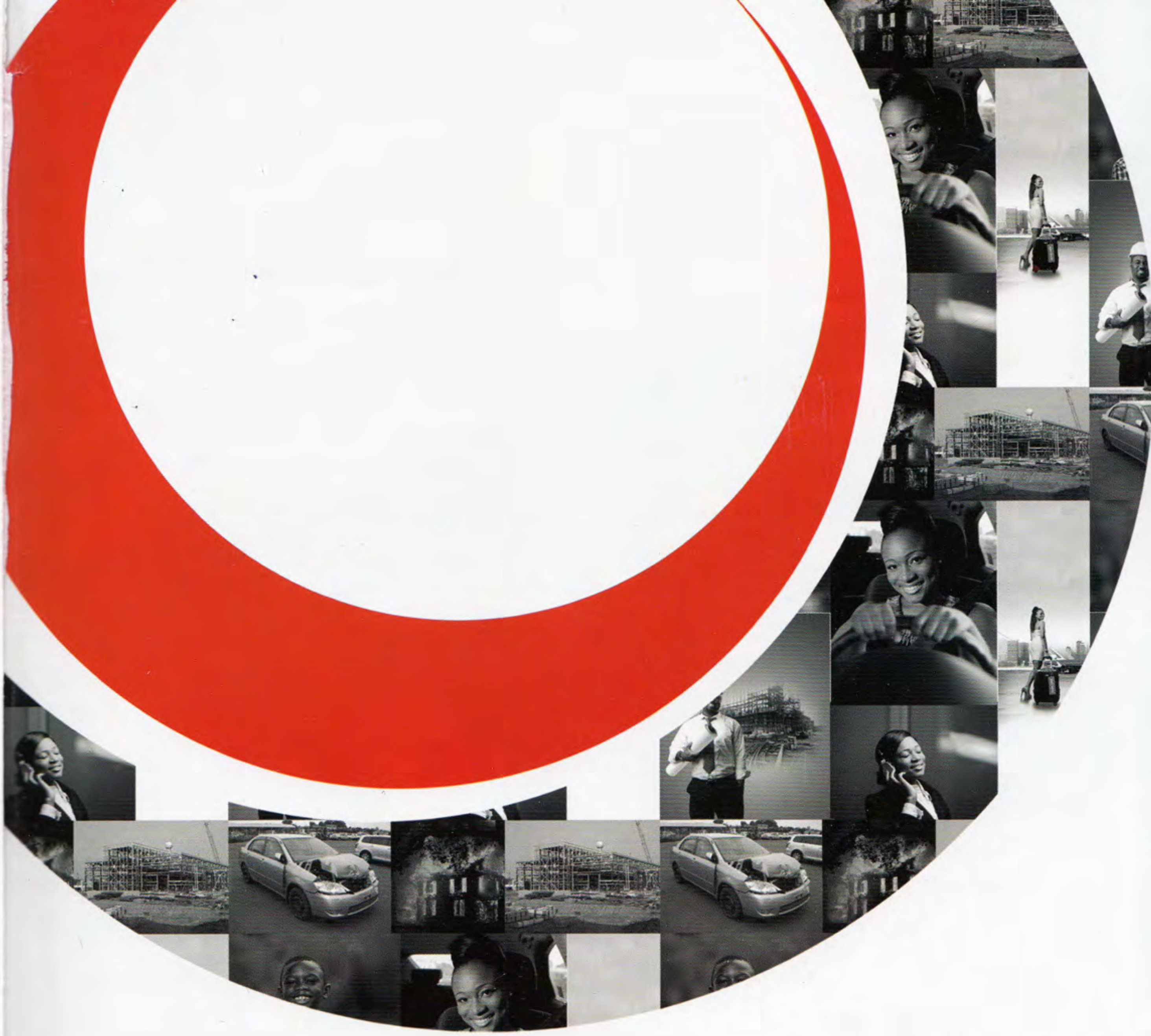
2013
annual report & financial statements

Star Assuran
...your solid part



2013

Star Assurance

ANNUAL REPORT AND FINANCIAL STATEMENTS


We offer more than Insurance
Star Assurance
...your solid partner

TABLE OF CONTENT

ABOUT US

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

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

Within Twenty-Nine (29) years of its operations, Star Assurance has emerged as the biggest indigenous private insurance enterprise in terms of assets and indeed among the first three insurance companies in Ghana in terms of premium income.

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

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

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CORPORATE INFORMATION

VISION

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

MISSION

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

The company intends to achieve this through:

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

OUR PRODUCTS

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

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

OUR CORE VALUES

PROFESSIONALISM

We apply our deep skills and expertise and broad capabilities to consistently deliver reliable services to our customers and ensure their needs are being met.

INNOVATION

We are dedicated to continually improving our products, operations and performance in order to deliver innovative solutions and extraordinary services to exceed the highest expectations of our customers.

TEAMWORK

We build mutually beneficial relationships among staff, agents, brokers and other partners who share similar values and work in tandem to achieve high performance, excellence and superior business results.

OWNERSHIP

Enterprise culture is the philosophy through which the management and staff develop a high sense of ownership by consistently making decisions in the best interest of the company and its customers.

WINNING SPIRIT

We are action-oriented, constantly striving to deliver results, create possibilities and build a brighter future for all stakeholders.

DIRECTORS, OFFICIALS AND REGISTERED OFFICE

Board of Directors:

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

Alex G. Buabeng	-	Board Chairman
Kofi Duffuor	-	Managing Director
Samuel Kwaku Ocran	-	Deputy Managing Director
Boatemaa Panin Duffuor (Ms.)	-	Executive Director (Finance & Administration)
Andrews K. Basoah	-	Member
Solomon Adiyiah	-	Member
Juliana Asante (Mrs.)	-	Member

Executive Management

Kofi Duffuor	-	Managing Director
Samuel Kwaku Ocran	-	Deputy Managing Director
Boatemaa Panin Duffuor	-	Executive Director (Finance & Administration)
Emmanuel Baiden	-	General Manager (Finance)

Departmental And Branch Heads

Yaw Adom-Boateng	-	Technical Operations
Adelaide Agyemang Boakye (Mrs.)	-	Office of DMD
Toni J.C. Bakawu	-	Information Technology
Henrietta Denanyoh (Mrs.)	-	Human Resources
Summers Darko (Mrs.)	-	Legal
Esther Baffour-Awuah (Mrs.)	-	Claims
Esther Yirenkyiwah Opoku (Ms.)	-	Reinsurance (Ag.)
William Larmie	-	Credit Control
Samuel Abrokwah	-	Audit and Investigations
Justice Frank Offei	-	Accounts
Joseph Antwi	-	Agency
Thompson Agebsi	-	Broker Relations
Cathrine Danquah (Ms.)	-	Retail / SME
Eldon Otu	-	Kumasi
Solomon Aboagye	-	Takoradi
Felix Afrifa	-	Sunyani
Alphonso N. A. Nunoo	-	Koforidua
Philip Nanabanyin Dennis	-	Tema
Francis Gelli	-	Ho
Nuru-deen Abdulai	-	Tamale
Nicholas Afrifa	-	Nkawkaw
Armstrong Amenyah	-	Spintex
Michael Adomako	-	Madina
Solomon Amo Badu	-	Dansoman

DIRECTORS, OFFICIALS AND REGISTERED OFFICE

Company Secretary

- Mrs. Summers Darko
  P.O. Box AN 7532
  Accra-North

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

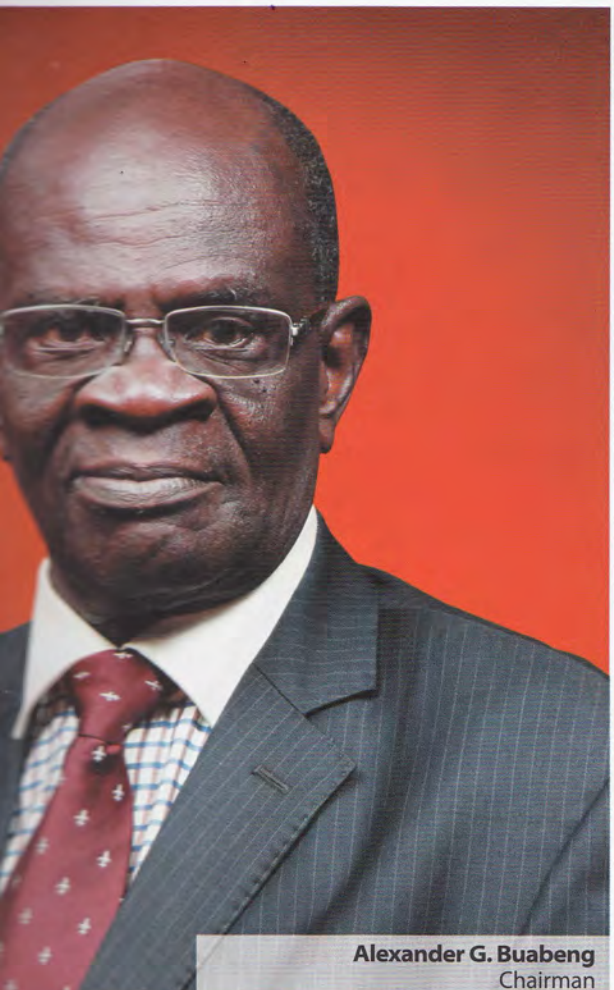
Auditors
PKF (Accountants & Business Advisers)
P. O. Box GP 1219,
Accra.

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

Bankers

- Barclays Bank of Ghana Limited
- National Investment Bank Limited
- NatWest Bank - London
- uniBank Ghana Limited
- Ghana International Bank - London

BOARD OF DIRECTORS

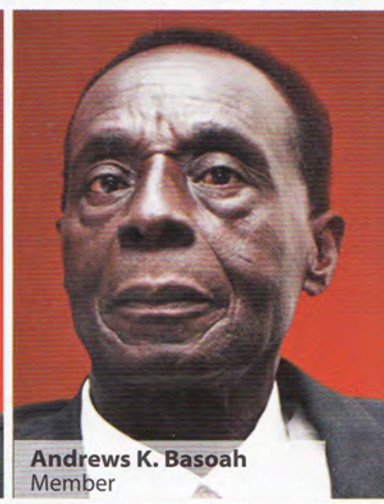


Alexander G. Buabeng
Chairman

Kofi Duffuor
Managing Director

Samuel Kwaku Ocran
Dep. Managing Director

Boatemaa Panin Duffuor (Ms.)
Executive Director

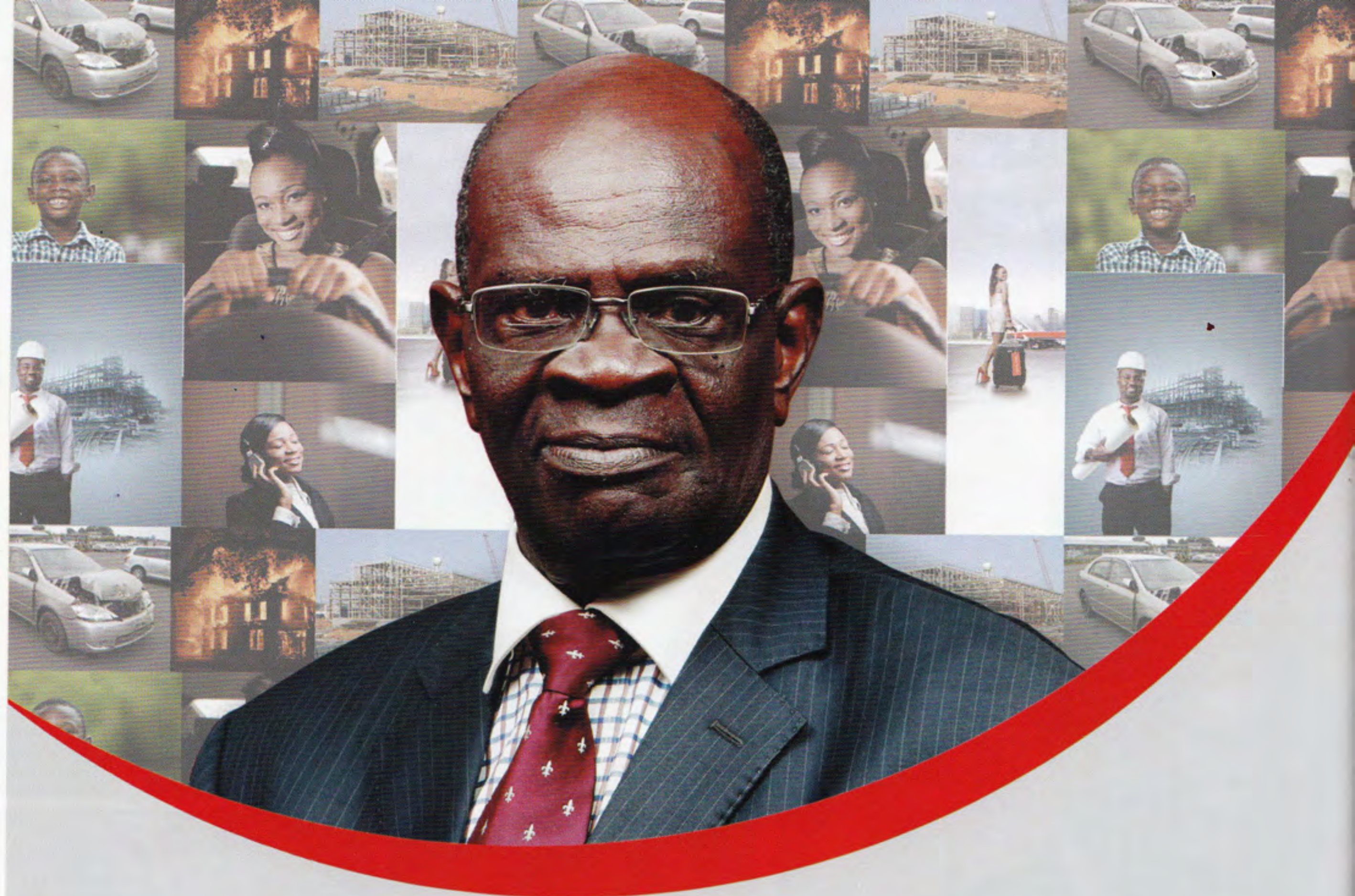


Andrews K. Basoah
Member

Solomon Adiyiah
Member

Juliana Asante (Mrs.)
Member

e commitment of the board and
nior management team to the
siness ensures that we remain
cused on our vision and strategy in
der to achieve our objectives for
e benefit of our shareholders and
stomers



CHAIRMAN'S STATEMENT

INTRODUCTION

It is with great pleasure that I welcome you to this year's Annual General Meeting and to present the Annual Report and Financial Statements of our dear Company for the financial year ended 31 December 2013.

The year 2013 was very challenging for Star Assurance Company, reflecting on our inability to achieve our gross premium target. That notwithstanding, most of our strategic objectives which included branch network expansion, nationwide visibility, marketing communication and ICT infrastructural development remained on course.

ECONOMIC REVIEW

Although the global economy continued to experience subdued growth, expanding by 3% in 2013, Ghana's economy remained comparatively high, driven by capital flows stimulated largely by the oil sector. The Gross Domestic Product (GDP) growth for 2013 in Ghana was estimated to be less than 7.4% which fell below 7.9% recorded in 2012. This growth trimmed in 2013 due to factors such as volatile prices for its export commodities, slow agricultural growth, erratic power supply, low public investment and low donor disbursement. Inflation has been on a rising trend since the beginning of 2013 resulting in inflation above single – digit from 8.8% in 2012, rising steadily from 10.1% at the end of February 2013 to 13.5% in December 2013.

The Cedi equally has been under serious pressure due to the volatile prices for Ghana's major export commodity prices on the international market. This development resulted in the Ghana Cedi depreciating against the US dollar at a cumulative rate of 15% in 2013.

INDUSTRY DEVELOPMENT

The health of the Ghanaian economy depends to a significant extent on a robust, inclusive and responsible insurance industry where insurance offers policyholders real value. This is particularly the case in challenging economic times marked by financial market volatility, slowing domestic growth and personal incomes, growing competition, soft premium rates, higher auto repair and other costs and increasing systemic risk.

However, current penetration rate estimate continues to hover around 1.5% of a population of about 26 million. This patronage is expected to worsen further in 2014 as the industry regulator introduces policies that are expected to strengthen insurers' ability to honour their claims payment promises.

BUSINESS OPERATIONS

Against a global backdrop of lingering financial uncertainty, conditions continue to be challenging for our business environment. Nonetheless, our stance remains spirited as we move closer towards our vision of "Partnering with you to be the definition of insurance and the creator of delightful experience". Following from our strategic focus, your company rolled out its branch network expansion strategy to bring insurance services closer to the insuring public. Consequently, two branches were opened at Madina and Dansoman, all in Accra.

Five additional branches are expected to become operational during the year 2014. These additional branches will operate in Darkuman, Tamale, Kumasi, Techiman and Kasoa.

CHAIRMAN'S STATEMENT

With the market demanding conditions, the novelty and expertise of our professionals is ever more important. We continue to place more emphasis on making our customer satisfaction our top most priority.

FINANCIAL PERFORMANCE

The gross premium income for the year 2013 was GH¢57,948,908 as against GH¢61,783,045 in 2012, a shortfall of 6%. Notwithstanding the slight dip in gross premium, our net income increased by 23% from GH¢37,176,210 in 2012 to GH¢45,526,934. Profit before taxation for the year decreased from GH¢ 8,112,875 in 2012 to GH¢ 6,432,296 in 2013. In spite of the decrease in profit, Total Assets grew by 15% from GH¢ 61,666,997 in 2012 to GH¢ 70,954,595 in 2013.

RETURNS TO SHAREHOLDERS

Shareholders' Funds also recorded tremendous increase from GH¢25,745,571 in 2012 to GH¢32,069,635 in 2013, representing 23%. During the year, the company also recommended cash dividend payment of GH¢1,086,957 representing 20% of After-Tax Profit.

The Board, Management and Staff are committed to attractive returns and long-term growth of shareholders value as we also seek to contribute to the success story of your company.

CHANGES TO THE BOARD

During the year, Dr. Kwabena Duffuor II resigned from the Board. We are grateful to him for all the fine contributions he made to the company, and wish him well in his future endeavours. Mrs. Summers Darko, a lawyer and head of Legal Department of the company was appointed as Company Secretary to replace Honourable Bernard Ahiafor, who resigned his position to take up national assignment. We thank him for his dedicated service to the Board and use this opportunity to congratulate him for his victory as Member of Parliament.

CHAIRMAN'S STATEMENT

CORPORATE GOVERNANCE

As the first indigenous private Insurance Company in Ghana, we rely on our Board of Directors to guide and supervise the general operations to sustain the confidence of our business partners and clients.

At Star, we believe in the importance of good corporate governance as a means of sustaining the viability of our business in the long term. Further, we believe that the attainment of our business objectives is directly aligned to our corporate behaviour. As a corporate entity, we continuously strive to implement the best local and international practices in our workplace to promote effective business continuity.

OUTLOOK FOR 2014

The business outlook in Ghana is projected to be a difficult one and our company cannot be an exception. Ghana's economic growth for 2014 has been projected by IMF to be 4.8% with inflation contained at 14.7% at the end of April, 2014. Due to the risk posed by the Ghana cedi depreciation and periodic upward adjustments in fuel and utility prices, the Bank of Ghana indicated its determination to maintain economic stability through tightening monetary policy and the regularisation of the existing regulations in the foreign exchange market.

Also with the various policy reforms such as "No Premium, No Cover"; Introduction of New Solvency Framework; and Premium Debts as at December 2014 to be written off, insurance companies are likely to encounter implementation challenges at the initial stages although these policies are meant to improve financial health of insurers. However, given the strategic programmes being rolled out, we believe that we will be able to stay above the waters.

CONCLUSION

On behalf of the Board of Directors, I wish to appreciate our loyal clients who continue to transact business with us; we will continue our partnership to provide quality insurance of enviable status.

I am also grateful for the immense support from our insurance intermediaries, including our Brokers and Agents. To you our Reinsurers, both local and international we say thank you.
I wish to thank all our shareholders for their continuing support to the growth and survival of the company.

Finally, to our Management and staff, your remarkable performance over the years has been recognised and appreciated and that our shareholders can be assured that the company continues to build its business with the confidence reposed in us.

I thank you all for your attention.

Alexander Buabeng

Board Chairman


Let go of your worries,
for tomorrow is alright.
Let go, Let Star.
Those who let go attain true happiness; so let go and let Star Assurance take care of the things you care about.Choose from our wide range of insurance policies and have a true peace of mind.
CIMG
Insurance Company of the year 2012 (General)
Star Assurance
...your solid partner
Tel: 0302 240 632
www.starassurance.com

KOFI DUFFUOR
(Managing Director)

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

SAMUEL OCRAN
(Deputy Managing Director)

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

BOATEMAA PANIN DUFFUOR
(Executive Director)

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

EMMANUEL BAIDEN
(General Manager, Finance)

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

MANAGING DIRECTOR'S STATEMENT

Over the years, Star has managed to build a diverse company that stretches into all areas of general insurance. These include personal, commercial and specialist markets. This diversity, coupled with professionalism has enabled the company to steer its way through tough economic challenges.

The year 2013 was very challenging with the competition in the industry getting more intense. Coupled with soft premium rates, higher auto repair and other costs and increasing systemic risks, Star Assurance remains among the top three Insurance companies in Ghana and was adjudged the "Best Insurance Company 2012".

The company has chalked a remarkable growth consistently for the past decade, but the year 2013 recorded a negative premium growth of 6%, with gross premium of GH¢57,948,908 in 2013 compared to GH¢61,783,045 in 2012. Despite this negative premium growth, Net Premium Earned increased by 24% from GH¢28,986,883 in 2012 to GH¢36,106,272 in 2013. This positive premium income growth impacted favourably on the Net Income which recorded GH¢45,526,934 in 2013, representing 23% growth over 2012 figure of GH¢37,176,210.

Investment Income also recorded a tremendous increase of 79% in 2013 from GH¢1,909,504 to GH¢3,438,281. Despite the fall in gross premium, Gross Claims Incurred increased significantly from GH¢8,701,775 in 2012 to GH¢10,789,377 in 2013, an indication of our commitment to our clients as a solid partner.

In our resolve to maintain quality but healthy Balance Sheet, an amount of GH¢5,844,152 was identified as irrecoverable and therefore written off. This led to Operating Expenses increasing by 59% from GH¢12,259,286 in 2012 to GH¢19,512,184 in 2013. This resulted in Profit after Tax falling to GH¢5,610,575 compared to GH¢6,426,207 in 2012.

Total Assets grew by 15% from GH¢61,666,997 in 2012 to GH¢70,954,595 in 2013. During the same period under review Total Investments grew significantly to GH¢41,539,734 comparing favourably to GH¢32,825,797 in 2012, an increase of 27%. Shareholders' Fund also followed the growth trend, recording an increase of 25% from GH¢25,745,571 in 2012 to GH¢32,069,635 after dividend payment of GH¢1,086,957.

2014 OPERATING FOCUS

The Star brand is strongly positioned and differentiated based on the value that we offer consumers and this has reflected in growth of our Shareholders' Funds over the period. We intend to continue on this path to ensure that your company's brand is registered in the minds of the insuring public as a preferred choice.

We intend to do this by:

- Creating a differentiated brand along the positioning platforms identified.
- Persuading new customers to use the range of products that Star Assurance offers.
- Opening more branches across the country
- Building capabilities and competencies required to deliver our growth and performance strategies
- Continuing the ICT Equipment and Infrastructure building process started in 2013.
- Using Enterprise Risk Management strategies to optimize the company's risk Capacity.

Star has made a significant progress in its adoption of Enterprise Risk Management (ERM) since 2012. This includes setting of the Company's overall risk appetite, establishment of a Risk Management Policy Statement, and assessment of the risks attached to the Company's operations in all Branches/Units. As a risk taking entity, we would continue to be at the forefront of managing risk within our company to ensure long term growth for our shareholders.

Currently the binding agreement with our brokers has been successfully implemented with our four key brokers actively involved. This authorisation given to our brokers to underwrite direct business has improved our business activities and deepen our relation to them.

We shall continue to explore opportunities within Ghana and outside to enhance our business operations and establishment of strategic partnership.

RECOGNITION AND AWARDS

Our company continued to receive recognition of various organisations both locally and international. Star Assurance was adjudged the Insurance Company of the Year 2012 by the Chartered Institute of Marketing Ghana (CIMG). It was also awarded the Best Insurance Company, General Business Category by Ghana Investments Promotion Council (GIPC) having placed 18th at the Ghanaclub 100.

The company also maintained its A- rating by the Global Credit Rating, a rating company based in South Africa. Our company believes in the simple principle that insurance should add value, not questions or uncertainty. It should provide peace of mind, not parameters or excuses. No wonder Star was adjudged the Best Insurance Company 2012 by Chartered Institute of Marketing Ghana (CIMG).

Many factors have been contributing to Star's success, but at the heart of it all are:

- Employees who drive the company forward
- Our intermediaries and Reinsurers who support us
- Our clients who trust us with their most precious belongings and their businesses.

MANAGING DIRECTOR'S STATEMENT

ACKNOWLEDGEMENTS

I will like to take this opportunity to acknowledge the oversight from the Board of Directors when we were confronted with difficult economic challenges and we needed them the most. My appreciation also goes to all my colleagues on the Executive Committee and all our hard working staff for their dedication, loyalty and hard work.

Certainly, there are more difficult challenges ahead in view of the many reformed policies being rolled out by our regulators, but we know that through focus and discipline, we will end the coming year a success.

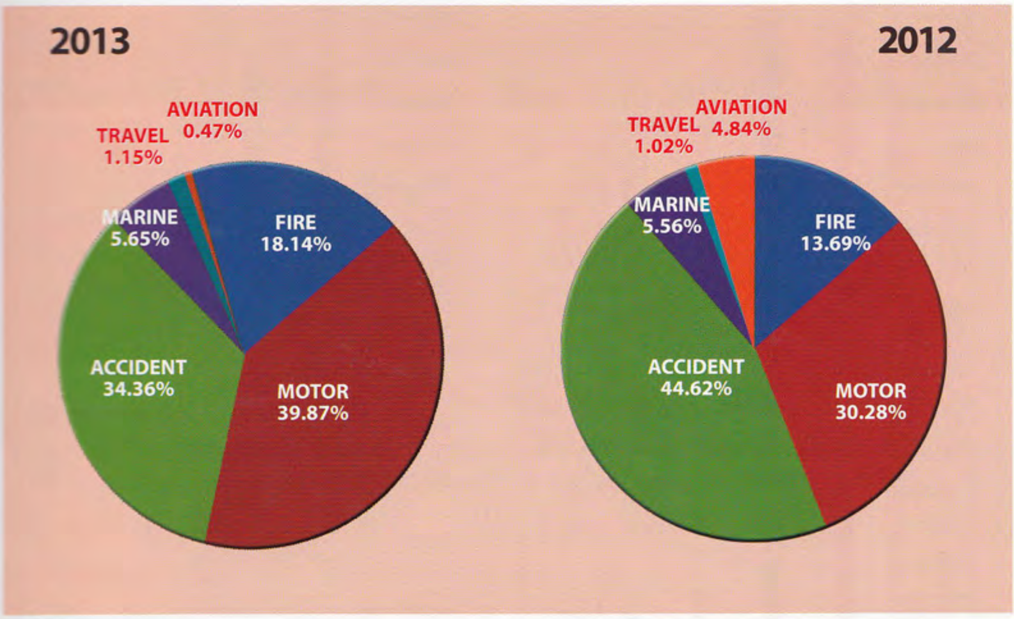
Thank you.

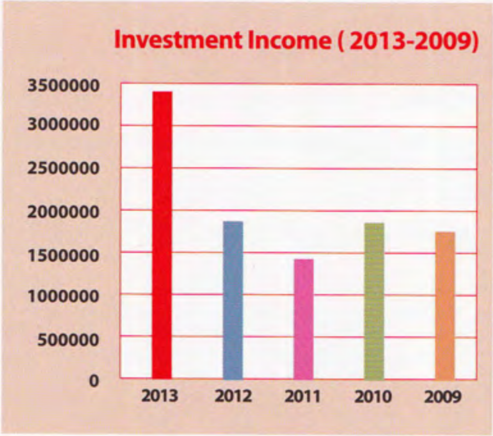
Kofi Duffuor

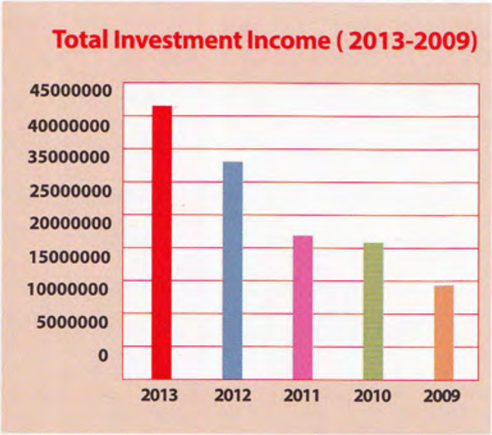
Managing Director

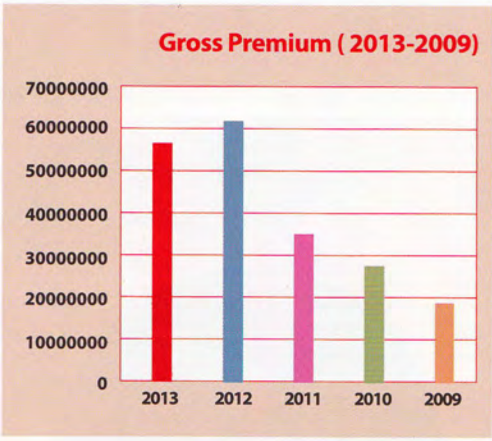
COMPANY PERFORMANCE

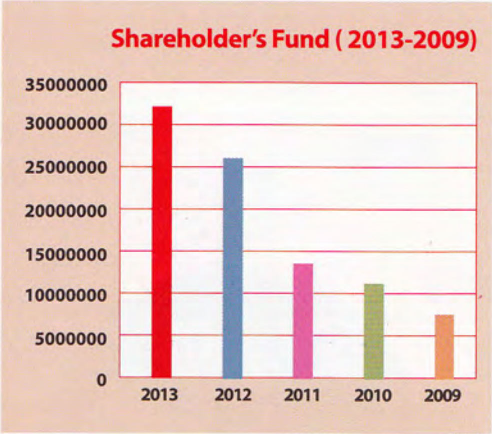
FIVE YEAR FINANCIAL SUMMARY	2013 GH¢	2012 GH¢	2011 GH¢	2010 GH¢	2009 GH¢
Insurance Premium	**57,948,908**	61,783,045	35,066,187	28,168,710	19,132,991
Net Premium	**36,106,272**	28,986,884	20,325,719	17,039,283	11,717,953
Underwriting Profit	**948,019**	4,122,600	1,656,739	3,275,940	318,066
Investment Income	**3,438,281**	1,909,504	1,438,471	1,880,478	1,758,398
Net Profit Before tax	**6,432,964**	8,112,874	3,688,172	5,828,001	2,119,481
Total Assets	**70,954,595**	61,666,997	42,981,799	37,294,131	28,865,306
Total Investments	**41,539,734**	32,825,797	21,755,186	21,101,624	14,672,926
Shareholders' Fund	**32,069,635**	25,745,571	13,575,604	11,224,812	7,599,923

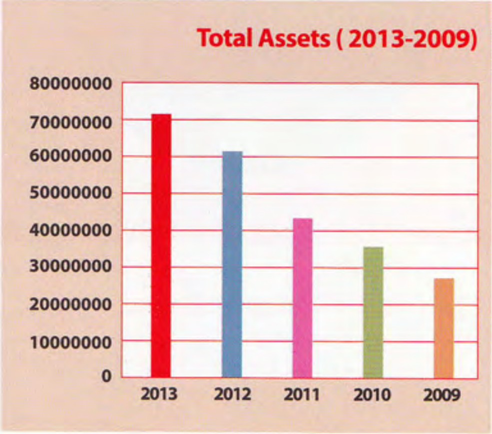



Investment Income (2013-2009)
3500000
3000000
2500000
2000000
1500000
1000000
500000
0
2013
2012
2011
2010
2009


Total Investment Income (2013-2009)
45000000
40000000
35000000
25000000
20000000
15000000
10000000
5000000
0
2013
2012
2011
2010
2009


Gross Premium (2013-2009)
70000000
60000000
50000000
40000000
30000000
20000000
10000000
0
2013
2012
2011
2010
2009


Shareholder's Fund (2013-2009)
35000000
30000000
25000000
20000000
15000000
10000000
5000000
0
2013
2012
2011
2010
2009


Total Assets (2013-2009)
80000000
70000000
60000000
50000000
40000000
30000000
20000000
10000000
0
2013
2012
2011
2010
2009

DIRECTOR'S REPORT

In accordance with the requirements of Section 132 of the Companies Act, we the Board of Directors of Star Assurance Company Limited, submit herewith our Annual Report on the state of affairs of the Company for the year ended 31 December, 2013.

1. ACCOUNT

	2013 GH¢	2012 GH¢
Gross Premium	**57,948,908**	61,783,045
Reinsurance Premium	**(21,516,193)**	(26,006,640)
Profit before Tax	**6,432,964**	8,112,875
less Corporate tax provision of	**(670,818)**	(1,686,668)
and National Fiscal Stabilisation Levy	**(151,571)**	0
leaving Net Profit after Tax of	**5,610,575**	6,426,207
to which is added overprovision of tax of	**1,233,254**	0
and Income Surplus Account brought forward from the previous year of	**7,537,429**	2,761,028
making a total Income Surplus of	**14,381,258**	9,187,235
from which are deducted dividend paid of	**(1,086,957)**	0
and a transfer to Contingency Reserve of	**(1,738,467)**	(1,649,806)
leaving a net balance on the Income Surplus Account which is carried to the Statement of Financial Position	**11,555,834**	7,537,429

2. PRINCIPAL ACTIVITY

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

3. OTHER MATTERS

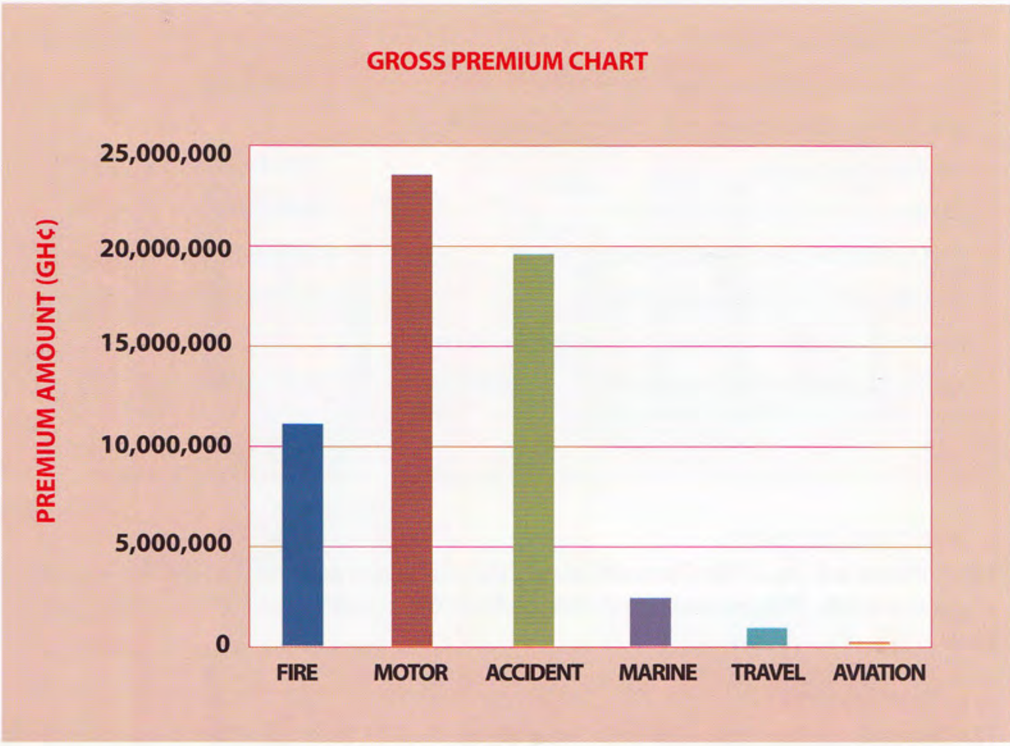
The Directors confirm that no matters have arisen since 31 December, 2013 which materially affect the Financial Statements of the Company for the year ended on that date.

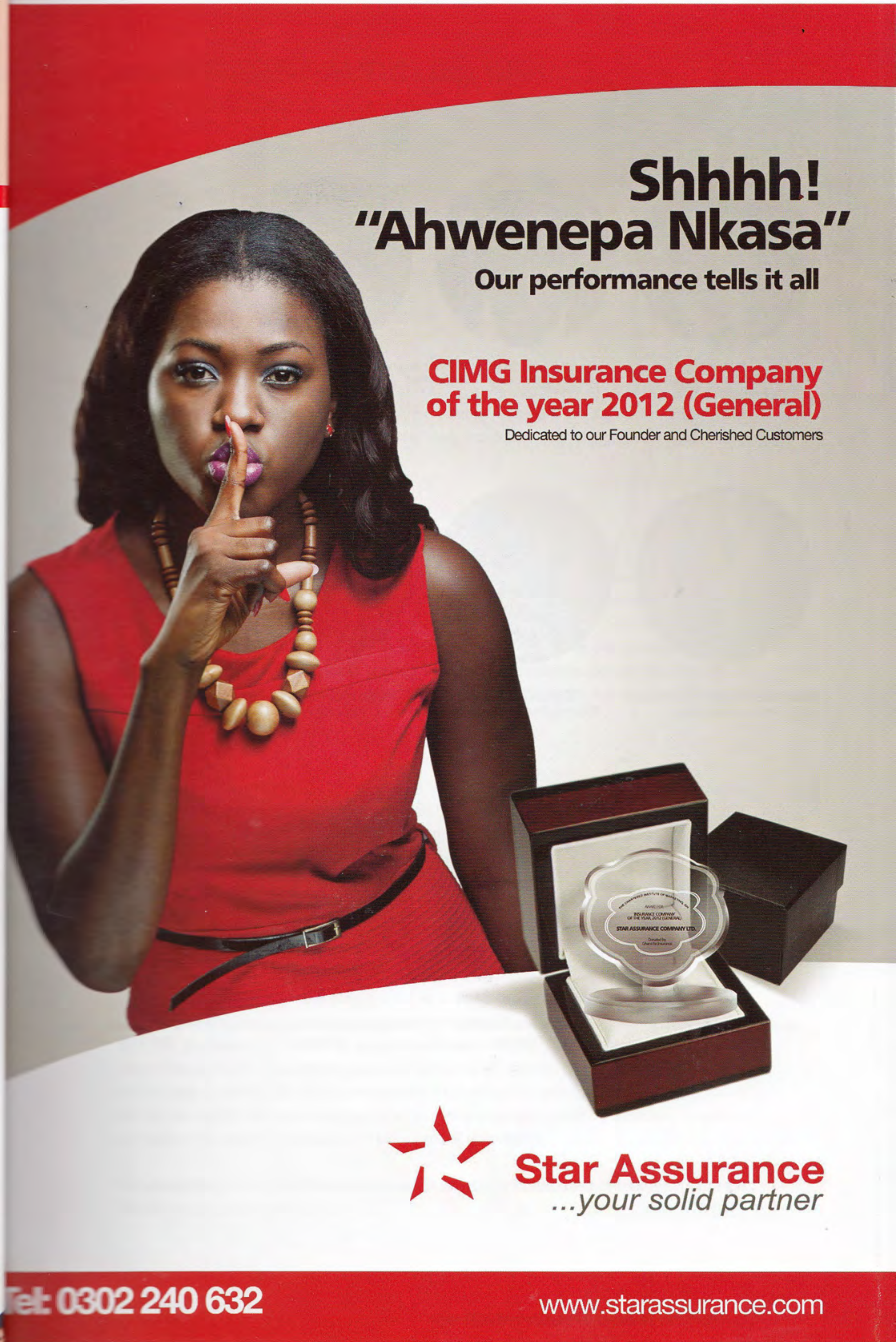
BOARD CHAIRMAN **MANAGING DIECTOR**

Dated: 15th May, 2014

FINANCIAL HIGHLIGHTS (SUMMARY)

POLICY TYPE	FIRE GH¢	MOTOR GH¢	ACCIDENT GH¢	MARINE GH¢	TRAVEL GH¢	AVIATION GH¢	TOTAL GH¢
Insurance premium revenue	10,514,240	23,104,423	19,910,970	3,272,142	877,053	270,080	**57,948,908**
Net Underwriting Income	6,656,846	21,214,629	11,571,520	956,700	556,214	114,835	**41,070,744**
Management Expenses	3,540,287	7,779,573	6,704,294	1,101,775	295,316	90,940	**19,512,184**
Underwriting Profit	(1,484,843)	2,993,966	142,122	(667,493)	23,520	(59,253)	**948,019**




Shhhh!
"Ahwenepa Nkasa"
Our performance tells it all
CIMG Insurance Company of the year 2012 (General)
Dedicated to our Founder and Cherished Customers
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Office of the C.O.O.

Henrietta Denanyoh(Mrs.)
Human Resource

Summers Darko (Mrs.)
Legal

Esther Yirenkyiwah Opoku (Ms.)
Reinsurance (Ag.)

Toni J.C Bakawu
Information Technology

Samuel Abrokwa
Internal Audit

William Larmie
Credit Control

Joseph Kwame Antwi
Agency

Justice Frank Offei
Accounts

Esther Baffour-Awuah (Mrs.)
Claims

Eldon Moses Otu
Northern Sector

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Star Assurance Company Limited which comprise the Statement of Financial Position as of December 31,2013, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Insurance Act, 2006 (Act 724). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of Star Assurance Company Limited as of December 31,2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, 1963 (Act 179) and the Insurance Act, 2006 (Act 724).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit
ii) In our opinion proper books of accounts have been kept by the Company so far as appear from our examination of those books, and
iii) The Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income are in agreement with the books of accounts.

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

PKF

SIGNED BY: GEORGE EKOW MENSSHAN (ICAG/P/1090)
FOR AND ON BEHALF OF PKF (ICAG/F/039)
CHARTERED ACCOUNTANTS
FARRAR AVENUE
ACCRA

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	NOTES	2013 GH¢	2012 GH¢
Assets			
Property, Plant & Equipment	15	1,433,024	1,011,585
Intangible Assets	16	428,615	445,650
Investment Properties	17	15,099,506	11,307,087
Available-for-sale Equity Investments	18	10,580,819	10,013,627
Insurance Receivables		16,626,761	19,035,018
Amount due from Reinsurers		6,625,004	4,317,098
Loans and Receivables	19	2,802,214	2,142,171
Available-for-sale Debt Investment	20	15,859,409	11,505,083
Cash and Bank Balances	21	1,499,243	1,889,679
Total Assets		70,954,595	61,666,998
Equity and Liabilities			
Stated Capital	22	12,235,000	12,235,000
Available-for-sale Reserve	23	724,988	157,796
Contingency Reserve	24	7,553,813	5,815,346
Income Surplus	25	11,555,834	7,537,429
Total Equity		32,069,635	25,745,571
Liabilities			
Insurance Claims Liability	26	5,036,656	4,026,354
Amount due to Re-insurers		8,340,138	6,320,826
Creditors and Accruals	28	4,665,288	4,050,988
Provision for Unearned Premiums	27	16,623,535	16,297,092
Borrowings	30	3,345,330	2,839,743
Deferred tax liability	31	331,296	816,552
Taxation	14	434,155	1,556,365
National Fiscal Stabilisation Levy	29	108,562	13,505
Total Liabilities		38,884,960	35,921,425
Total Equity and Liabilities		70,954,595	61,666,996

Approved by the Board on 15th May, 2014

Board Chairman

Managing Director

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 GH¢	2012 GH¢
Insurance premium revenue	5	57,948,908	61,783,045
Insurance premium ceded to reinsurers	5	(21,516,193)	(26,006,640)
Premium Retained		36,432,715	35,776,405
Less Unearned Premium Provision		(326,443)	(6,789,522)
Net Premium Earned		36,106,272	28,986,883
Reinsurance commission	7	3,271,747	2,664,284
Investment income	8	3,438,281	1,909,504
Other Income	9	2,710,634	3,615,539
Net Income		45,526,934	37,176,210
Underwriting Expenses			
Commission Expense	10	9,821,164	8,959,256
Claims and loss adjustment expenses	11	10,789,377	8,701,775
Claims and loss adjustments expenses recovered		(1,692,726)	(2,391,750)
Net insurance expenses		18,917,815	15,269,280
Operating Expenses	12	19,512,184	12,259,286
Total Expenses		38,429,999	27,528,566
Results of operating activities		7,096,935	9,647,644
Finance cost	13	(663,971)	(1,534,769)
Profit before Taxation		6,432,964	8,112,875
Income tax expense	14	(670,818)	(1,686,668)
National Fiscal Stabilisation Levy	29	(151,571)	0
Profit for the Year		5,610,575	6,426,207
Other Comprehensive Income			
Revaluation gains on Available-for-sale assets	18	567,192	72,320
Total other Comprehensive Income		567,192	72,320
Total Comprehensive Income		6,177,767	6,498,527

STATEMENT FOR CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	STATED CAPITAL GH¢	AVAILABLE-FOR-SALE RESERVE GH¢	CONTINGENCY RESERVE GH¢	INCOME SURPLUS GH¢	TOTAL GH¢
2013					
Balance at 1 January 2013	12,235,000	157,796	5,815,346	7,537,429	25,745,571
Comprehensive Income					
Profit for the year	0	0	0	5,610,575	5,610,575
Overprovision on Final Tax as at 2012	0	0	0	1,233,254	1,233,254
Other comprehensive income					
Gains on Available-for-sale assets	0	567,192	0	0	567,192
Total other comprehensive income	**0**	**567,192**	**0**	**0**	**567,192**
Transaction with Equity holders					
Dividend Paid	0	0	0	(1,086,957)	(1,086,957)
Transfers within equity					
Transfer to / (from) Contingency reserve	0	0	1,738,467	(1,738,467)	0
Total transfers within equity	**0**	**0**	**1,738,467**	**(1,738,467)**	**0**
Balance at 31 December 2013	**12,235,000**	**724,988**	**7,553,813**	**11,555,834**	**32,069,635**
2012					
Balance at 1 January 2012	6,235,000	85,476	4,165,540	**2,761,028**	**13,247,044**
Comprehensive Income					
Profit for the year	0	0	0	6,426,207	6,426,207
Other comprehensive income					
Gains on Available-for-sale assets	0	72,320	0	0	72,320
Total other comprehensive income	**0**	**72,320**	**0**	**0**	**72,320**
Transaction with Equity holders					
Issue of shares for cash	**6,000,000**	**0**	**0**	**0**	**6,000,000**
Transfers within equity					
Transfer to / (from) Contingency reserve	0	0	1,649,806	(1,649,806)	0
Transfer to Stated Capital	0	0	0	0	0
Total transfers within equity	**0**	**0**	**1,649,806**	**(1,649,806)**	**0**
Balance at 31 December 2012	12,235,000	157,796	5,815,346	7,537,429	25,745,571

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 GH¢	2012 GH¢
Reconciliation of Operating Income to Cash Flow from Operating Activities			
Profit before tax		**6,432,964**	8,112,875
Adjustments for:			
Depreciation Charges		**429,781**	250,742
Amortisation of Intangible Assets		**194,088**	232,140
Revaluation Gain on Investment Properties		**(2,601,719)**	(3,060,279)
Interest and Amortisation on Borrowing		**505,587**	492,623
Investment Income		**(3,438,281)**	(1,909,504)
Operating Profit before working capital changes		**1,522,420**	4,118,597
Decrease/(Increase) in Insurance Receivables		**2,408,257**	(7,143,814)
(Increase)/Decrease in Amount due from Re-insurers		**(2,307,906)**	363,588
Increase in Loans and Receivables		**(660,044)**	(6,263)
Increase in Provision for Unearned Premium		**326,443**	6,789,522
Increase in Insurance Claims Liabilities		**1,010,301**	1,139,908
Increase in Creditors and Accruals		**614,300**	(950,863)
Increase/(Decrease) in Amount due to Re-insurers		**2,019,311**	(499,905)
Cash Inflow from Operating Activities		**4,933,083**	3,810,770
Return on Investment and Servicing of Finance			
Investment Income		**3,438,281**	1,909,504
Taxation			
Corporate Tax Paid		**(1,045,031)**	(1,195,882)
National Fiscal Stabilisation Levy Paid		**(56,515)**	(291,400)
Net Cash Inflow from Operating Activities		**7,269,819**	4,232,992
Investing Activities			
Acquisition of Property and equipment		**(851,220)**	(361,585)
Acquisition of Available-for-sale financial assets		**0**	(6,000,000)
Acquisition of Investment Property		**(1,190,700)**	(1,841,750)
Intangible Assets		**(177,053)**	0
Net cash flow from investing activities		**(2,218,973)**	(8,203,335)
Financing Activities			
Issue of Shares		**0**	6,000,000
Borrowing Repaid		**0**	(984,000)
Dividend Paid		**(1,086,957)**	0
Net cash flow from financing activities		**(1,086,957)**	5,016,000
Increase in Cash and Cash Equivalents		**3,963,890**	1,045,657
Cash and Cash Equivalents 1 January		**13,394,762**	12,349,104
Cash and Cash Equivalents 31 December	32	**17,358,652**	13,394,761

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NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

1 GENERAL INFORMATION

1.1 Corporate information

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

1.2 Statement of compliance

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

1.3 Basis of preparation

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

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

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

IAS 16 Property, Plant and Equipment
IAS 17 Leases
IAS 18 Revenue
IAS 19 Employee Benefits
IAS 21 The Effects of Changes in Foreign Exchange Rates
IAS 23 Borrowing Costs
IAS 24 Related Party Disclosures
IAS 26 Accounting and Reporting by Retirement Benefit Plans
IAS 27 Consolidated and Separate Financial Statements
IAS 28 Investments in Associates
IAS 32 Financial Instruments: Presentation
IAS 33 Earnings per Share
IAS 36 Impairment of Assets
IAS 37 Provisions, Contingent Liabilities and Contingent Assets
IAS 39 Financial Instruments: Recognition and Measurement
IAS 40 Investment Property

2 USE OF ESTIMATES AND JUDGEMENT

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

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

2.1 The ultimate liability arising from claims made under insurance contracts

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

2.2 Impairment of available-for-sale financial assets

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

2.3 Fair value of financial instruments

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Revenue recognition

Insurance premium revenue Premiums arising from insurance contracts are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before the deduction of premium payable to reinsurers and commissions payable to intermediaries but exclude cancellations and refunds.

Commission income

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

Interest income

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

Dividend income

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

Rental income

Rental income is recognised on an accrual basis.

3.2 Insurance contracts

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

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

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

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

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

Claims and loss adjustment recoveries

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

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

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

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

Liability adequacy test of insurance liabilities

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

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

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

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

Receivables and payables related to reinsurance contracts

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

Salvage and subrogation

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

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

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

3.3 Current taxation

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

3.4 Deferred taxation

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

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

3.5 Property, plant and equipment

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

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

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

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%**
Library books	**20%**
Computer Hardware	**25%**
Freehold building	**5%**

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

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

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

3.6 Investment properties

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

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

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

3.7 Financial Assets and Financial Liabilities

Categorisation of financial assets and financial liabilities

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

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

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

- **Held for trading**

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

- **Designated at fair value through profit or loss**

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

Loans and receivables

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

Available-for-sale financial assets

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

Held-to-maturity investment

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

Initial recognition of financial assets and financial liabilities

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

Derecognition of financial assets and financial liabilities

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

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

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

Initial Measurement of Financial Assets and Financial Liabilities

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

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

Subsequent measurement of financial assets

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

Subsequent measurement of financial liabilities

After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method, except for: financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which are measured at cost; and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach.

Gains and losses

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

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

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

Amortised cost measurement

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

Fair value measurement

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

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

Offsetting

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

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

Impairment of financial assets

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

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

i. financial difficulty of the issuer or the obligor;
ii. a breach of contract, such as a default or delinquency in interest or principal payment;
iii. the lender (the Company), for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Company would not otherwise consider;
iv. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
v. the disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including:

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

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

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

Provision for credit losses is based on the following principles:

Counterparty-specific – A claim is considered as a loss when management determines that it is probable that the Company will not be able to collect all amounts due according to the original contractual terms.

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

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

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

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

Observable market prices for the assets.

Upon impairment the accrual of interest income based on the original terms of the claim is discontinued until the asset has been written down to its estimated recoverable amount. Interest income thereafter is recognised.

A write-off is made when all or part of a claim is deemed uncollectible or forgiven. Write-offs are charged against previously established allowances for credit losses or directly to credit loss expense and reduce the principal amount of a claim.

3.8 Investments

Investments are recognised on a trade date basis and are classified as held-to-maturity or available-for-sale. Investments with fixed maturity dates, where management has both the intent and ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in the market, are classified as available-for-sale.
Investments are initially measured at cost. Available-for-sale investments are subsequently re-measured at fair value based on quoted prices. Fair values for unlisted securities are estimated using market values of the underlying securities or appropriate valuation methods.

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

3.9 Cash and cash equivalents

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

3.10 Dividends distribution on ordinary shares

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

Dividends for the period that are declared after the reporting date are dealt with in the subsequent events notes.

Interim dividends are recognised when paid.

3.11 Translation of foreign currencies

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

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

3.12 Leases

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

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

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

3.13 Provision

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

3.14 Financial guarantee

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

Life of the financial guarantee. The financial guarantees are subsequently carried at the higher of the amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

3.15 Borrowings

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

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

3.16 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.17 Employee benefits

Defined contribution plans

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

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

Short-term benefits

Short-term employee benefits are amount payable to employees that fall due wholly within twelve months after the end of the period in which the employee renders the related service. The cost of short-term employee benefits are recognised as an expense in the period when the economic benefit is given, as an employment cost. Unpaid short-term employee benefits as at the end of the accounting period are recognised as an accrued expense and any short-term benefit paid in advance are recognised as prepayment to the extent that it will lead to a future cash refund a reduction in future cash payment.

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

Termination Benefits

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

3.18 Events after the reporting date

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

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

3.19 Stated capital

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

3.20 Contingency reserve

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

3.21 Intangible assets

Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring it to usable stage. These costs are amortised over their estimated useful lives. The current computer software acquired is amortised over five (5) years.

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

3.22 New standards and interpretation not yet adopted

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

New Standards

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

v. IFRS 13 – Fair Value Measurement

Revised Standards

i. IAS 19 Employee Benefits

ii. IAS 27 Consolidated and Separate Financial Statements

iii. IAS 28 Investments in Associates

New Interpretation

i. IFRIC 20

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

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

i. Insurance risk

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

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

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

4.1 Insurance and financial risk management framework

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

i. Corporate strategic objectives to which management should align its risk management processes;

ii. The company's risk appetite and risk tolerance limits; and

iii. Executive Management Committee (EMC) on risk under the Chairmanship of the Managing Director.

iv. Risk Management Department (RMD).
iv. Internal Audit
v. Credit Control

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

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

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

The roles of the RMD include:

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

The Internal Audit and Investigation also examines and expresses their opinion on the adequacy and compliance of risk control processes and makes recommendation for improvement. The company's risks are assessed and reported on both quantitative and qualitative bases for control and decision making purposes.

4.2 Insurance risk

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

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

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

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

4.2.1 Maximum Insured Loss As at 31 December 2013

	FIRE	MOTOR	ACCIDENT	MARINE	TRAVEL	AVIATION	TOTAL
By currency:	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Ghana Cedi	1,175,495,141	312,571,624	1,234,900,872	0	11,951,000	0	2,734,918,636
US Dollar	1,725,305,838	202,914,377	5,900,452,448	209,059,638	99,000	451,000,000	8,488,831,300
GB Pound	0	410,200	198,584,454	0	0	0	198,994,654
Euro	9,316,758	4,234,536	5,934,350	0	0	0	19,485,644
	2,910,117,737	**520,130,737**	**7,339,872,123**	**209,059,638**	**12,050,000**	**451,000,000**	**11,442,230,234**
By geographical area:							
Head office	2,538,853,456	338,818,491	6,769,955,098	206,089,638	7,869,000	451,000,000	10,312,585,683
Branches	371,264,280	181,312,246	569,917,025	2,970,000	4,181,000	0	1,129,644,551
	2,910,117,737	**520,130,737**	**7,339,872,123**	**209,059,638**	**12,050,000**	**451,000,000**	**11,442,230,234**

4.2.3 Claims development table

The table below shows the development of claims settled over a period of 8 years on gross basis. The first colum of each year shows the amount settled in the loss year and the subsequent colum(s) show(s) the cumulative amount settled. The amounts are stated in Ghana Cedis.

MONTH OF DEVELOPMENT

Loss year	12	24	36	48	60	72	84	96
2006	264,245	605,008	1,023,465	1,386,727	1,544,696	1,633,096	1,669,296	1,701,371
2007	697,340	1,638,468	2,132,238	2,538,117	2,747,519	2,791,128	2,796,428	
2008	838,456	1,842,945	2,373,058	2,766,590	2,917,170	3,003,901		
2009	1,776,662	3,731,936	4,644,566	4,949,687	5,221,826			
2010	1,677,976	3,607,990	4,381,698	4,812,045				
2011	3,002,837	7,107,364	8,074,067					
2012	2,674,391	2,716,710						
2013	5,213,266							

4.3 Financial risk

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

4.3.1 Credit Risk

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

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

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

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

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

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

	Receivables arisingfrom direct insurance contracts GH¢		Receivables arising from reinsurance contracts 2013 GH¢	
	2013	2012	2013	2012
Neither past due nor impaired	4,361,607	7,618,894	6,625,004	4,317,098
Past due but not impaired	12,265,154	11,416,124	0	0
Impaired	5,844,152	1,199,998	0	0
Gross	22,470,913	20,235,016	6,625,004	4,317,098
Less impairement loss	5,844,152	1,199,998	0	0
Net	16,626,761	19,035,018	6,625,004	4,317,098

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

	Receivables arising from direct insurance contracts GH¢		Receivables arising from reinsurance contracts GH¢	
	2013	**2012**	**2013**	**2012**
Up to 30 days	**1,126,116**	1,418,513	**2,981,252**	777,078
31 to 60 days	**1,273,235**	2,627,409	**2,650,001**	1,640,497
61 to 90 days	**1,962,256**	3,572,972	**993,751**	906,591
Over 90 days	**12,265,154**	11,416,124	**0**	992,932
	16,626,761	19,035,018	**6,625,004**	4,317,098

4.3.2 Liquidity risk

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

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

4.3.3 Market risk

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

Market risk is governed by the Company's EMC subject to the Board of directors' approval of policies, procedures and levels of risk appetite. The EMC provides market risk oversight and guidance on policy setting. Policies cover both the trading and non-trading books of the Company. The RMD also approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and currency concentrations where appropriate.

4.3.4 Foreign exchange exposure

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

Currency exposure at year-end in cedi-equivalents of the following major foreign currencies at 31 December 2013:

	USD GH¢	GBP GH¢	Euro GH¢	Total GH¢
Assets				
Due from contract holders	12,397,618	8,722	262,130	12,668,470
Due from reinsurers	2,014,714	405	96,887	2,112,007
Cash & cash equivalents	939,054	239,033	53,967	1,232,054
Available For Sale Equity Investment	54,000	0	0	54,000
Investment Properties	0	654,244	0	654,244
	15,405,386	902,405	412,984	16,720,775
Liabilities				
Due to reinsurers	5,033,046	87,325	102,735	5,223,105
	5,033,046	87,325	102,735	5,223,105

Sensitivity analysis

The Company used 15% average rate of change in foreign exchange to demonstrate the effect of changes in foreign exchange rates on profit after tax and shareholders' fund. At the reporting date, the Company's sensitivity to a 15% increase and decrease in the cedi against the three major trading currencies is analysed below:

	2013 GH¢	Scenario 1 15% increase GH¢	Scenario 2 15% decrease GH¢
Profit after tax	5,610,575	841,586	(841,586)
Shareholders' fund	32,069,635	841,586	(841,586)

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 15% would increase profit after tax for the period and shareholders' fund by GH¢982,070, while a decrease in exchange rates by 15% would decrease profit after tax for the period and shareholders' fund by the same amount.

4.3.5 Interest rate exposure

The Company's interest rate exposure arises from investments with fixed maturities such as corporate and government debt securities reported at fair value. Changes in interest rate will have an immediate effect on the Company's comprehensive income and the shareholders' fund. The Company's approach to managing interest rate risk is the maintenance of highly liquid short-term investment portfolio. The Company monitors the investment portfolio closely to redirect investments to investment vehicles with high returns.

4.3.6 Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people and systems, or from external events. The Company seeks to ensure that key operational risks are identified and managed in a timely and effective manner. The ultimate responsibility of operational risk management rests with the Board of

Directors. It is the Board's oversight responsibility to ensure that there is an effective and integrated Operational Risk Management framework with clearly defined roles and responsibilities. The Internal Audit Department constantly monitors the company's internal processes, people and systems to ascertain its effectiveness to address its operational needs such as the effectiveness of management in identification of operational risks, estimation of the significance of the risks, assessment of the likelihood of the occurrence of such risks, and actions taken to manage them.

4.3.7 Capital Management

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

i. To comply with the capital and solvency requirements as set out in the Insurance Act 2006 (Act 724);
ii. To provide adequate returns by pricing insurance and investment contracts in commensuration with risks assumed;
iii. To guarantee the company's ability to operate as a going concern and continually provide returns to shareholders and benefit to other stakeholders.

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

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

The company's paid up capital at the end of the year 2013 was GH¢12,235,000 (December 2012 - GH¢12,235,000). The table below shows the summary of solvency margin of the company at the third quarter.

	2013	2012
Total Assets (GH¢)	**70,954,594**	61,666,998
Total Liabilities (GH¢)	**38,884,959**	35,921,425
Solvency Ratio	**182%**	172%

5. OPERATING SEGMENT

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

2013	FIRE	MOTOR	ACCIDENT	MARINE	TRAVEL	AVIATION	TOTAL
Underwriting Income	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Insurance premium revenue	10,514,240	23,104,423	19,910,970	3,272,142	877,053	270,080	**57,948,908**
Insurance premium ceded to reinsurers	(6,155,496)	(1,325,641)	(10,923,198)	(2,509,431)	(311,777)	(290,651)	**(21,516,193)**
Premium Retained	4,358,744	21,778,782	8,987,772	762,711	565,276	(20,570)	**36,432,715**
Less Unearned Premium Provision	1,014,612	(1,696,703)	356,512	(77,760)	(58,511)	135,406	**(326,443)**
Net insurance premium revenue	5,373,356	20,082,079	9,344,285	684,952	506,765	114,835	**36,106,272**
Ceding commission earned	1,027,364	232,871	1,721,590	240,473	49,450	0	**3,271,747**
Claims and loss adjustments recovered	256,126	899,679	505,646	31,275	0	0	**1,692,726**
Net underwriting income	6,656,846	21,214,629	11,571,520	956,700	556,214	114,835	**41,070,744**
Underwriting Expenses							
Agency commission incurred	3,255,522	2,743,683	3,265,471	386,428	86,911	83,149	**9,821,164**
Claims and loss adjustment expense	1,345,879	7,697,407	1,459,633	135,991	150,468	0	**10,789,377**
Management Expenses	3,540,287	7,779,573	6,704,294	1,101,775	295,316	90,940	**19,512,184**
	8,141,688	18,220,663	11,429,398	1,624,193	532,694	174,089	**40,122,725**
Underwriting Profit / (Loss)	(1,484,843)	2,993,966	142,122	(667,493)	23,520	(59,253)	**948,019**
Investment income	0	0	0	0	0	0	**3,438,281**
Other Income	0	0	0	0	0	0	**2,710,634**
Finance Cost	0	0	0	0	0	0	**(663,971)**
Profit before tax	(1,484,843)	2,993,966	142,122	(667,493)	23,520	(59,253)	**6,432,964**

5. Operating segment

2012	FIRE	MOTOR	ACCIDENT	MARINE	TRAVEL	AVIATION	TOTAL
Underwriting Income	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Insurance premium revenue	8,457,480	18,706,347	27,564,845	3,434,738	631,060	2,988,574	**61,783,045**
Insurance premium ceded to reinsurers	(1,844,045)	(698,018)	(17,784,820)	(2,775,706)	(195,809)	(2,708,242)	**(26,006,640)**
Premium Retained	6,613,436	18,008,329	9,780,025	659,032	435,251	280,332	**35,776,405**
Less Unearned Premium Provision	(2,243,146)	(1,672,428)	(2,214,726)	(458,178)	(92,492)	(108,551)	**(6,789,522)**
Net insurance premium revenue	4,370,290	16,335,901	7,565,299	200,854	342,759	171,781	**28,986,883**
Ceding commission earned	536,028	121,305	1,605,796	249,461	26,077	125,617	**2,664,284**
Claims and loss adjustments recovered	1,121,017	1,161,371	109,363	0	0	0	**2,391,750**
Net underwriting income	6,027,334	17,618,577	9,280,457	450,315	368,836	297,398	**34,042,917**
Underwriting Expenses							
Agency commission incurred	2,167,534	2,839,978	3,527,689	308,171	40,604	75,279	**8,959,256**
Claims and loss adjustment expense	2,050,598	5,933,890	664,859	2,023	50,406	0	**8,701,775**
Management Expenses	1,678,174	3,711,803	5,469,548	681,537	125,218	593,007	**12,259,286**
	5,896,305	12,485,670	9,662,096	991,731	216,228	668,287	**29,920,316**
Underwriting Profit / (Loss)	131,029	5,132,906	(381,639)	(541,416)	152,609	(370,889)	**4,122,601**
Investment income	0	0	0	0	0	0	**1,909,504**
Other Income	0	0	0	0	0	0	**3,615,539**
Finance Cost	0	0	0	0	0	0	**(1,534,769)**
Profit before tax	0	0	0	0	0	0	**8,112,875**

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

	Direct premium income GH¢	Reinsurance income GH¢	Gross Written Premium GH¢	Adjustment in unearned premium GH¢	Insurance premium revenue GH¢	Reinsurance cost GH¢	Total GH¢
2013							
Fire	**10,012,995**	**501,245**	**10,514,240**	**1,014,612**	**11,528,852**	**(6,155,496)**	**5,373,356**
Motor	**22,951,607**	**152,815**	**23,104,423**	**(1,696,703)**	**21,407,720**	**(1,325,641)**	**20,082,079**
Accident	**19,629,150**	**281,821**	**19,910,970**	**356,512**	**20,267,483**	**(10,923,198)**	**9,344,285**
Marine	**3,265,008**	**7,134**	**3,272,142**	**(77,760)**	**3,194,383**	**(2,509,431)**	**684,952**
Travel	**877,053**	**0**	**877,053**	**(58,511)**	**818,542**	**(311,777)**	**506,765**
Aviation	**270,080**	**0**	**270,080**	**135,406**	**405,486**	**(290,651)**	**114,835**
	57,005,894	**943,015**	**57,948,908**	**(326,443)**	**57,622,465**	**(21,516,193)**	**36,106,272**
2012							
Fire	8,093,104	364,377	8,457,480	(2,243,146)	6,214,334	(1,844,045)	4,370,290
Motor	18,484,085	222,262	18,706,347	(1,672,428)	17,033,919	(698,018)	16,335,901
Accident	27,263,790	301,055	27,564,845	(2,214,726)	25,350,119	(17,784,820)	7,565,299
Marine	3,434,738	0	3,434,738	(458,178)	2,976,560	(2,775,706)	200,854
Travel	631,060	0	631,060	(92,492)	538,568	(195,809)	342,759
Aviation	2,988,574	0	2,988,574	(108,551)	2,880,023	(2,708,242)	171,781
	60,895,351	887,694	61,783,045	(6,789,522)	54,993,523	(26,006,640)	28,986,883

	2013 GH¢	2012 GH¢
7. REINSURANCE COMMISSION		
Fire	**1,027,364**	536,028
Motor	**232,871**	121,305
Accident	**1,721,590**	1,605,796
Marine	**240,473**	249,461
Travel	**49,450**	26,077
Aviation	**0**	125,617
	3,271,747	2,664,284
8. INVESTMENT INCOME		
Interest on Short Term Investments	**3,373,329**	1,848,444
Dividends on Listed Equities	**22,311**	28,507
Interest on Staff Loan	**42,641**	32,553
	3,438,281	1,909,504

	2013 GH¢	2012 GH¢
9. OTHER INCOME		
Fair Value Gains on Investment Property	**2,601,719**	3,060,279
Premium Recoveries	**1,639**	377,649
DIP Registration Fees Income	**5,940**	23,910
Other Sundry Income	**57,000**	0
Exchange Gain	**44,337**	153,701
	2,710,634	3,615,539
10. COMMISSION EXPENSE		
Fire	**3,255,522**	2,167,534
Motor	**2,743,683**	2,839,978
Accident	**3,265,471**	3,527,689
Marine	**386,428**	308,171
Travel	**86,911**	40,604
Aviation	**83,149**	75,279
	9,821,164	8,959,256

11. CLAIMS AND LOSS ADJUSTMENT EXPENSES

	Gross GH¢	Reinsurance GH¢	Net GH¢
2013			
Increase in liabilities arising from current year	10,789,377	(1,692,726)	9,096,651
2012			
Increase in liabilities arising from current year	8,701,775	(2,391,750)	6,310,024

	2013 GH¢	2012 GH¢
12. OPERATING EXPENSES		
These include:		
Staff Cost	4,509,047	4,000,354
Auditors' Remuneration	28,100	21,565
Directors' Remuneration	136,887	1117,677
Depreciation	429,781	1,199,998
Donations	173,820	66,116
Bad Debt Written Off	5,844,152	1,199,998
13. FINANCE COST		
Interest on borrowing	505,587	492,623
Lease Rental	158,384	974,291
Finance charges	0	67,855
	663,971	1,534,769

	2013 GH¢	2012 GH¢
14. TAXATION		
14.1 Income tax expense		
Current tax (See note 14.3)	1,156,075	1,217,021
Deferred tax charge/(credit) (See note 33)	(485,257)	469,647
	670,818	1,686,668

14.2 RECONCILIATION OF EFFECTIVE TAX

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

	2013 GH¢	2012 GH¢
Profit before taxation	6,432,964	8,112,875
Tax at applicable tax rate at 25% (2012: 25%)	1,608,241	2,028,219
Dividend taxed at 8%	1,785	0
Tax impact of non-deductible expenses	309,996	89,634
Tax impact of non-chargeable income	(667,092)	(818,760)
Tax impact of capital allowances	(96,856)	(82,072)
Deferred Tax	(485,257)	469,647
Income Tax Expense	670,818	1,686,668
Effective tax rate	10.43%	20.79%

Year of Assessment	Balance at 1 Jan. GH¢	Payments and credits GH¢	Charge for the period GH¢	Balance at 31 Dec. GH¢
Capital Gains Tax as 2011	92,499	0	0	92,499
Corporate Tax 2012	1,463,866	0	0	1,463,866
Overprovision on Final Tax as at 2012	0	(1,233,254)	0	(1,233,254)
Corporate Tax 2013	0	(1,045,031)	1,156,075	111,044
	1,556,365	(2,278,285)	1,156,075	434,155

Final tax assessment for years up to 2012 showed an overprovision of Gh¢1,233,254

15. PROPERTY, PLANT & EQUIPMENT

	Land and Buildings GH¢	Motor Vehicles GH¢	Office Furn. & Equipment GH¢	Bungalow Furn. & Equipment GH¢	Computer Hardware GH¢	Library Books GH¢	Total GH¢
Cost/Revaluation							
Balance at 01/01/13	582,655	568,784	182,127	151,875	170,689	1,368	1,657,498
Additions	0	547,742	181,051	64,546	57,880	0	851,220
Balance at 31/12/13	582,655	1,116,526	363,178	216,421	228,569	1,368	2,508,718
Depreciation							
Balance at 01/01/13	98,704	277,078	81,013	105,487	82,264	1,367	645,913
Charge for the year	11,500	252,996	72,636	35,507	57,142	0	429,781
Balance at 31/12/13	110,204	530,074	153,649	140,994	139,406	1,367	1,075,694
Carrying Amount							
At 31/12/13	472,451	586,453	209,530	75,427	89,163	1	1,433,024
At 31/12/12	483,951	291,706	101,114	46,388	88,425	1	1,011,585

15. PROPERTY, PLANT & EQUIPMENT

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

	Computer software licences GH¢	Refurbishment expenditure GH¢	Total GH¢
16. INTANGIBLE ASSETS			
Cost	936,441	115,439	**1,051,880**
Balance at 1 January 2012	936,441	115,439	**1,051,880**
Balance at 31 December 2012			
Movements in 2013:			
Additions	0	177,053	**177,053**
Balance at 31 December 2013	936,441	292,492	**1,228,933**
Accumulated amortisation and impairment:			
Balance at 1 January 2012	335,610	38,480	**374,090**
Amortisation and impairment during the year	155,181	76,959	**232,140**
Balance at 31 December 2012	490,791	115,439	**606,230**
Movements in 2013:			
Amortisation and impairment during the year	155,181	38,907	**194,088**
Balance at 31 December 2013	645,972	154,346	**800,318**
Carrying amount at 31 December 2013	290,469	138,146	**428,615**
Carrying amount at 31 December 2012	445,650	0	**445,650**

	2013 GH¢	2012 GH¢
17. INVESTMENT PROPERTY		
Balance at 1 January	**11,307,087**	6,405,058
Revaluation	**2,601,719**	3,060,279
Acquisitions	**1,190,700**	1,841,750
Balance at 31 December	**15,099,506**	11,307,087

	Listed Equity Securities GH¢	Unlisted Equity Securities GH¢	Total GH¢
18. AVAILABLE-FOR-SALE FINANCIAL ASSETS			
Balance at 1 January 2012	425,991	3,515,316	3,941,307
Changes in 2012:			
Acquisition	0	6,000,000	6,000,000
Revaluation	72,320	0	72,320
Balance at 31 December 2012	498,311	9,515,316	10,013,627
Changes in 2013:			
Revaluation	567,192	0	567,192
Balance at 31 December 2013	**1,065,503**	**9,515,316**	**10,580,819**

Unlisted Securities

Unlisted securities comprise equity holdings by the Company in other companies that are 100% Ghanaian owned. The Company's holdings at the end of the year are detailed in Note 32.1, 33.2 and 33.3

	2013 GH¢	2012 GH¢
19. INSURANCE RECEIVABLES		
Amount due from contract holders less impairment allowance	**16,626,761**	19,035,018
Amount due from reinsurers	**6,625,004**	4,317,098
Gross amount less bad debts written off	**23,251,765**	23,352,116
19. LOANS AND PREPAYMENTS		
Staff Debtors	**1,035,839**	751,416
Directors' Account	**190,671**	190,671
Prepayments & Deposits	**858,305**	616,512
Sundry Debtors	**556,764**	536,507
Current Account with Life	**2,375**	2,399
National Reconstruction Levy	**1,950**	1,950
Staff Welfare Cont	**1,847**	1,847
National Insurance Commission	**154,463**	40,869
	2,802,214	2,142,171

a. The maximum amount owed by staff to the Company did not at any time during the year exceed Gh¢1,035,839 (December 2012 - Gh¢751,416).

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

	2013 GH¢	2012 GH¢
20. AVAILABLE-FOR-SALE DEBT INVESTMENTS		
Government Securities	**564,035**	454,101
Fixed Deposits	**15,009,566**	10,814,898
Statutory Deposit	**285,809**	236,084
	15,859,409	11,505,083
21. CASH AND BANK BALANCES		
Cash on Hand	**34,661**	74,210
Cash at Bank	**1,464,582**	1,815,469
	1,499,243	1,889,679

22. STATED CAPITAL	**2013 No. of Shares ('Million)**	2012 No. of Shares ('Million)
22.1 Authorised Ordinary Shares of no par value.	**100,000**	100,000
22.2 Issued Ordinary Shares of no par value fully paid for	**1,895**	1,895

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

Other disclosures required by the Companies Code.		Proceeds GH¢		Proceeds GH¢
Issue for Cash	**1,895,000,000**	**7,982,626**	1,895,000,000	7,982,626
Issue Other than Cash Consideration	**0**	**92**	0	92
Transfer from Income Surplus	**0**	**4,252,282**	0	4,252,282
	1,895,000,000	**12,235,000**	1,895,000,000	12,235,000

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

23. AVAILABLE-FOR-SALE RESERVE	2013 GH¢	2012 GH¢
Balance at 1 January	**157,796**	85,476
Revaluation of Equity Investments	**567,192**	72,320
Balance at 31 December	**724,988**	157,796

24. CONTINGENCY RESERVES

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

25. INCOME SURPLUS

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

	2013 GH¢	2013 GH¢
26. INSURANCE CLAIMS LIABILITIES	**1,165,413**	1,302,681
Settled but Outstanding	**3,871,243**	2,723,673
Provision (including 25% IBNR)	**5,036,656**	4,026,354

Movement in total claims liability	Gross GH¢	Reinsurance GH¢	Net GH¢
2013			
Settled claims	1,302,681	0	**1,302,681**
Reported but unsettled	2,269,727	0	**2,269,727**
Incurred but not reported	453,946	0	**453,946**
Balance at 1 January 2013	4,026,354	0	**4,026,354**
Cash paid during the year	(9,780,075)	0	**(9,780,075)**
Increase in liabilities arising from current year	10,789,377	0	**10,789,377**
Balance at 31 December	5,035,656	0	**5,035,656**
Settled but not paid claims	1,165,413	0	**1,165,413**
Reported but unsettled	3,226,036	0	**3,226,036**
Incurred but not reported	645,207	0	**645,207**
Balance at 31 December	5,036,656	0	**5,036,656**

	Gross GH¢	Reinsurance GH¢	Net GH¢
26. INSURANCE CLAIMS LIABILITIES			
2012			
Settled claims	1,110,613	0	1,110,613
Reported but unsettled	1,479,861	0	1,479,861
Incurred but not reported	295,972	0	295,972
Balance at 1 January 2012	2,886,446	0	2,886,446
Cash paid during the period	(7,561,870)	0	(7,561,870)
Increase in liabilities arising from current period	8,701,779	0	8,701,779
Balance at 31 December	**4,026,355**	**0**	**4,026,355**
27. PROVISION FOR UNEARNED PREMIUM			
Balance at 1 January		**16,297,092**	9,507,570
Additional Provision		**326,443**	6,789,522
Balance at 31 December		**16,623,535**	16,297,092
28. CREDITORS AND ACCRUALS			
Commission Payable		**3,025,047**	3,033,117
Witholding Tax		**725,408**	549,544
Accruals		**156,720**	88,865
Sundry Creditors		**758,113**	379,462
Balance at 31 December		**4,665,288**	4,050,988

29. NATIONAL FISCAL STABILIZATION LEVY

Year of Assessment	Balance at 1 Jan. '13 GH¢	Payments during the period GH¢	Charge for the period GH¢	Balance at 31 Dec. '13 GH¢
2010	310,194	0	0	**310,194**
2011	(5,289)	0	0	**(5,289)**
2012	(291,400)	0	0	**(291,400)**
2013	0	(56,515)	151,571	**95,057**
	13,505	(56,515)	151,571	**108,562**

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. It is payable to the Commissioner of Internal Revenue Service under the National Fiscal Stabilization Levy Act, 2009 (Act 785).

	2013 GH¢	2012 GH¢
30. BORROWINGS	**829,807**	819,243
Bank loan	**2,515,523**	2,020,500
Commercial paper	**3,345,330**	2,839,743
Due within 12 months	**3,345,330**	2,839,743
Movement in borrowing is as follows:		
Balance at 1 January	**2,839,743**	3,331,120
Repayment	**0**	(984,000)
Interest outstanding & Amortisation of borrowing fees	**505,587**	492,623
Balance at 31 December	**3,345,330**	2,839,743

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

	2013 GH¢	2012 GH¢
31. DEFERRED TAX		
31.1 The movement on the deferred tax account is as follows:		
Balance at 1 January	**816,552**	346,905
Origination / reversal of temporary differences:		
recognised in the income statement	**(485,256)**	469,647
Balance at 31 December	**331,296**	816,552
32. ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and Bank Balances (Note 21)	**1,499,243**	1,889,679
Short Term Investments (Note20)	**15,859,401**	11,505,083
	17,358,652	13,394,762

33. RELATED PARTY TRANSACTIONS

A number of transactions were entered into with related parties in the normal course of business. Related Parties transactions are disclosed below:

	2013 GH¢	2012 GH¢
33.1 Transactions with Directors, Officers and Other Employees		
The following are loan balances due related parties:		
Staff Debtors	**1,035,839**	751,416
Directors' Account	**190,671**	190,671
	1,226,510	942,087

33.2 Available for Sale Unlisted Equities in Related Companies

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

i. StarLife Assurance Company Limited 28% (December 2012 - 28%)
ii. Integrated Properties Limited 54% (December 2012 - 54%)
iii. uniBank Ghana Limited (Equity Investment) 5.4% (December 2012 - nil)
iv. uniBank Ghana Limited (Non-Cummulative Preference Shares) 13.3% (December 2012 - nil)

Balance of investments in related companies at the end of the year of 2013 are as listed below:

	2013 GH¢	2012 GH¢
33.3 Available for Sale Equity Investments		
uniBank Ghana Limited (Equity)	**4,000,000**	4,000,000
uniBank Ghana Limited (Prefence)	**2,000,000**	2,000,000
Starlife Assurance Co. Ltd	**1,478,840**	1,478,840
Integrated Properties Ltd	**1,963,968**	1,963,968
	9,442,808	9,442,808

	2013 GH¢	2012 GH¢
33.4 Premium From Sale of Insurance Contracts		
uniBank Ghana Limited	**357,932**	263,942
StarLife Assurance Co. Ltd	**80,770**	84,528
Integrated Properties Ltd	**127,275**	101,988
uniCredit Ghana Limited	**108,167**	73,937
	674,144	524,395

Insurance contracts are sold on the basis of the price in force with non-related parties.

	2013 GH¢	2012 GH¢
33.5 Group Life Insurance		
StarLife Assurance Co. Ltd	**47,164**	36,379

NOTES

NOTES

CONTACTS

Corporate Head office
1st Floor, Stanbic Heights Building,
215 South Liberation Link,
Airport City, Accra
Tel. + 233 028 9353537 / 028 9353538 / 028 9353539 / 0302 245906 /030 2245908
Fax: +233 0302 230624

Kokomlemle
No. C551/4 Cola Street
(Adjacent ATTC) Kokomlemle
P. O. Box 7532, Accra-North
Tel. 233-0302 240632 / 242233 /247579 / 246568 /
Fax: 233-0302 237156

Ring Road Central
3rd Floor, Meridian House,
Near the Nima Police Station
Tel. 233-0302 236632 / 245514
Fax: 233-0302 236616

CMB
Opp. Railway Police Quarters,
ABL Road, Accra
Tel. 233-0302 662191 / 664984
Fax: 233-0302 664984

Tema
Asafoatse Kotei Building
Community 1
P. O. Box CE 11235, Tema
Tel. 233-0303 210550
Fax: 233-0303 210551

Ho
Opp. The Main Lorry Park (Out Gate)
P. O. Box 628, Ho
Tel. 233-03620 26788 / 25660/1
Fax: 233-03620 25660

Kumasi
1st Floor Cocobod Jubilee House
P. O. Box 141 F. N. T., Kumasi
Tel. 233-03220 27311 / 38203/4
Fax: 233-03220 38203

Koforidua
Former OSA Bus Station
Near the Graphic Corporation
P. O. Box 1192, Koforidua
Tel. 233-03420 22748
Fax: 233-03420 26600

Takoradi
SSNIT House adjacent the Central Police Station, Collins Avenue
P. O. Box 1185, Takoradi
Tel. 233-03120 21617 / 23665
Fax: 233-03120 25146

Sunyani
Ground Floor, Cocoa House Building
P. O. Box 820, Sunyani
Tel. 233-03520 23225 / 28740
Fax: 233-03520 26392

Tamale
Near Lamashegu Market
P. O. Box 1401, Tamale
Tel. 233-03720 26563
Fax: 233-03720 24910

Nkawkaw
Opposite SSNIT
Tel: 233-0341 22276

Spintex Road
Kwadwo Adjei Plaza
Tel: 0302-817908-10
Fax: 0302-817909

Achimota
Abofu near the Achimota
New Station,Shalom Filling Station
Tel: 028 9551366

Dansoman
Dansoman Roundabout, adjacent
Barclays Bank
Tel.: + 233 0289353533

Madina
Prestige Hostel Building
Opp. University of Professional Studies
Tel: 233 302 9353534

Darkuman
Opposite University of Professional Studies (UPS)
Ground Floor, Prestige Hostel Complex
Tel. 233-028 9353532