,191 |  |
| Debt Securities |  |  |  | 52,775 |  |  |  | 52,775 |  |
| Equity Securities |  | 784 |  | 154,875 |  |  |  | 155,659 |  |
| Cash and cash equivalents |  |  |  | 1,586 |  |  |  | 1,586 |  |
| Loans and receivables |  |  |  | 7,153 |  |  |  | 7,153 |  |
| **Balance at December 31** |  | **784** |  | **228,580** |  |  |  | **229,364** |  |

**S 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 3 of the fair value hierarchy:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Dec-21** | **Cash** | |  |  |  | **Loans** |  | | | | | | |
|  | **and cash** | |  |  | **Debt** | **and** |  | **Equity** |  | **Trading** |  |  | |
|  | **equivalents** | |  |  | **securities** | **receivables** |  | **securities** |  | **liabilities** |  | **Total** | |
|  | Gh¢'000 | |  |  | Gh¢'000 | Gh¢'000 |  | Gh¢'000 |  | Gh¢'000 |  | **Gh¢'000** | |
| Balance at 1 January 2020 | 3,750 | |  |  | 53,304 | 8,014 |  | 106,575 |  | (16,980) |  | **154,663** | |
| **Movements in 2020** |  | |  |  |  |  |  |  |  |  |  |  | |
| Total gains and losses: |  | |  |  |  |  |  |  |  |  |  |  | |
| in profit or loss |  | |  |  | 8,102 | - |  |  |  | - |  | **8,102** | |
| in OCI |  | |  |  |  |  |  | 49,084 |  | - |  | **49,084** | |
| Purchases |  | |  |  | 9,671 | - |  |  |  | - |  | **9,671** | |
| Issues |  | |  |  |  |  |  |  |  |  |  |  | |
| Settlements | (2,164) | |  |  | (6,112) | (861) |  |  |  | (4,984) |  | **(14,121)** | |
| Balance at 31 December 2020 | 1,586 | |  |  | 64,965 | 7,153 |  | 155,659 |  | (21,964) |  | **207,399** | |
| **Movements in 2021** |  | |  |  |  |  |  |  |  |  |  |  | |
| Total gains and losses: in profit or loss |  | |  |  | 9,244 | - |  |  |  | - |  | **9,244** | |
| in OCI  Purchases |  | |  |  | 30,502 | - |  | 81,111 |  | -  - |  | **81,111**  **30,502** | |
| Receipts/(Settlements) | | 899 | {20,860) | | | 674 |  | | (5,025) | | **(24,313)** | |  |
| **Balance at December 31** | | **2,485** | **83,851** | | | **7,827** | **236,770** | | **(26,989)** | | **303,944** | |  |

1. **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-21 FIRE MOTOR "CCIDENT ENGINEER'G LIABILITY BONDS MARINE TRAVELAVIATION TOTAL Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 GhcfOOO**

**Underwriting Income**

- - - - - -

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Insurance premium revenue | 43,749 | 84,700 | 10,104 | 24,598 | 10,910 | 16,169 | 1,246 | 988 | 1,562 | **194,026** |
| Insurance premium ceded to reinsurers | (32,746) | (3,663) | (4,723) | (21,781) | (4,372) | (4,775) | (663) | (93) | (1,341) | **(74,157)** |
| Premium Retained | 11,003 | 81,037 | 5,381 | 2,817 | 6,538 | 11,394 | 583 | 895 | 221 | **119,869** |
| Less Unearned Premium Provision | (1,570) | (7,226) | 518 | 6,056 | (2,607) | (4,236) | (82) | (168} | 47 | **(9,268)** |
| **Netinsurance premium revenue** | 9,433 | 73,811 | 5,899 | 8,873 | 3,931 | 7,158 | 501 | 727 | 268 | **110,601** |
| Ceding commission earned | 6,132 | 768 | 1,398 | 3,475 | 781 | 863 | 144 | - | 49 | **13,610** |
| Claims and loss adjustments recovered | 5,877 | 11,055 | 176 | 2,546 | 35 | 10,038 | 21 | - | - | **29,748** |
| **Net underwriting income** | 21,442 | 85,634 | 7,473 | 14,894 | 4,747 | 18,059 | 666 | 727 | 317 | **153,959** |
| **Underwriting Expenses** |  |  |  |  |  |  |  |  |  |  |
| Agency commission incurred | 6,253 | 17,039 | 1,977 | 3,707 | 1,889 | 3,674 | 98 | 124 | 128 | **34,889** |
| Claims and loss adjustment expense | 809 | 35,232 | 1,854 | 6,832 | 3,520 | 14,511 | 197 | (6) | (95) | **62,854** |
| Operating Expenses | 4,740 | 34,907 | 2,318 | 1,213 | 2,816 | 4,908 | 251 | 385 | 95 | **51,633** |
|  | 11,802 | 87,178 | 6,149 | 11,752 | 8,225 | 23,093 | 546 | 503 | 128 | **149,376** |
| **Underwriting Profit/ (Loss)** | 9,640 | (1,543) | 1,324 | 3,142 | (3,478) | (5,034) | 120 | 224 | 189 | --  **4,583** |
| Investment income | - |  | - | - |  | - | - | - | - | **14,489** |
| Other Income |  |  |  | - |  | - |  |  |  | **10,627** |
| Finance Cost | - | - | - | - | - | - | - | - | - | **(2,170)** |
| **Profit before tax** | 9,640 | (1,543) | 1,324 | 3,142 | (3,478) | (5,034) | 120 | 224 | 189 | **27,529** |

1. **Operating segment {continued)**

**Dec-20 FIRE MOTOR "CCIDENT :NGINEER"G LIABILITY BONDS MARINE TRAVEL WIATION TOTAL Gh¢"000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢"000**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Underwriting Income** |  |  |  |  |  |  |  |  |  |  |
| Insurance premium revenue | 26,848 | 72,840 | 8,388 | 21,947 | 6,227 | 8,838 | 919 | 698 | 1,830 | **148,535** |
| Insurance premium ceded to reinsurers | (20,321) | (2,241) | (3,884) | (7,845) | (3,020) | (2,622) | (452) | (270) | (1,520) | **{42,175)** |
| **Premium Retained** | 6,527 | 70,599 | 4,504 | 14,102 | 3,207 | 6,216 | 467 | 428 | 310 | **106,360** |
| Less Unearned Premium Provision | 5,056 | (7,740) | (500) | (5,217) | 825 | (3,590) | (14) | 106 | (179) | **{11,253)** |
| **Net insurance premium revenue** | 11,583 | 62,859 | 4,004 | 8,885 | 4,032 | 2,626 | 453 | 534 | 131 | **95,107** |
| Ceding commission earned | 5,536 | 470 | 1,067 | 1,733 | 728 | 863 | 119 | - | 70 | **10,586** |
| Claims and loss adjustments recovered | 2,218 | 2,512 | 219 | 1,489 | 30 | 9,664 | 85 | - | - | **16,217** |
| **Net underwriting income** | 19,337 | 65,841 | 5,290 | 12,107 | 4,790 | 13,153 | 657 | 534 | 201 | **121,910** |
| **Underwriting Expenses** |  |  |  |  |  |  |  |  |  |  |
| Agency commission incurred | 7,180 | 11,582 | 1,457 | 4,967 | 1,378 | 1,847 | 147 | 78 | 467 | **29,103** |
| Claims and loss adjustment expense | 9,201 | 20,438 | 1,763 | 2,168 | 3,778 | 15,955 | 11 | (154) | 2 | **53,162** |
| Operating Expenses | 2,736 | 29,589 | 1,888 | 5,910 | 1,344 | 2,605 | 196 | 179 | 130 | **44,577** |
|  | 19,117 | 61,609 | 5,108 | 13,045 | 6,500 | 20,407 | 354 | 103 | 599 | **126,842** |
| **Underwriting Profit/ {Loss)** | 220 | 4,232 | 182 | (938) | (1,710) | (7,254) | 303 | 431 | (398) | **{4,932)** |
| Investment income | - | - | - - - - - - - **12,255** | | | | | | | |
| Other Income  Finance Cost | -  - | -  - | -  - | -  - | -  - | -  - | -  - | - - **1,677**  - - **(922)** | | |
| **Profit before tax** | 220 | 4,232 | 182 | (938) | (1,710) | (7,254) | 303 | 431 (398) **8,078** | | |

**Star Assurance Company Limited**

Notes to the financial statements

**For the year ended 31 December 2021**

1. 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 Reinsurance Gross Adjustment Insurance**

**Premium Premium Written in unearned Premium Reinsurance**

**Income Income Premium premium Revenue Cost Total Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000**

**Dec-21**

**Fire 43,328 421 43,749 (1,570) 42,179 (32,746) 9,433**

**Motor 84,550 150 84,700 (7,226) 77,474 (3,663) 73,811**

**Accident 9,288** 816 10,104 518 10,622 (4,723) **5,899**

**Engineering 24,541 57 24,598 6,056 30,654 (21,781) 8,873**

Liability **10,704 206 10,910 (2,607) 8,303 (4,372)** 3,931

**Bonds 16,165** 4 **16,169 (4,236) 11,933 (4,775) 7,158**

-

**Marine 1,246 1,246 (82) 1,164 (663) 501**

-

**Travel 988 988 (168) 820 (93) 727**

-

**Aviation 1,562 1,562 47 1,609 (1,341) 268**

**192,372 1,654 194,026 (9,268) 184,758 (74,157) 110,601**

Dec-20

Fire 26,063 785 26,848 5,056 31,904 (20,321) 11,583

Motor 72,780 60 72,840 (7,740) 65,100 (2,241) 62,859

Accident 7,998 390 8,388 (500) 7,888 (3,884) 4,004

Engineering 21,918 29 21,947 (5,217) 16,730 (7,845) 8,885

Liability 5,981 246 6,227 825 7,052 (3,020) 4,032

Bonds 8,822 16 8,838 (3,590) 5,248 (2,622) 2,626

Marine 892 27 919 (14) 905 (452) 453

Travel 698 - 698 106 804 (270) 534

Aviation 1,830 - 1,830 (179) 1,651 (1,520) 131

--

146,982 1,553 148,535 (11,253) 137,282 (42,175) 95,107

**Star Assurance Company Limited**

|  |  |  |
| --- | --- | --- |
| Accident | **1,977** | 1,457 |
| Engineering | **3,707** | 4,967 |
| Liability | **1,889** | 1,378 |
| Bonds | **3,674** | 1,847 |
| Marine | **98** | 147 |
| Travel | **124** | 78 |
| Aviation | **128** | 467 |
|  | **34,889** | 29,103 |

### Notes to the financial statements

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **For** | **the year ended 31 December** | **2021** |  | | | | |
| **8.** | **Reinsurance commission** |  |  | **Dec-21 Gh¢'000** |  | Dec-20 Gh¢'000 |  |
|  | Fire |  |  | **6,132** |  | 5,536 |  |
|  | Motor |  |  | **768** |  | 470 |  |
|  | Accident |  |  | **1,398** |  | 1,067 |  |
|  | Engineering |  |  | **3,475** |  | 1,733 |  |
|  | Liability |  |  | **781** |  | 728 |  |
|  | Bonds |  |  | **863** |  | 863 |  |
|  | Marine |  |  | **144** |  | 119 |  |
|  | Aviation |  |  | **49** |  | 70 |  |
|  | **Total** |  |  | **13,610** |  | 10,586 |  |
| **9.** | **INVESTMENTINCOME** |  |  |  |  |  |  |
|  | Interest on Short Term Investments |  |  | **9,331** |  | 8,834 |  |
| Dividends on Equities  **5,158** | | | | | 3,421 | | |
| **14,489** | | | | | 12,255 | | |

|  |  |  |  |
| --- | --- | --- | --- |
| **10. OTHER INCOME**  Unrealised Fair Value Gains on Investment Property | **10,570** |  | |
| Interest on Staff Loan | **17** |  | 39 |
| Profit on Disposal | **1** |  | 1,113 |
| Other Sundry Income | **39** |  | 146 |
| Exchange Gain |  |  | 379 |
|  | **10,627** |  | 1,677 |
| **11. COMMISSION EXPENSE** |  |  |  |
| Fire Motor | **6,253**  **17,039** |  | 7,180  11,582 |

**Star Assurance Company Limited**

Notes to the financial statements

**For the year ended 31 December 2021**

|  |  |  |  |
| --- | --- | --- | --- |
| **12. CLAIMS AND LOSS ADJUSTMENT EXPENSES** |  | | |
|  | **Dec-21 Gh¢'000** |  | Dec-20 Gh¢'000 |
| Claims Reported/Expense during the year | **62,410** |  | 59,195 |
| Increase/ (Decrease) in provision | **444** |  | (6,033) |
| **Gross Claims Expense** | **62,854** |  | 53,162 |

|  |  |  |
| --- | --- | --- |
| **13. OPERATING EXPENSES** |  | |
| **These include:** |
| Auditors' Remuneration | **85** | 104 |
| Directors' Remuneration | **312** | 317 |
| Depreciation | **1,481** | 1,413 |
| Donations | **59** | 35 |
| **14. FINANCE COST** |  |  |
| Lease Finance Cost | **2,170** | 922 |
|  | **2,170** | 922 |

**Star Assurance Company Limited**

##### Notes to the financial statements

**For the year ended 31 December 2021**

1. **TAXATION**

**15.10 Income tax expense**

Current tax (See note 15.30)

Tax Audit Liability from previous years Deferred tax charge/(credit) (See note 31)

**Dec-21 Gh¢'000**

Dec-20 Gh¢'000

**15.20 Reconciliation of Effective Tax**

|  |  |  |
| --- | --- | --- |
| **413** |  | 274 |
|  |  | 1,742 |
| **6,432** |  | 17 |
| **6,845** |  | 2,033 |

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:

Profit before taxation

Tax at applicable tax rate at 25% (December 2020: 25%) Tax impact of permanent non-deductible expenses

Tax rebates on fresh graduate employment

Deferred Tax attributable to revaluation gains on Investment Properties Other temporary differences

Income Tax Expense Effective tax rate

**Dec-21** Dec-20

**Gh¢'000** Gh¢'000

**27,529** 8,078

**6,882** 2,019

**1,957** 9

**(6)** (12)

**(2,642)**

**654** 17

**6,845** 2,033

**24.86%** 25.17%

**15.30 Company Income Tax**

**Year of Assessment**

**Charge**

**Balance at Payments for the Balance at 1 Jan. and credits year 31 Dec. Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Corporate Tax 2020 | 113 |  |  | 113 |
| Corporate Tax 2021 |  | (3,176) | 413 | (2,763) |
|  | 113 | (3,176) | 413 | (2,650) |

Star Assurance Company Limited

Notes to the financial statements

For the year ended 31 December 2021

1. **PROPERTY, PLANT** & **EQUIPMENT**

Office **Bungalow**

Motor Furn. & Furn.&. Computer Library

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Buildings** | Vehicles | Equipment | Equipment | Hardware | **Books** | Total |
| Cost/Revaluation | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** |
| Balance at 01/01/21 | 235 | 5,245 | 5,611 | 292 | 2,238 | 1 | 13,622 |

2,109

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Additions | - | 1,538 | 329 | 242 - | | |
| Balance at 31/12/21 | **235** | **6,783** | **5,940** | **292 2,480** 1 | | |
| Depreciation |  |  |  |  |  |  |
| Balance at 01/01/21 | 191 | 4,739 | 4,854 | 286 | 1,873 | 1 |
| Charge for the year | 12 | 851 | 405 | 6 | 207 | - |
| Balance at 31/12/21 | **203** | **5,590** | **S,259** | **292** | **2,080** | 1 |
| Carrying Amount |  |  |  |  |  |  |
| **At 31/12/21** | 32 | **1,193** | **681** | - | **400** | - |

--**15,731**

11,944

1,481

--

--**13,425**

**2,306**

61

##### Notes to the financial statements

**For the year ended 31 December 2021**

1. **LEASES**
   1. **Right of use lease asset Cost**

Balance at 1 January Prior year adjustments Additions during the year

Balance at 31 December

**Amortisation**

Balance at 1 January Prior year adjustments

|  |  |
| --- | --- |
| **19,179** | 8,039 |
|  | 9,562 |
| **31** | 1,578 |
| **19,210** | 19,179 |
| **7,579** | 4,448 |
|  | 1,711 |

**Dec-21** Dec-20

**Gh¢'000** Gh¢'000

Charged for the year **2,051**  1,420

Balance at 31 December **9,630**  7,579

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Net Book Value** | **9,580** 11,600 | |
| **b.** | **Lease Liability** |  | |
|  | Balance at 1 January | **9,732** 1,097 | |
|  | Prior year adjustments | 11,370 | |
|  | Lease Finance Cost | **2,170** 922 | |
| Payments made during the year | | **(3,857)** | (3,657) |
| **Balance at 31 December** | | **8,045** | 9,732 |

1. **INTANGIBLE ASSETS**

**Cost**

Balance at 1 January 2020 Additions

Balance at 31 December 2020

Movements in 2021:

Additions

Balance at 31 December 2021

**Accumulated amortisation and impairment: Balance at 1 January 2020**

Amortisation and impairment during the year

Balance at 31 December 2020

**Movements in 2021:**

Amortisation and impairment during the year Balance at 31 December 2021

**Carrying amount at 31 December 2021**

Carrying amount at 31 December 2020

1. **INVESTMENT PROPERTY**

**Dec-21 Gh¢**

|  |  |  |
| --- | --- | --- |
| **Computer**  **software licences** | **Deferred expense** | **Total** |
| Gh¢'000 | Gh¢'000 | **Gh¢'000** |
| 1,422 | 292 | **1,714** |
| 793 |  | **793** |
| 2,215 | 292 | **2,507** |
| 509 |  | 509 |
| 2,724 | 292 | **3,016** |
| 1,303 | 292 | **1,595** |
| 256 |  | **256** |
| 1,559 | 292 | **1,851** |
|  |  |  |
| 358 |  | **358** |
| 1,917 | 292 | **2,209** |
| 807 |  | **807** |
| 656 |  | 656 |

**Dec-21** Dec-20

**Gh¢'000** Gh¢'000

Balance at 1 January **177,157** 178,671

Revaluation **10,570**

Disposal (1,768)

Acquisitions  **632** 254

**Balance at 31 December 188,359** 177,157

1. **AVAILABLE-FOR-SALE FINANCIAL ASSETS**

**a) Available-for-Sale Equity Investments**

Balance at 1 January 2020

**Changes in 2020:**

Revaluation

Balance at 31 December 2020

**Changes in 2021:**

Revaluation

**Balance at 31 December 2021**

Balance at 31 December 2020

**Listed Equity Investments**

**Listed Unlisted**

**Equity Equity**

**Securities Securities Total Gh¢'000 Gh¢'000 Gh¢'000**

|  |  |  |
| --- | --- | --- |
| 1,080 | 105,495 | 106,575 |
| {296) | 49,380 | 49,084 |
| 784 | 154,875 | 155,659 |
| 499 | 80,613 | 81,112 |
| **1,283** | **235,488** | **236,771** |
| 784 | 154,875 | 155,659 |

Details of the Company's shareholdings in other companies listed on the Ghana Stock Exchange (GSE) as at December 2021 are as follows:

GCB Bank Ltd

Societe Generale (Ghana) Ltd The Trust Bank (Gambia) HFC Bank

Standard Chartered Bank (Ghana) Guinness Ghana Breweries Ltd Unilever Ghana Ltd

Mechanical Llyod Company Ltd Produce Buying Company Ltd Aluworks

Cocoa Processing Company Ltd Pioneer Kitchen Ltd

Clydestone Ltd

Benso Oil Palm Plantation

48,566 shares

144,863 shares

193,493 shares

18,420 shares

7,000 shares

45,814 shares

13,400 shares

75,145 shares

18,550 shares

22,000 shares

13,042 shares

12,600 shares

141,821 share

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 Accra Breweries Ltd

CFAO Motors

10,427,957 shares

184,980 shares

500 shares

The shares of Waica Reinsurance Group has been valued using the Free Cash Flow method (Income Approach) by the Financial Advisory Unit of Deloitte Ghana. This valuation range resulting from this method was $167.8million to $185.9million. The value per share also ranges between $3.42 to

$3.79. The Company used the lower value of $3.42 and converted using the mid-rate of the Bank of Ghana interbank USD rate as at December 31, 2021 of GH¢6.585/$1.

**Star Assurance Company Limited**

###### Notes to the financial statements

**For the year ended 31 December 2021**

**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¢11,838,482.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **b) Available-for-Sale Reserve Dec-21**  **Gh¢'000** | | Dec-20  Gh¢'000 | | |
| Balance at 1 January | **68,158** |  | 31,386 |  |
| Revaluation of Equity Investments | **60,932** |  | 36,772 |  |
| **Balance at 31 December** | **129,090** |  | 68,158 |  |
| **21. AMOUNT DUE FROM REINSURERS** |  |  |  |  |
| Balance at 1 January | **2,395** |  | 3,026 |  |
| Movements during the year | **1,981** |  | (631) |  |
| **Balance at 31 December** | **4,376** |  | 2,395 |  |
| **22. OTHER RECEIVABLES** |  |  |  |  |
| Staff Debtors | **403** |  | 626 |  |
| Agency Loan |  |  | 25 |  |
| Prepayments & Deposits | **1,407** |  | 2,362 |  |
| Sundry Debtors | **1,213** |  | 1,214 |  |
| Current Account with Starlife Assurance | **328** |  | 285 |  |
| Current Account with Star Microinsurance | **77** |  | 77 |  |
| National Reconstruction Levy | **2** |  | 2 |  |
| Accountable Imprest | **20** |  | 33 |  |
| Motor Insurance Sticker & Levies |  |  | 133 |  |
|  | **3,450** |  | 4,757 |  |
| **a.** The maximum amount owed by staff | to the Company did not at | any | time |  |

during the year exceed Gh¢403,169 (December 2020 - Gh¢625,607).

**b,**

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

**23. AVAILABLE-FOR-SALE DEBT INVESTMENTS**

|  |  |  |
| --- | --- | --- |
| Government Securities | **24,372** | 12,191 |
| Fixed Deposits | **56,374** | 50,042 |
| Statutory Deposit | **3,105** | 2,732 |
|  | **83,851** | 64,965 |

**For the year ended 31 December 2021**

1. **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.

1. **CASH AND BANK BALANCES**

Cash on Hand Cash at Bank

1. **STATED CAPITAL**

**Dec-21** Dec-20

**Gh¢'000** Gh¢'000

**50** 59

**2,435** 1,527

**2,485** 1,586

**Dec-21** Dec-20

**No. of** No. of

**Shares** Shares

**(million)** (million)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Authorised Ordinary Shares of no par value. | |  |  | **100,000** |  | 100,000 |
| Issued Ordinary Shares of no par value fully paid for | |  |  | **6,295,000** |  | 6,295,000 |
|  | |  |  |  | **Number or** |  |
| **Number of** | |  |  |  | **shares** |  |
| **shares {'000)** | |  |  | **Gh¢'000** | **{'000)** | **Gh¢'000** |
| Balance at 1 January **6,295,000** | |  |  | **130,235** | 6,295,000 | 130,235 |
| Issued of shares | |  |  |  |  |  |
| **Balance at 31 December 6,295,000** | |  |  | **130,235** | 6,295,000 | 130,235 |
| **Other disclosures required by the Companies Code.** | |  |  |  |  |  |
|  | |  |  |  | Number of |  |
| **Number of** | |  |  |  | shares | Proceeds |
| **shares {'000)** | |  |  | **Gh¢'000** | ('000) | Gh¢'000 |
| Issue for Cash **4,800,242** | |  |  | **111,983** | 4,800,242 | 111,983 |
| Issue Other than Cash Consideration **569,203** | |  |  | **6,950** | 569,203 | 6,950 |
| Transfer from Income Surplus  **925,555 11,302** 925,555 11,302 | | | | | | |
| **Balance at 31 December** | **6,295,000** | **130,235** | | | 6,295,000 | 130,235 |

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

**For the year ended 31 December 2021**

1. **CONTINGENCY RESERVES**

This represents amount set aside as undistributable reserve fund from Income Surplus annually in accordance with the Insurance Act, 2021 (Act 1061). 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.

1. **INCOME SURPLUS**

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

1. **INSURANCE CLAIMS LIABILITIES Movement in total claims liability**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **Additions during the** | **Reduction**  **s during** |  |
| Settled but Outstanding | **Dec-20 Gh¢'000**  1,319 | **year**  **Gh¢'000**  65,546 | **the year Gh¢'000** (56,175) | **Dec-21 Gh¢'000**  **10,690** |
| Outstanding Claims Provision | 33,775 | 62,801 | (64,832) | **31,744** |
| Incurred But Not Settled (IBNR)  Reins. Share of Claims Prov. During the year | 10,566 | 446 | {11,049) | **11,012**  **(11,049}** |
| **Balance at 31 December** | 45,660 | 128,793 | {132,056) | **42,397** |

**Claims Liabilities by Product**

**Settled but Reported but Incurred but Reins. share of Outstanding not settled not reported Claims prov.**

**Total**

**Dec-21**

Fire Motor Accident

Engineering Liability

**Gh¢'000 Gh¢'000 Gh¢'000 Gh¢'000**

5,787 3,439 1,130 (180)

4,110 20,333 7,715 (10,584)

1,536 172 (27)

240 96 {258)

3,790 993

**Gh¢'000 10,176**

**21,574**

**1,681**

**78**

**4,783**

Bonds Marine Travel Aviation

**Balance at 31 December**

Dec-20

793

**10,690**

2,022 678

226 2

158 2

224

**31,744 11,012 (11,049)**

**3,493**

**228**

**160**

**224**

**42,397**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Fire |  | 9,223 119 9,342 | | |
| Motor | 1,319 | 14,067 | 8,886 | 24,272 |
| Accident |  | 1,163 | 96 | 1,259 |
| Engineering |  | 423 | 464 | 887 |
| Liability |  | 4,097 | 105 | 4,202 |
| Bonds |  | 4,480 | 518 | 4,998 |
| Marine |  | 231 |  | 231 |
| Travel |  | 91 | 60 | 151 |
| Aviation | 318 | | | 318 |
| Balance at 31 December | 1,319 | 33,775 | 10,566 | 45,660 |

**Star Assurance Company Limited**

Notes to the financial statements

**For the year ended 31 December 2021**

1. **INSURANCE CLAIMS LIABILITIES (CONT'D) Sensitivity Analysis**

Claims estimation is based on the following parameters:□

* 1. the general price levels or inflationary trends within the economy
  2. the rate of currency depreciation as significant portion of risk underwritten are quoted in foreign
  3. the awareness level of the insuring public and their rights to claim under insurance contracts
  4. 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¢3,240,319 positive or negative in the statement of financial position, depending on the

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | direction of the change. |  | | | | | | |
| **Dec-21** | | | | | Dec-20 | | | |
| **30.** | **PROVISION FOR UNEARNED PREMIUM** | | | **Gh¢'000** | Gh¢'000 | | | |
|  | Balance at 1 January | | | **50,633** | 39,380 | | | |
| Additional Provision  **9,268** 11,253 | | | | | | | | |
| Balance at 31 December | | | | **59,901** |  |  | 50,633 |  |
| **31. AMOUNT DUE TO REINSURERS** | | | |  |  |  |  |  |
| Balance at 1 January | | | | **7,818** |  |  | 6,565 |  |
| Movements during the year | | | | **5,192** |  |  | 1,253 |  |
| Balance at 31 December | | | | **13,010** |  |  | 7,818 |  |
| **32. CREDITORS AND ACCRUALS** | | | |  |  |  |  |  |
| Commission Payable | | | | **2,351** |  |  | 1,529 |  |
| Witholding Tax | | | | **1,051** |  |  | 925 |  |
| Current Account with Star Assurance Group | | | | **131** |  |  |  |  |
| Accruals | | | | **496** |  |  | 460 |  |
| Sundry Creditors | | | | **1,908** |  |  | 1,503 |  |
| Balance at 31 December | | | | **S,937** |  |  | 4,417 |  |
| **33. NATIONAL FISCAL STABILIZATION LEVY** | | | |  |  |  |  |  |
|  | **Payments** | | | **Charge** |  |  |  |  |
| **Year of** | | **Balance at** | **during** | **for the** | **Balance at** | | | |
| **Assessment** | | **1 Jan. '20** | **the year** | **year** | **31 Dec. '21** | | | |
|  | | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | **Gh¢'000** | | | |
| 2020 | | 29 |  |  | **29** | | | |
| 2021 | |  | (184) | 1,376 | **1,192** | | | |
|  | | 29 | (184) | 1,376 | **1,221** | | | |

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 2021**

1. **DEFERRED TAX**
   1. **Themovement on the deferred tax account is as follows:**

Balance at 1 January

|  |  |
| --- | --- |
| **22,176** | 9,847 |
| **6,432** | 17 |
| **20,186** | 12,312 |
| **48,794** | 22,176 |

Origination/ reversal of temporary differences: recognised in the income statement

recognised in equity

**Balance at 31 December**

**Dec-21** Dec-20

**Ghcj:'000** Gh¢'000

1. **ANALYSIS OF CASH AND CASH EQUIVALENTS**

Cash and Bank Balances (Note 21) **2,485** 1,586

Short term Investments (Note 20) **83,851** 64,965

**86,336** 66,551

1. **CONTINGENT LIABILITIES**

There were no contingent liabilities as at the year end December 31, 2021 (December 2020 - Nil)

1. **CAPITAL COMMITMENTS**

There were no material capital commitments as at the year end December 31, 2021 (December 2020 - Nil)

1. **EVENTS AFTER BALANCE SHEET DATE**

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

#### Notes to the financial statements

**For the year ended 31 December 2021**

1. **RELATED PARTY TRANSACTIONS**

Star Assurance Group incorporated in Ghana, owns 99.996% of the issued ordinary shares of the Company. Mr. Andrews Basoah holds the remaining 0.004%. Starlife Assurance Company Limited, Star Microinsurance Company Limited are the other subsidiaries of the Group.

HODA Holdings is the sole shareholder of the Star Assurance Group. Through this relationship, as well as common directorship, the Company considers E.I.B Network, Alban Logistics and Topp Core Securities also as related entities.

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

**Nature of Transaction Related Party Dec-21** Dec-20

|  |  |  |  |
| --- | --- | --- | --- |
| **Balances due from:** |  | **Gh¢'000** | Gh¢'000 |
| Shared Advert Expense | Starlife Assurance Company Ltd |  | 1 |
| Shared Operational Expense | Star Assurance Group Ltd |  | 270 |
| Deposit for Vehicle Purchase | Alban Logistics | **464** | 464 |
| Rent Prepayment | Starlife Assurance Company Ltd | **13** |  |
| Deposit for Calendars & DiarieTelemedia Communications Ltd | |  | 64 |
| Employees | | **403** | 626 |
| Insurance Claims Star Microinsurance Ltd  **77** 77 | | | |
|  |  | **957** | 1,502 |
| **Balances due to:** |  |  |  |
| Rent/ Facility Maint. Fees | Starlife Assurance Company Ltd | **155** | 42 |
| Advertising Expense | Telemedia Communications Ltd | **513** | 185 |
| Clearing Charges on Vehicle Star Assurance Group  **131** | | | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | **799** |  | 227 |  |
| **Payments to Related Parties:** |  |  |  |  |  |
| Claims payment Starlife Assurance Co. Ltd |  | **129** |  | 92 |  |
| Security & prof driving servicETopp Core Security |  | **401** |  | 160 |  |
| Life Insurance premium Starlife Assurance Co. Ltd |  | **153** |  | 378 |  |
| Marketing and adverts Telemedia Communications Ltd |  | **1,656** |  | 2,414 |  |
| Printing of stationery items uniPrecision Printing Press |  | **238** |  | 560 |  |
| Purchase of Fixed Assets Alban Logistics Supply of stationery and othe Alban Logistics |  | **8** |  | 9 |  |
|  |  | **2,585** |  | 3,613 |  |

#### Notes to the financial statements

**For the year ended 31 December 2021**

**39. RELATED PARTY TRANSACTIONS (CONTINUED)**

**Receipts from Related Parties:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Dec-21 Gh¢'000** | Dec-20  Gh¢'000 | |
| HODA Holdings |  | 3 | |
| HODA Properties |  | 74 | |
| Starlife Assurance Company Ltd | **356** | 370 | |
| Star Microinsurance Ltd | **33** | 61 | |
| Topp Core Security (Gh) Ltd. |  | 2 | |
| E. I. B Network Ltd | **8** | 2 | |
| Alban Logistics | **1** | 11 | |
| Telemedia Communications Ltd | **6** | 4 | |
| **404** | |  | 527 |

Insurance Premium Insurance Premium Insurance Premium Insurance Premium Insurance Premium Insurance Premium Insurance Premium Insurance Premium

|  |  |  |  |
| --- | --- | --- | --- |
| **Compensation to key management personnel:** |  | | |
| Salaries and other short-term employment benefits | **2,109** |  | 1,702 |
| Employers' pension contributions | **485** |  | 391 |
|  | **2,594** |  | 2,093 |

**Transactions with directors:**

Remuneration in the form of salaries is paid to executive directors and other executive management staff. Non-executive directors are paid fees.

Directors' emoluments are disclosed in Note 13.

**Star Assurance Company Limited**

Notes to the financial statements

**For the year ended 31 December 2021**

**OPERATING EXPENSES**

**Staff Cost**

Salaries and Allowances Wages

Medical

Staff Uniform Training/Seminar - Staff

**Dec-21**

**Gh¢'000**

**18,470**

**216**

**720**

**420**

**1,296**

Dec-20 Gh¢'000

14,814

123

336

351

1,214

**21,122** 16,838

**Promotional Expenses**

Marketing and Advertisement Agents Training & Support Expenses Donations

Business Promotions

**5,312**

**232**

**59**

**1,752**

**7,355**

5,995

180

35

2,646

8,856

**Star Assurance Company Limited**

#### Notes to the financial statements

**For the year ended 31 December 2021**

**Administrative Expenses**

**Dec-21** Dec-20

**Gh¢'000** Gh¢'000

|  |  |  |
| --- | --- | --- |
| Legal Fees & Expenses | **242** | 192 |
| Motor Vehicles Running | **2,081** | 1,439 |
| Motor Vehicles Repairs | **282** | 231 |
| Generator Expenses | **323** | 292 |
| Travelling & Transport-Local | **664** | 486 |
| Repairs - Others | **228** | 318 |
| Printing & Stationery | **1,319** | 1,279 |
| NIC Stickers & Fire Certificates | **2,639** |  |
| Bank Charges | **386** | 231 |
| Auditors' Remuneration and Charges | **85** | 104 |
| Professional Fees | **633** | 720 |
| Software Support Services | **486** | 513 |
| Board Meeting Expenses | **39** | 23 |
| Directors' Remuneration | **312** | 317 |
| Communication Expenses | **962** | 1,210 |
| Subs/Reg & Licensing | **345** | 472 |
| NIC Subscription | **1,270** | 749 |
| Client Rescue fund Levy of NIC | **122** | 122 |
| Office Expenses | **208** | 129 |
| Entertainment | **321** | 533 |
| Insurance | **680** | 721 |
| Cleaning and Sanitation | **674** | 615 |
| Security Services | **698** | 920 |
| Depreciation | **1,481** | 1,413 |
| Amortisation Expenditure | **358** | 256 |
| Trekking Expenses | **9** | 91 |
| Rent & Rates | **2,720** | 2,884 |
| Lease Amortisation | **2,051** | 1,420 |
| Electricity & Water | **1,431** | 1,203 |
| Exchange Loss | **107** |  |
|  | **23,156** | 18,883 |
| **Total** | **51,633** | 44,577 |

