Annual Report 2012

GRC
Ghana Re

GHANA REINSURANCE COMPANY LIMITED

CORPORATE MISSION

To be the reinsurer of choice in Ghana and chosen markets in Africa through innovative and capacity building applications combined with commitment to customer satisfaction and Corporate profitability

Contents

CORPORATE INFORMATION

Directors

Lionel Molbila	Chairman
Gustav W. K. Siale	Managing Director
Mathias Rogers-Akpatah	Deputy Managing Director - appointed 20/07/2012
Wilson Tei	Member
Mohammed Yakubu	Member
Stella Williams (Mrs.)	Member
Charlotte Osei (Mrs)	Member

Board Secretary

Jessica Allotey
Plot No. 24, Sudan Road,
Ridge,
P. O. Box AN7509,
Accra,
Ghana

Auditors

P K F
(Accountants & Business Advisers)
P. O. Box GP 1219
Accra
Ghana

Registered Office

Plot No. 24, Sudan Road,
Ridge,
P. O. Box AN7509,
Accra,
Ghana

Main Bankers:

Ghana International Bank PLC London
Ghana Commercial Bank Limited
Merchant Bank (Ghana) Limited
Ecobank Ghana Limited
Standard Chartered Bank Ghana Limited
Fidelity Bank Ghana Limited
Barclays Bank of Ghana Limited
Agricultural Development Bank Limited

PROFILE OF DIRECTORS

Lionel Molbila
Chairman

Mr. Lionel K. Molbila, who is a recipient of the highly prestigious national award of 'Officer of the Order of the Volta', has vast experience in insurance and corporate governance. Mr. Molbila rose through the ranks to the position of Managing Director of SIC Insurance Company in 1993. He has over 40 years working experience in the insurance industry in Ghana. He has held several respectable positions including: Chairman of the National Bureau of ECOWAS Brown Card Insurance Scheme (1993-1998), member of the Governing Council of West African insurance Institute, Banjul (1993-1998) and President of West African Insurance Companies Association (1997-1998). Also, Mr. Molbila was appointed as Managing Director of Phoenix Insurance Company Limited in July 2005. A position he held until June 2007.

Mr. Molbila has served on several Boards including the following: Quality Insurance Company Limited, Ghana Supply Commission, CDH Financial Holdings Limited, National Council on Tertiary Education, Consolidated Discount House, Ghana Tourist Development Company, The Trust Hospital, Social Security and National Insurance Trust, Ghana Consolidated Diamonds Limited and Prefabricated Concrete Products Limited.

Gustav W. K. Siale
Managing Director

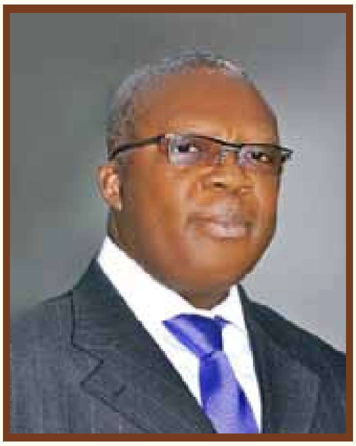
Mr. Gustav Siale holds a Master's degree in Population Studies and a Bachelor's degree in Economics from the University of Ghana, Legon as well as a Diploma (Distinction) in Insurance from the West African Insurance Institute. He is a Fellow of the Chartered Insurance Institute of United Kingdom. Gustav is also a member of the Ghana Bar Association. He joined Ghana Reinsurance Company in January 1994 to start the Research and Statistics Department. He served in several capacities: Head of Research, General Manager (Technical), Deputy Managing Director and Secretary to the Board of Directors. He is currently the Managing Director of Ghana Reinsurance Company. Before joining Ghana Reinsurance Company, Mr. Siale had worked with the State Insurance Company now SIC Insurance Company. He has attended several seminars and conferences on insurance in Africa, Europe and Asia.

Gustav is an Executive Council member of The Insurance Institute of Ghana and the 2nd Vice President of Ghana Insurers Association. He is currently the Chairman of the Academic Board and a Council Member of the Ghana Insurance College.

He loves teaching. Currently he is a visiting Lecturer in Principles and Practice of Reinsurance at West Africa Insurance Institute (WAII), a Part Time Lecturer in Liability Insurance at the University of Ghana Business School, and serves as a Resource Person in Business Interuption, Liability and Engineering Insurances at the Ghana Insurance College. He is currently serving on the Boards of Metropolitan Insurance Company, Trust Logistics Limited and Donewell Life Insurance Company Limited.

Mr. Siale has over thirty years experience in insurance and reinsurance.

PROFILE OF DIRECTORS (Continued)



Mathias Rogers-Akpatah
Deputy Managing Director

Matthias Rogers-Akpatah is a reinsurance executive with over twenty-eight years (28) experience in reinsurance practice across Africa with specific expertise in the design of reinsurance programmes, reinsurance accounting and claims handling. Matthias holds a Master's Degree in Business Administration from GIMPA as well as a Diploma in Journalism from the London School of Journalism. He is a Fellow of the Chartered Insurance Institute of United Kingdom. He also possesses a Diploma in Insurance from the West Africa Insurance Institute (WAII). Matthias joined Ghana Reinsurance Company in 1983 and through hard work rose through the ranks to the position of Deputy Managing Director. He lectures at various industry seminars on reinsurance practice, fire underwriting and claims in West and East Africa and also at the Ghana Insurance College and Pentecost University.

Matthias has written several articles, some of which have won respectable awards. He is a member of the Standard Policy Wording Committee (Ghana). He is also Vice-Chairman, Accident Offices Association (Ghana) and Chairman, and former Chairman, Oil and Gas Consortium (Technical) Committee (Ghana). Matthias serves as a member of the Board of Directors of Unique Life Assurance Company Limited.

Wilson Tei
Member

Mr. Wilson Tei, has enormous experience in the insurance industry and is currently the Managing Director of Provident Life Assurance Company Limited. He has done extensive studies in the areas of insurance, finance and leadership. Certificates obtained include: Action Centered Leadership Course (Swiss Re) 1974, Life Underwriting and Reassurance Administration (Swiss Re) 1980, Post Graduate Dilploma in Executive Administration (Witwatersrand, Johannesburg) 2000 and Post graduate Certificate in Insurance Management – M.I.T.C (Malta) 2005.

Wilson worked with Zambia State Insurance Corporation in 1978. He played a key role in the preparation of Life Administration documentation, Management Control Manual and set up procedures for the Liberian National Insurance Corporation in 1984. He was a part-time lecturer at the SIC Training School between 1977 and 1979. He does periodic lectureship with University of Ghana Business School Executive MBA. He was the president of Ghana Insurers Association between 1998 and 2005 and a non-executive director of National Insurance Commission and Ghana Education Trust Fund. He was also a member of the 16-man team that worked on the Financial Sector Strategical Plan (FINSSIP I) for Ghana.

Charlotte Osei (Mrs)
Member

Mrs. Charlotte Osei has significant experience and specialization in corporate/business law, banking, insurance, labour, infrastructure project financing and public private partnerships. Her work experience has covered the general assignments of a Company Secretary and General Counsel for financial institutions, advising on compliance and regulatory issues, to corporate financing and restructuring, negotiating transactions, labour and human resource management matters. She consults on a variety of areas and also provides support services for several Ghanaian companies, foreign investors and international development agencies in Ghana in several areas.

She holds a LL.B (Hons) degree from the University of Ghana, Legon; a Qualifying Certificate in Law from the Ghana School of Law; a Master of Laws from Queen's University, Kingston, Canada and a Masters in Business Leadership, from the University of South Africa.

Charlotte was a part-time lecturer in Contracts, Company Law and Business Law at the Faculty of Law of University of Ghana. In 2005, she set up Prime Attorneys, a business and investment Law firm, in Accra. She is a member of the Ghana Bar Association and the International Bar Association.

She holds several academic awards and distinctions and has served as a director on the Board of several Ghanaian and international institutions including Ghana Commercial Bank Limited and The African Capacity Building Foundation.

PROFILE OF DIRECTORS (Continued)

Mohammed Yakubu
Member

Mr. Mohammed Yakubu had his university education at the University of Ghana Business School, Legon. He has had extensive education in Securities Analysis and Portfolio Management both locally and abroad.

Mohammed is the Chief Executive Officer of CAL Asset Management Company Ltd. He manages the day-to-day operations of the company and coordinates the marketing activities. Mohammed joined CAL from Strategic African Securities Ltd., where he acquired extensive knowledge of the Ghanaian capital markets and established the Trading and Research department. He also managed a portfolio of investments totaling $2.3million in various financial instruments. Mohammed has also served as Operations Manager and CEO of Cal Brokers Ltd and Chief Dealer at the National Trust Holding Company Ltd. (NTHC).

He worked as a consultant in the establishment of Global Securities Ltd in Accra and served as the Vice President of the Ghana Association of Licensed Stockbrokers from 1997 to 2000 and a substitute member of the Ghana Stock Exchange Council during the same period. Mr. Yakubu was a key resource person from Ghana in respect of the listing of Uganda Clays Limited on the Ugandan Stock Exchange.

Stella Williams (Mrs.)
Member

Mrs. Stella Williams is a Chief Economics Officer, and heads the African Development Bank Unit and the United Nations System Unit in the External Resources Mobilization (Multilateral) Division of the Ministry of Finance.

She holds a degree in Development Planning from the Kwame Nkrumah University of Science and Technology and a Master's degree in Development Studies from the Institute of Social Studies of Erasmus University Rotterdam in the Netherlands.

She started her career at the Ministry of Finance in 1989 as an Assistant Economics Officer and has held positions in various Divisions in the Ministry. She was a key player in the development of Ghana`s first Public Investment Programme, the development of the Medium Term Expenditure Framework (MTEF) and reforms in Public Financial Management. She was also the Project Coordinator for the World Bank funded Economic Management Capacity Building - Financial Sector Reform Project, which was the major vehicle for implementing Ghana`s blue print for financial sector reform, "The Financial Sector Strategic Plan and Implementation Programme, 2003 -2008 (FINSSP)." before taking on her current position.

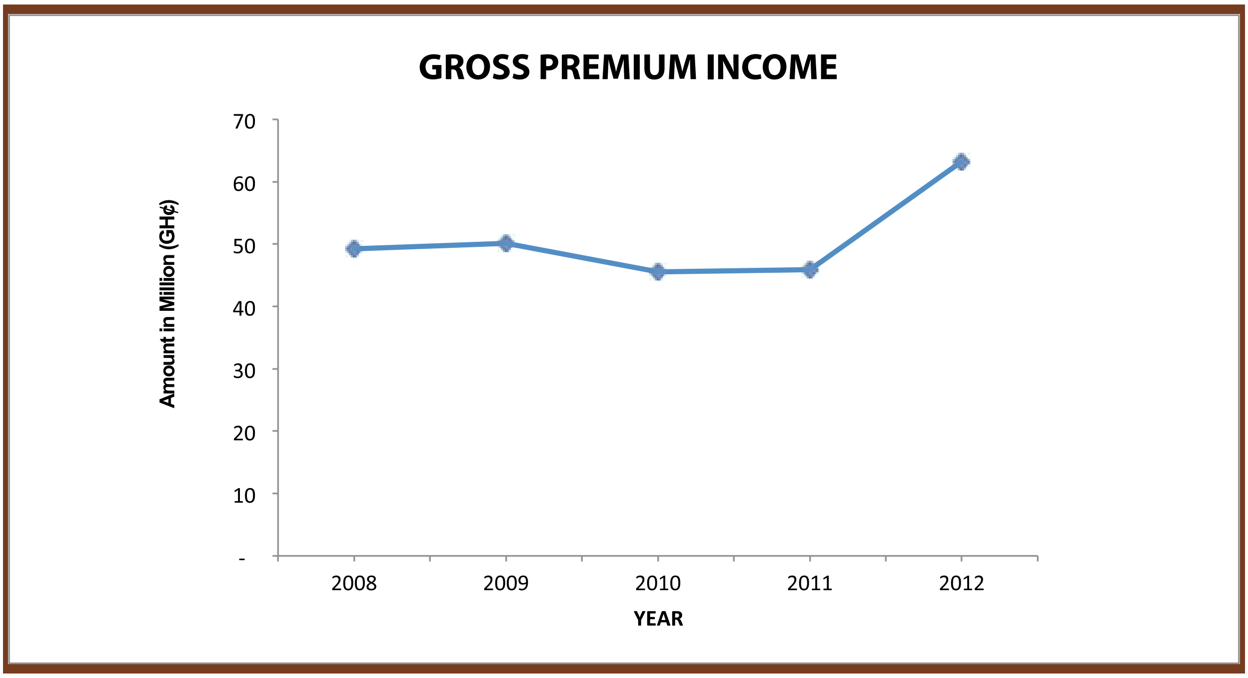
In addition to her duties of managing two donor portfolios she has been very active in promoting Ghana`s aid effectiveness agenda and has represented the Ministry at various international and national fora.

Mrs. Williams is also member of the Ghana National Population Council.

FINANCIAL HIGHLIGHTS (FIVE YEAR SUMMARY)

General Business

	2012	2011	2010	2009	2008
Gross Premium Income	63,241,427	45,914,855	45,544,306	50,162,288	49,220,623
Net Premium Income	58,020,877	43,703,113	38,797,111	46,103,423	44,928,352
Underwriting					
(Profit/(Loss)	821,216	(4,704,042)	3,055	(5,304,927)	3,057,455
Investment Income	14,394,794	7,943,886	10,018,397	10,854,085	5,619,726
Management Expenses	17,886,573	14,445,292	12,639,506	15,879,826	8,916,514
Shareholder's Funds	115,198,625	103,457,714	86,211,801	74,369,345	58,109,288
Management Expenses					
Total gross premium ratio	28.28%	31.46%	27.75%	31.66%	18.12%
Earnings per share	0.28	0.11	0.22	0.16	0.44



CHAIRMAN'S STATEMENT

Lionel Molbila
Chairman

Distinguished ladies and gentlemen, on behalf of the Board, Management and staff of Ghana Re, I welcome you to this year's Annual General Meeting.

The year 2012, registered a period of rapid growth and the attainment of some landmarks in the company's history. During 2012, the Company marked its 40th anniversary under the theme; 'Ghana Re at 40; reaching new heights'. Activities during the celebrations included a round table conference to evaluate the company's future prospects, an awards night to recognize insurance companies that have supported the company and donations to selected health and educational institutions.

During the period, the Company relocated from its old office to its ultra-modern office building at Sudan Road in the Ridge Area, Accra.

I am also pleased to announce that three years after the withdrawal of the statutory 20% legal cession which constituted 60% of the company's premium income, we have been able to achieve a 38% growth in premium income over that of 2011.

REVIEW OF THE ECONOMY

Ladies and Gentlemen in the year 2012, the economy of our country showed some level of resilience by registering positive growth rates compared to the global performance. While Ghana's GDP growth rate stood at 7.1% in 2012, the global figure was 3.2%. In spite of challenges encountered especially in the energy sub-sector and the decline in the value of the Cedi against major currencies, practical measures were taken by the government to stem the crippling effects of these and other challenges.

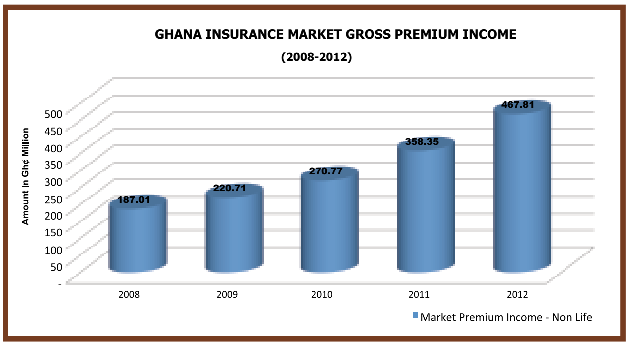
It is worthy of note that external investors' investment in government bonds and foreign direct investments in Ghana have recorded a major surge.

Further, inflation ended the year at a rate of 8.8% compared to 8.58% in December 2011.

THE INDUSTRY

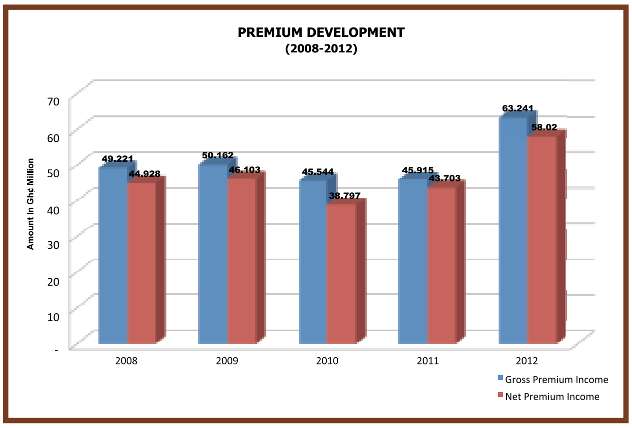
With regard to the insurance sub-sector in which your company operates, the Regulator commenced the process of replacing the current Insurance Act, 2006, Act 724 with a new law. The Bill is currently in Parliament awaiting Parliamentary approval. The National Insurance Commission during the year under review introduced a risk based reporting system to regulate the industry. The outstanding debt menace which has plagued the industry for a long time however, remained the bane of the sector. Management would continue to work in tandem with other players in the industry to find a lasting solution to this problem.

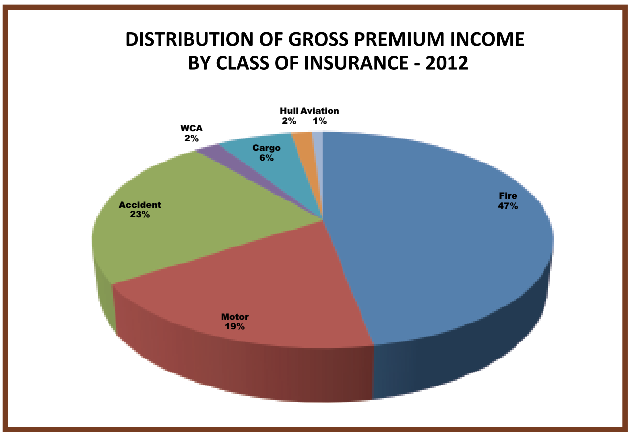
CHAIRMAN'S STATEMENT (Continued)



FINANCIAL PERFORMANCE

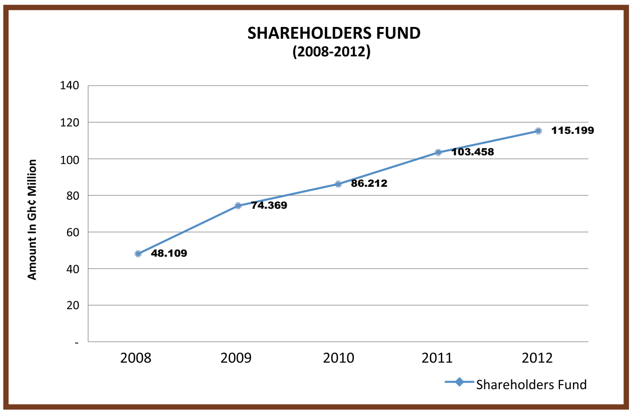
I am very pleased to report that our company during the 2012 financial year showed remarkable growth both in the top and bottom lines. The Board, Management and staff of your company worked extremely hard to ensure that Gross Premium written grew by 38% from GH¢45.91 million to GH¢63.24 million. Profit after tax also increased by 169% from GH¢ 5.28 million in 2011 to GH¢14.34 million in 2012. We take the opportunity to highlight that the company's achievement is against the backdrop of it being the only state or multilaterally owned reinsurance company in Africa without any protection from its owner in the form of compulsory cession. We also take the opportunity to commend the insurance companies operating in the country for all their support to the company. We are indeed very grateful to them for entrusting us with their custom.





SHAREHOLDER'S FUND

The Shareholder's fund at the close of year 2012 stood at GH¢115.20 million compared to GH¢103.57 million in 2011, an increase of 12.53%. The increase is financed substantially from increase in retained profit.



CORPORATE SOCIAL RESPONSIBILITY

The Company measures its social value by the contributions it makes to the progress of communities in its working environment and considers it critical to sustaining successful operations.

CHAIRMAN'S STATEMENT (Continued)

In this regard, the Company continues to show support to various sectors of the economy by partnering institutions including, the College of Health Sciences, Legon, School of Medical Sciences, KNUST and The National Trust Fund, to provide essential services for the benefit of society. In 2012, we contributed a total of GH¢51,000.00 to these institutions.

FUTURE PROSPECTS

Ladies and Gentlemen, the future for Ghana Re can only be promising. New opportunities which come with national oil and gas production now beckon at the company. In order to take advantage of these opportunities, it is necessary to increase substantially the stated capital of the company from its current level of GH¢28 million to GH¢200 million. We are certain in our minds that we can count on the support of the shareholder to achieve our new capitalization target.

APPRECIATION

At this juncture, I wish to commend highly the management and staff of Ghana Re for their dedication and commitment to work which produced our excellent 2012 financial results. To my colleague Directors, I thank you all for your untiring efforts and the unflinching support I continue to receive from you.

We assure our shareholder that we shall ensure that the company is continually managed in line with international best practices, ensuring the well-being of all our stakeholders; with a strong commitment to good corporate governance practices and we shall continue to produce strong financial results.

Thank you.

CHAIRMAN

Proposing the 40th Anniversary Toast

Cutting of the Anniversary Cake

2011 Award winners in a group photograph

REPORT OF DIRECTORS
TO THE MEMBERS OF GHANA REINSURANCE COMPANY LIMITED

The Directors in submitting to the shareholders their report and financial statements of the company for the year ended 31 December 2012 report as follows:

Statement of Directors' Responsibility

The Directors of the company are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2012 and the statement of comprehensive income, general business reinsurance revenue account, life business reinsurance revenue account, statement of changes in equity, statement of cash flows for the year then ended, and the notes to the financial statements which include summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Code, 1963 (Act 179) and the Insurance Act, 2006 (Act 724).

The Directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these 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 to the circumstances.

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

Principal Activities

The principal activity of the company during the year was the reinsurance of all classes of insurance business including life and non-life assurance businesses, both within and outside the country.

There was no change in the principal activity during the year.

Directors

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

Name	Designation
Lionel Molbila	Chairman
Gustav W. K. Siale	Managing Director
Mathias Rogers-Akpatah	Deputy Managing Director - appointed 20/07/2012
Wilson Tei	Member
Mohammed Yakubu	Member
Stella Williams (Mrs.)	Member
Charlotte Osei (Mrs)	Member

REPORT OF DIRECTORS (Continued)

Financial Results

	2012 GH¢	2011 GH¢
Underwriting Profits/(Loss)	**821,216**	(4,704,042)
The profit for the year was	**14,223,648**	5,277,767
which is added to income surplus brought forwarded from the previous year of	**5,623,358**	4,220,586
making a total of	**19,847,006**	9,498,353
from which are transferred to: statutory reserve of	**(6,400,642)**	(2,374,995)
leaving a total of	**13,446,364**	7,123,358
less declared dividends of	**(1,000,000)**	(1,500,000)
Life Revebue Account	**2,591,700**	-
leaving a balance carried forward to the statement of financial position	**15,038,064**	5,623,358

Proposed Dividend

For 2012 financial year, dividend of GH¢0.06 (GH¢3,000,000) is being proposed by the directors. This proposed dividend shall become payable when the Shareholder approves it. In respect of 2011, the directors proposed the payment of dividend of GH¢0.02 per share which amounted to Gh¢1,000,000. The 2011 proposed dividend was approved by the shareholder and became payable in 2012.

Auditors

Resolved that Regulation 134(5) of the Company's Regulations be and is hereby amended to read as follows:

In accordance with Section 134(5) of the Companies Code, 1963 (Act 179), Pannell Kerr Forster will continue in office as auditors of the company for a duration not exceeding five years.

Events after the Reporting Date

The Directors confirm that no matters have arisen since 31 December 2012 which materially affect the financial statements of the company for the year ended on that date.

Approval of the Financial Statements

The financial statements of the company, were approved by the Board of Directors on 31-05-2013 and are signed on their behalf by:

.... CHAIRMAN

.... MANAGING DIRECTOR

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GHANA REINSURANCE COMPANY LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

PKF

Accountants & business advisers

Report on the Financial Statements

We have audited the accompanying financial statements of Ghana Reinsurance Company Limited which comprise the statement of financial position as of December 31, 2012, and the statement of comprehensive income, general business reinsurance revenue account, life business reinsurance revenue account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ghana Reinsurance Company Limited as of December 31, 2012, 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 Code, 1963 (Act 179) and the Insurance Act, 2006 (Act 724).

Report on Other Legal and Regulatory Requirements

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

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

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

iii) The statement of financial position and statement of comprehensive income are in agreement with the books of accounts.

PKF

SIGNED BY: ERIC SOWATEI TETTEFIO (ICAG/P/1088)
FOR AND ON BEHALF OF PKF (ICAG/F/2013/039)
CHARTERED ACCOUNTANTS
FARRAR AVENUE
ACCRA

31st May, 2013.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	General Business Gh¢	Life Business Gh¢	Composite 2012 Gh¢	Composite 2011 Gh¢
Capital and Surplus					
Stated Capital	3	28,000,000	-	**28,000,000**	28,000,000
Capital Surplus	4	27,302,809	-	**27,302,809**	31,535,437
Statutory Reserves	5	44,699,561	158,191	**44,857,752**	38,411,306
Income Surplus	6	12,446,364	2,591,700	**15,038,064**	5,623,358
Shareholders' Fund		112,448,734	2,749,891	**115,198,625**	103,570,101
Represented by					
Assets					
Property, Plant and Equipment	7a	7,962,613	-	**7,962,613**	6,531,369
Investment Properties	8	5,937,000	-	**5,937,000**	5,937,000
Equity Securities	9a	40,667,378	396,602	**41,063,980**	48,602,298
Corporate Debt Securities	9b	4,489,930	-	**4,489,930**	1,900,800
Due from Ceding/Retroceding Companies	10a	23,653,199	1,061,970	**24,715,169**	27,351,174
Other Accounts Receivable	11	6,696,377	764,253	**7,460,630**	5,248,363
Government Securities	9c	36,407,681	6,859,506	**43,267,187**	37,761,382
Cash and Cash Equivalents	12a	48,845,243	633,910	**49,479,153**	37,111,877
Total Assets		174,659,421	9,716,241	**184,375,662**	170,444,263
Liabilities					
Technical Liabilities					
Unexpired Risk Liability	13	30,142,729	-	**30,142,729**	20,602,646
Claims Liability	14	13,228,204	440,567	**13,668,771**	20,335,340
Life Fund	15	0	6,146,255	**6,146,255**	5,894,549
		43,370,933	6,586,822	**49,957,755**	46,832,535
Other Liabilities					
Due to Ceding/Retroceding Companies	16	11,494,488	352,753	**11,847,241**	12,088,642
Other Accounts Payables	17	276,679	26,775	**303,454**	1,157,917
Current Tax	18	6,076,799	-	**6,076,799**	5,623,038
National Fiscal Stabilisation Levy	20	610,736	-	**610,736**	610,736
Dividends	22	-	-	**-**	-
Deferred Tax	23	381,052	-	**381,052**	561,294
Total Liabilities		62,210,687	6,966,350	**69,177,037**	66,874,162
Net Assets		112,448,734	2,749,891	**115,198,625**	103,570,101

The financial statements of the company were approved by the Board of Directors on 31-05-2013 and are signed on their behalf by:

.................................Chairman ....Managing Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 Gh¢	2011 Gh¢
Underwriting Profit/(Loss) transferred from General Business Revenue Account		**821,216**	(4,704,042)
Investment Income	24	**12,035,764**	7,943,886
Exchange Gain	25	**5,600,943**	3,006,687
Gain on Sale of Investment		**2,359,030**	-
Revaluation surplus on investment properties		**-**	2,437,060
Other Income	26	**180,214**	104,273
Net Profit before Taxation		**20,997,167**	8,787,864
Taxation	27	**(6,773,519)**	(3,070,705)
National Fiscal Stabilisation Levy	20	**-**	(439,392)
Profit for the year		**14,223,648**	5,277,767
Other Comprehensive Income			
Gain/(Loss) on Available-for-sale Investments	21	**(1,277,850)**	12,868,145
Total other Comprehensive Income		**(1,277,850)**	12,868,145
Total Comprehensive Income for the year		**12,945,798**	18,145,912
Basic and diluted earning per share (in Ghana Cedis)		**0.28**	0.11

GENERAL BUSINESS REINSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Fire and Accident Gh¢	Marine and Aviation Gh¢	2012 Gh¢	2011 Gh¢
Underwriting Income					
Gross Premium		57,574,491	5,666,936	**63,241,427**	45,914,855
Retrocession Premium		(4,767,099)	(453,451)	**(5,220,550)**	(2,211,742)
Net Premium Retained		52,807,392	5,213,485	**58,020,877**	43,703,113
Increase/(Decrease) in Unexpired Risk Liabilities	13	(7,316,611)	(2,223,472)	**(9,540,083)**	(2,469,290)
Net Premium Earned		45,490,781	2,990,013	**48,480,794**	41,233,823
Commission on retroceded Business		289,381	14,378	**303,759**	156,045
Net Premium and Commission Earned		45,780,162	3,004,391	**48,784,553**	41,389,868
Underwriting Expenses					
Claims incurred less Recoveries	14	8,045,502	1,567,125	**9,612,627**	16,682,785
Commission on Accepted Business		18,156,129	1,471,403	**19,627,532**	14,305,444
Foreign Taxes and Brokerages		761,310	75,295	**836,605**	660,389
Management Expenses	28	16,279,331	1,607,242	**17,886,573**	14,445,292
Total Underwriting Expenses		43,242,272	4,721,065	**47,963,337**	46,093,910
Underwriting Profit/(Loss) transferred to Statement of Comprehensive Income		2,537,890	(1,716,674)	**821,216**	(4,704,042)

LIFE REASSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 Gh¢	2011 Gh¢
Underwriting Income			
Gross Premium		**4,580,384**	3,081,886
Retrocessions		**(196,002)**	(327,809)
Net Premium		**4,384,382**	2,754,077
Commission on retroceded Business	29	**64,953**	55,658
Net Premium and Commission Income		**4,449,335**	2,809,735
Underwriting Expenses			
Commission on Accepted Business	29	**921,485**	627,336
Claims Incurred	30	**833,003**	1,195,150
Management Expenses		**708,236**	629,565
Total Underwriting Expenses		**2,462,724**	2,452,051
Underwriting Profit		**1,986,611**	357,684
Investment Income	24	**935,960**	502,578
Exchange (Loss)/Gain	25	**(33,361)**	-
Net Profit		**2,889,210**	860,262
Transfer to Contingency Reserve Fund	5	**(45,804)**	(30,819)
Transfer to Life Fund	15	**2,843,406**	829,443

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

	Stated Capital GH¢	Income Surplus GH¢	Available for-Sale Reserves GH¢	Revaluation Surplus GH¢	Statutory Reserve GH¢	Total Equity GH¢
Balance at 1 January 2011	28,000,000	4,220,586	15,979,109	2,688,183	35,405,492	**86,293,370**
Changes in Equity for 2011						
Profit for the year	-	5,277,767	-	-	-	**5,277,767**
Other Comprehensive Income	-	-	12,868,145	-	-	**12,868,145**
Total Comprehensive Income for the year	-	5,277,767	12,868,145	-	-	**18,145,912**
Decoupling of Assets	-	-	-	-	600,000	**600,000**
Transfers	-	(2,374,995)	-	-	2,374,995	**-**
Total transfers to/(from) reserves	-	(2,374,995)	-	-	2,974,995	**600,000**
Dividends	-	(1,500,000)	-	-	-	**(1,500,000)**
Total distributions to owners	-	(1,500,000)	-	-	-	**(1,500,000)**
Life Revenue Account	-	-	-	-	30,819	**30,819**
Balance at 31 December 2011	28,000,000	5,623,358	28,847,254	2,688,183	38,411,306	**103,570,101**
Changes in Equity for 2012						
Profit for the year	-	14,223,648	-	-	-	**14,223,648**
Other Comprehensive Income	-	-	(4,232,628)	-	-	**(4,232,628)**
Total Comprehensive Income for the year	-	14,223,648	(4,232,628)	-	-	**9,991,020**
Transfers	-	(6,400,642)	-	-	6,400,642	**-**
Total transfers to/(from) reserves	-	(6,400,642)	-	-	6,400,642	**-**
Dividends	-	(1,000,000)	-	-	-	**(1,000,000)**
Total distributions to owners	-	(1,000,000)	-	-	-	**(1,000,000)**
Life Revenue Account	-	2,591,700	-	-	45,804	**2,637,504**
Balance at 31 December 2012	28,000,000	15,038,064	24,614,626	2,688,183	44,857,752	**115,198,625**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 Gh¢	2011 Gh¢
Cash Flow from Operating Activities	31	**11,809,888**	7,849,955
Interest Income		**9,563,371**	6,248,286
National Fiscal Stabilisation Levy paid		**-**	(268,080)
Tax Paid		**(6,500,000)**	(5,500,000)
Net cash flow from operating activities		**14,873,259**	8,330,161
Investing activities			
Disposal/(acquisition) of Equity Securities		**5,231,437**	(1,009,813)
Acquisition of Corporate Debt Securities		**(2,234,230)**	-
Acquisition of Property & Equipment		**(1,829,271)**	(1,057,718)
Sale of Property & Equipment		**10**	5,173
Dividend Received		**2,831,876**	1,702,584
Net Cash Flow from Investing Activities		**3,999,822**	(359,774)
Financing Activities			
Dividend Paid		**(1,000,000)**	(1,500,000)
Net Cash Flow from Financing Activities		**(1,000,000)**	(1,500,000)
Increase in Cash and Cash Equivalents		**17,873,081**	8,683,792
Cash and Cash Equivalents at 1 Jan.		**73,873,259**	65,189,467
Cash and Cash Equivalents at 31 Dec.	12c	**91,746,340**	73,873,259

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1.0 Corporate Information

Ghana Reinsurance Company Limited, a public 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 reinsurance of any class of business, including life insurance business, both within and outside Ghana. The address of the registered office of the company is Plot No. 24, Sudan Road, Ridge, P. O. Box AN 7509, Accra, Ghana.

1.1 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.

1.2 Basis of Preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as defined by IAS 1. 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.

1.3 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.

1.4.1 The ultimate liability arising from claims made under reinsurance contracts

The estimation of the ultimate liability arising from claims made under reinsurance contracts ceded from insurers is the company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay for such claims. For example reinsurance contracts are ceded from different insurers (within the country and from other African countries) who are exposed to diverse insurance risks.

1.4.2 Estimate of future benefit payments arising from life reinsurance contracts, and related deferred acquisition costs and other intangible assets.

Estimate of future benefit payments (liabilities) arising from life reinsurance contracts are made with reference to year-end actuarial report. Their report is prepared using two valuation models with the aim of establishing an acceptable range for the liability figures. The specific models used are: the unexpired premium method with which the valuation reserve on each policy is calculated as 80% of the annual reassurance premium multiplied by the proportion of its original insurance period still outstanding at the reporting date; and the mortality basis model with which the policyholders' expected decrement rate (over the unexpired insurance period) is multiplied by the sum reassured. In addition to the above, the expected effect of adverse mortality experience, expense overrun,

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

incurred but not reported claims (IBNR) and any other contingencies are considered in the estimate.

A key feature of the adequacy testing for these contracts is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of the liabilities and related assets until the liabilities are derecognised, while any significant deterioration in estimates is immediately recognised to make the liabilities adequate.

1.4.3 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.

1.4.4 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.

1.5 Summary of Significant Accounting Policies

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

1.5.1 Stated Capital

Stated capital classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

1.5.2 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. With respect to non-life reinsurance business, the Company maintains contingency reserve which is not less than

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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. With respect to life reinsurance business, the Company maintains a contingency reserve which is credited with an amount equal to 1% of the premiums.

1.5.3 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:

Leasehold and freehold properties	3%
Motor Vehicle	25%
Machinery and Equipment	15%
Furniture and Fittings	20%
Computer Hardware	33.3%

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

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

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

1.5.4 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

1.5.5 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:

  o **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.

  o **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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

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

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

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

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

- **Subsequent Measurement of Financial Liabilities**
  After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method, except for: financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value except for a derivative liability that is linked to and must be settled by delivery of

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

- **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:

  - significant financial difficulty of the issuer or the obligor;
  - a breach of contract, such as a default or delinquency in interest or principal payment;
  - 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;
  - it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
  - the disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including:
    - adverse changes in the payment status of borrowers in the group (eg an increased number of delayed payments); or
    - national or local economic conditions that correlate with defaults in the group (eg an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil companies, or adverse changes in the industry conditions that affect the borrowers in the group).

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
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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:

- o 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
- o Observable market prices for the assets.

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

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

1.5.6 Investments

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

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

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

1.5.7 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.

1.5.8 Reinsurance Contracts

The Company undertakes life and non-life reinsurance contracts. A reinsurance contract is a contract under which the Company accepts significant insurance risk from a cedant (a policyholder under reinsurance contract) by agreeing to compensate the cedant if an underlying uncertain future event (the insured event) occurs.

- **Non-life (General) Reinsurance contracts**
  The Company enters into reinsurance contracts with cedants under broad categories of

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

non-life insurance contracts which comprise casualty, property and personal accident insurance contracts.

Under casualty reinsurance contracts, the company protects cedants against ceded risk of claims made by primary policyholders for causing harm to third parties as a result of legitimate activities of the primary policyholders.

Property reinsurance contracts mainly compensate cedants of a portion of claims payable to primary 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 primary policyholder to use the insured properties in their business activities (business interruption cover).

Under personal accident reinsurance contracts, the Company mainly compensates the cedants a portion of claims made by primary policyholders for bodily injuries suffered by the primary policyholder or its family members or employees.

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

- **Provision for Unexpired Risks**
  For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

- **Claims**
  Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation payable to cedants when the insured events of the underlying policies occur.

  Claims incurred are expenses for the year which comprise:

  i. Provision for claims reported during the year pending settlement (outstanding claims);
  ii. Claims reported and settled in the year but not paid;
  iii. Claims reported, settled and paid during the year; and
  iv. Incurred but not reported (IBNR) claims.

  Claims liability comprises:

  i. All outstanding claims at the reporting date;
  ii. Claims settled in prior and current years pending payment; and
  iii. IBNR claims:

  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. The 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 Non-life 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

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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 reinsurance 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.

- **Liability adequacy test of Life Insurance Liabilities**
  The liabilities of life reinsurance contract without discretionary participatory feature (DPF) are determined for each life operation following an annual actuarial investigation in accordance with statutory requirements. At each reporting date, the company performs liability adequacy tests on its life reinsurance contract liabilities less related deferred acquisition costs and intangible assets to ensure that the carrying amount of insurance liabilities is adequate using current estimates of future cash flows. Any deficiency is charged as an expense to the statement of comprehensive income initially by writing off the intangible assets and subsequently by recognising additional liability.

- **Receivables and Payables related to Reinsurance Contracts**
  Receivable and payables arising under reinsurance and retroceded 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, cedants and retrocessionnaires. The Company assesses at each reporting date, whether there is any objective evidence that a cession/retrocession receivable is impaired. If there is objective evidence that the cession/retrocession receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the statement of comprehensive income. Cession/retrocession 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.

- **Retrocession Insurance Contracts held**
  Contracts entered into by the company with retrocessionnaires under which the company is compensated for losses which meet the classification requirements for insurance contracts are classified as retrocession insurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

  The benefits to which the company is entitled under its retrocession insurance contracts

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held are recognised as retrocession insurance assets. These consist of short-term balances due from retrocessionnaires (classified within loans and receivables), as well as long-term receivables (classified as retrocession insurance assets) that are dependent on the expected claims and benefits arising under the related retroceded insurance contracts. Amounts recoverable from or due to retrocessionnaires are measured consistently with the amounts associated with the retroceded insurance contracts and in accordance with the terms of each retrocession contract. Retrocession insurance liabilities are primarily premiums payable under retroceded insurance contracts and are recognised as an expense when due.

1.5.9 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.

1.5.10 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.

1.5.11 Dividends Distribution on Ordinary Shares

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

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

Interim dividends are recognised when paid.

1.5.12.1 Revenue Recognition

- **Underwriting Results of Non-life Business**

The underwriting results for general business are determined on an annual basis whereby the incurred cost of claims less recoveries, commission, management and related expenses are charged against commission income and the earned portion of premiums written, net of premiums on retroceded businesses.

Premiums written relate to businesses incepted during the year, and include estimates of premiums due but not yet received, allowance for cancellations. Premiums written are stated gross of commissions payable to intermediaries. Unearned premiums are those proportions of the premiums which relate to periods of risk after the reporting date.

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- **Commission and Fee Income**

Commission and fee income consist primarily of reinsurance and profit commissions, asset management fees, treaty and facultative reinsurance administration fees and other contract fees. Commissions and fees income are 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.

- **Underwriting Results of Life Business**

Premiums written relates to business incepted during the year and includes estimates of premiums due but not yet received, less an allowance for estimated lapses.

Claims arising on maturity are recognised when the claims become due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.

Expenses and commissions are allocated to the life fund as incurred in the management of the life businesses.

The life fund is assessed annually by the Company's consulting actuaries. Surpluses arising are allocated by the Directors on the advice of the actuaries on the cedants' bonuses and the profit and loss account. Any balance remaining is carried forward in the life fund.

1.5.12.2 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.

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1.5.12.3 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.

1.5.12.4 Provision

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

1.5.12.5 Financial Guarantee

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

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

1.5.12.6 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.

1.5.12.7 Inventories

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

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1.5.12.8 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.

1.5.12.9 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.

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1.5.13 Events after the Reporting date

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

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

1.5.22 New standards and Interpretation not yet adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- **IFRS 1 Government Loans — Amendments to IFRS 1**

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Company.

- **IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and will become effective for annual periods beginning on or after 1 January 2013.

- **IFRS 9 Financial Instruments**

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2012, moved the mandatory effective date to 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The Company will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

- **IFRS 11 – Joint Arrangements**

The standard becomes effective for annual periods beginning on or after 1 January 2013. It replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. Because IFRS 11 uses the principle of control in IFRS 10 to define control, the determination of whether joint control exists may change. The adoption of IFRS 11 is not expected to have a significant impact on the accounting treatment of investments currently held by the Company.

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- **IFRS 12 – Disclosure of Involvement with Other Entities**

The standard becomes effective for annual periods beginning on or after 1 January 2013. It includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis. Now, even if the Company concludes that it does not control an entity, the information used to make that judgment will be transparent to users of the financial statements to make their own assessment of the financial impact were the Company to reach a different conclusion regarding consolidation.

The standard will not have any impact on the financial position or performance of the Company.

- **IFRS 13 – Fair Value measurement**

The standard becomes effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. Adoption of the standard is not expected to have a material impact on the financial position or performance of the Company.

- **IAS1 Presentation of Items of Other Comprehensive Income –Amendments to IAS1**

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

- **IAS 19 Employee Benefits – Amendments**

The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income. The effective date of the standard is 1 January 2013. The amendment has no impact on the Company's financial position or performance

- **Offsetting Financial Assets and Financial Liabilities—Amendments to IAS 32**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Company by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This amendments has no effect on the company. These amendments become effective for annual periods beginning on or after 1 January 2014.

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- **Annual Improvements May 2012**

These improvements will not have an impact on the Company, but include:

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

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

- **IAS 1 Presentation of Financial Statements**

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

- **IAS 16 Property Plant and Equipment**

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

- **IAS 32 Financial Instruments, Presentation**

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

2.0 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

The Company has exposure to the following risks from its underwriting activities as well as its use of financial instruments:

- Insurance risk
- 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 measuring and managing such risks.
Insurance and Financial Risk Management Framework

The Board of Directors has formally established an Enterprise Risk Management (ERM) programme. The aim of the company's ERM programme is to establish a structured and disciplined approach to aligning the company's strategic objectives to its processes, people and systems with the aim of evaluating and managing all risks faced by the company leading to an enhanced company value. This programme ensures that there is a structured documented process whereby all companywide risks are identified, assessed and managed with the view of enhancing the Company's value.

The Board is ultimately responsible for the ERM programme, and to this extent has put in place:

- Corporate strategic objectives to which management should align its risk management processes;
- the company's risk appetite and risk tolerance limits; and
- the setting up of a Risk Management Committee (RMC) under the Chairmanship of the Deputy Managing Director (DMD).

The company's risk management structure consists of three main levels, namely the Board of Directors, RMC and Risk Officer and Business Units. The Board of Directors is at the apex of the structure. It sets the tone for risk management through approving:

a) Strategic objectives for the company; and
b) The company's risk appetite and tolerance Limits.

The RMC has the oversight role of ensuring that the business units adhere to the Board risk directive. RMC therefore ensures that the business units develop risk management culture whereby all leaders are aware of the strategic obligations and risk limits as well as compliance with risk management processes.

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The RMC through its Chairman, reports on risk matters to the Board. The business units implement the risk management process through identifying current and emerging risks and putting controls in place.

The Risk Officer who liaises with the business units collates quarterly company-wide reports for the RMC which include the risk profile, risk dashboard of the top 10 risk areas illustrating control trends and, mitigation advice on accepted risk, shared risk and rejected risk. The RMC meets regularly to review the risk report produced by the Risk Officer. The RMC, through the DMD informs the Board on developments of company risk management and in particular if there are any concerns emerging.

Risk control processes are identified and discussed and implemented by the RMC. Control processes are also regularly reviewed at business unit level and changes agreed with the Risk Officer. The Internal Control Department also comments on the adequacy and adherence of control processes in its periodic audit report.

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

Insurance Risk

Insurance risk arises from claims and underwriting profit experience being adversely different from those anticipated in the premiums rating and retrocession programme. The insurance risks under any reinsurance contract are the risk of the insured event occurring and the uncertainty of the amount of the resulting claim. Essentially, the principal risk that the Company faces under its reinsurance 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 and benefits payments are greater than estimated. When accepting risks, the Company strictly follows its underwriting guidelines spelt out in its ERM programme as well as the principle of professionalism and prudence.

To mitigate the uncertainty of timing and amount of claims and benefits 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 cedants), inadequate reserving, poor retrocession arrangements 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 retrocession arrangements with reputable retrocession Companies. The retrocession arrangements do not relieve the Company of its obligation to the cedants. Hence if the retrocessionnaires 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 retrocessionniares are reviewed annually and placements are carefully made with companies who are financially sound, credible and experienced in the industry.

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 debt securities, government securities, and receivables. These instruments expose the Company to financial risks such as credit risk, liquidity risk, market risk, and operational risk.

Credit Risk

Credit risk is risk of financial loss to the Company if cedants and retrocessionaires or a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cession and retrocession receivables and investment securities.

The Company assesses the credit risk profile of counterparties and only accepts certain maximum exposure to individual counterparties or a group of them. Such risks are subject to regular review by the RMC and limits on the level of credit risk reviewed and approved by the Board of Directors.

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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 reinsurance receivables that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired:

	2012 GH¢	2011 GH¢
Impaired Insurance receivables, net of individual loss	**11,780,667**	15,780,667
Insurance reeivables past due but not impaired:		
Past due up to 30 days	**1,833,498**	2,289,505
Past due 31 - 60 days	**1,460,321**	1,494,590
Past due 61 - 90 days	**1,833,498**	1,000,871
Past due 91 - 120 days	**135,564**	3,208,669
Past due 121 - 150 days	**2,216,816**	664,694
	7,479,697	8,658,329
Insurance receivables neither past due nor impaired	**4,776,167**	3,323,465
Less portfolio impairment provision	**(383,332)**	(411,287)
Total net insurance receivables	**23,653,199**	27,351,174

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 sell assets, or when there are unexpected large claims.

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 and benefit payments) as and when they fall. 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. To this end, the Company maintains adequate interest bearing but highly liquid investments which guarantee its readiness to honour its obligations as and when they fall due.

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 transactions, and investing activities.

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

The RMC 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. Sensitivity measures are used in addition to Value at Risk as risk management tools.

Foreign Exchange Exposure

The Company's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures.

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Foreign exchange exposures are principally derived from client driven transactions. As an international company, most of the company's transactions are denominated in US Dollars in addition to the Cedi. Though the company does not hedge foreign exchange exposure, it monitors constantly the assets and liabilities denominated in foreign currencies to address any mismatch as and when it occurs. Concentration of foreign currency denominated assets and liabilities are disclosed below.

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

Assets	**USD**	**GBP**	**Euro**	**Others**	**Total**
	GH¢	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Due from ceding/ retroceding companies	32,631,359	734,513	4,906,980	20,674,173	**58,947,025**
Cash & cash equivalents	5,607,283	789,260	1,282,283	1,049,294	**8,728,120**
Investments	11,948,602	9,849,259	3,525,044	2,370,589	**27,420,494**
	50,187,244	11,373,032	9,714,307	24,094,056	**95,368,639**
Liabilities					
Due to ceding/ retroceding companies	14,809,936	1,666,751	1,926,438	2,724,156	**21,127,281**

Sensitivity Analysis

The Company used 21.0% average rate of change in foreign exchange to demonstrate the effect of changes in foreign exchange rates on profit after tax and shareholders' fund. At the reporting date, the Company's sensitivity to a 21.0% increase and decrease in the cedi against the three major trading currencies is analysed below:

	2012	**Scenario 1 21% increase**	**Scenario 2 21% decrease**
	GH¢	**GH¢**	**GH¢**
Profit after tax	14,223,648	17,210,614	11,236,682
Shareholders' fund	112,448,734	115,435,700	109,461,768

The Company's assets denominated in foreign currencies far outweigh its foreign currency denominated liabilities. So it tends to gain on foreign exchange when exchange rates increase. From the above scenarios, if management takes no actions, increase in exchange rates by 21% would increase profit after tax for the year and shareholders' fund by GH¢2,986,966, while a decrease in exchange rates by 21% would decrease profit after tax for the year and shareholders' fund by the same amount.

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.

Operational risks

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 managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks within its ERM programme. The Company through its Internal Audit Function constantly monitors its internal processes, people and systems to ascertain its effectiveness to address its operational needs.

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3. STATED CAPITAL

	2012 Number of Shares	Amount GH¢	2011 Number of Shares	Amount GH¢
Authorised Ordinary Shares				
Shares of no par value	**50,000,000**	**-**	50,000,000	-
Issued Ordinary Shares				
Shares for cash consideration	**50,000,000**	**5,300**	50,000,000	5,300
Transfer from Income Surplus	**-**	**27,994,700**	-	27,994,700
	50,000,000	**28,000,000**	50,000,000	28,000,000

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

4. CAPITAL SURPLUS

This consists of gains on property, plant and equipment, available-for-sale investments stated at fair value and related taxes. Movement during the year is set out below:

	Available-for-Sale Reserve GH¢	Revaluation Surplus GH¢	2012 Total GH¢	2011 Total GH¢
Balance at 1 January	28,847,254	2,688,183	**31,535,437**	18,667,292
Transfer/Disposal	(2,954,778)	-	**(2,954,778)**	-
Other comprehensive income	(1,277,850)	-	**(1,277,850)**	12,868,145
Balance at 31 December	24,614,626	2,688,183	**27,302,809**	31,535,437

5. STATUTORY RESERVES

	General Reserve Ghc	Gen. Bus. Contingency Reserve Ghc	Life Bus. Contingency Reserve Ghc	Staff Welfare Reserve Ghc	Total Ghc
Balance at 1 January	17,787,570	16,709,264	81,568	827,090	**35,405,492**
Changes in 2011:					
Decoupling assets	-	-	-	600,000	**600,000**
Transfer from Income Surplus Account	1,319,442	1,055,553	30,819	-	**2,405,814**
Balance at 31 Dec. 2011	19,107,012	17,764,817	112,387	1,427,090	**38,411,306**
Changes in 2012:					
Transfer from Income Surplus Account	3,555,912	2,844,730	45,804	-	**6,446,446**
Balance at 31 Dec. 2012	22,662,924	20,609,547	158,191	1,427,090	**44,857,752**

NOTES TO THE FINANCIAL STATEMENTS
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General and staff welfare reserves represent appropriations made by the Directors in accordance with Ghana Reinsurance Organisation Law 1984 saved by Section 213 of the Insurance Act, 2006 (Act 724).

The staff welfare reserve is managed by Trustees and transfers are made occassionally from the Staff Welfare account to the Trustees account to reimburse expenses made.

Contingency reserve is an amount set aside from the revenue account to cover fluctuations in securities and variations in statistical estimates in accordance with Section 213 of Insurance Act, 2006 (Act 724).

6. 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.

7a. PROPERTY, PLANT AND EQUIPMENT

	Freehold & Leasehold Properties Ghȼ	Motor Vehicles Ghȼ	Machinery Equipment Furniture & Fittings Ghȼ	Computers Ghȼ	Capital Work-in Progress Ghȼ	Total Ghȼ
COST/VALUATION						
Balance at 1 January	936,262	481,018	319,439	778,017	5,518,643	**8,033,379**
Addition for the year	7,136,276	105,103	85,272	21,263	(5,518,643)	**1,829,271**
Disposal	-			(17,952)	-	**(17,952)**
Balance at 31 December	8,072,538	586,121	404,711	781,328	-	**9,844,698**
DEPRECIATION						
Balance at 1 January	141,499	357,531	262,976	740,004	-	**1,502,010**
Charge for the year	256,124	95,278	31,389	15,220	-	**398,011**
Disposal	-			(17,936)	-	**(17,936)**
Balance at 31 December	397,623	452,809	294,365	737,288	-	**1,882,085**
NET BOOK VALUE						
At 31 December 2012	7,674,915	133,312	110,346	44,040	-	**7,962,613**
At 31 December 2011	794,763	123,487	56,463	38,013	5,518,643	**6,531,369**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

7b. DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2012 Gh¢	2011 Gh¢
Sales proceeds	**10**	5,173
	10	5,173
Less carrying amount:		
Cost/revalued amount	**17,952**	149,044
Accumulated depreciation	**(17,936)**	(148,919)
	16	125
Profit	**(6)**	5,048

8. INVESTMENT PROPERTIES

	2012 Gh¢	2011 Gh¢
Balance at 1 January	**5,937,000**	3,499,940
Revaluation	**-**	2,437,060
Balance at 31 December	**5,937,000**	5,937,000

The properties were revalued by the Directors at 31 December 2009 on the basis of determining the open market value of the investment property. The open market value of all properties was determined using recent market prices. This valuation which is broadly comparable to fair value has been used as deemed cost.

9. AVAILABLE-FOR-SALE INVESTMENTS

	General Business Gh¢	Life Business Gh¢	2012 Gh¢	2011 Gh¢
a. Equity Securities				
Listed (note 9d)	35,184,958	-	**35,184,958**	42,289,993
Unlisted (note 9e)	5,482,420	396,602	**5,879,022**	6,312,305
Total Equity Securities	40,667,378	396,602	**41,063,980**	48,602,298
b. Corporate Debt Securities				
HFC Bond (note 9f)	2,255,700	-	**2,255,700**	1,900,800
Mutual Fund-Fixed Income	2,234,230	-	**2,234,230**	-
Balance at 31 December	4,489,930	-	**4,489,930**	1,900,800

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

9. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

	General Business Gh¢	Life Business Gh¢	2012 Gh¢	2011 Gh¢
c. Government Securities				
Treasury bills	35,607,681	6,659,506	**42,267,187**	36,761,382
Jubilee Bonds	800,000	200,000	**1,000,000**	1,000,000
Total Government Securities	36,407,681	6,859,506	**43,267,187**	37,761,382
Mutual Fund -Fixed Income	2,234,230	-	**2,234,230**	-
Cash and Cash Equivalents (Note 12a)	48,845,243	633,910	**49,479,153**	37,111,877
Total Available-for-sale investments	130,410,232	7,890,018	**138,300,250**	125,376,357
d. Movement in Listed Equity Securities				
Balance at 1 January	42,289,993	-	**42,289,993**	22,695,672
(Disposal) / Additions	(5,827,185)	-	**(5,827,185)**	6,726,176
Fair value gain/(loss)	(1,277,850)	-	**(1,277,850)**	12,868,145
Balance at 31 December	35,184,958	-	**35,184,958**	42,289,993
e. Movement in Unlisted Equity Securities				
Balance at 1 January	5,915,703	396,602	**6,312,305**	12,028,668
Additions	-	-	**-**	1,009,813
Disposal	(433,283)	-	**(433,283)**	(6,726,176)
Balance at 31 December	5,482,420	396,602	**5,879,022**	6,312,305
f. Movement in Corporate Debt Securities				
Balance at 1 January	1,900,800	-	**1,900,800**	1,766,760
Additions	-	-	**-**	-
Disposals	-	-	**-**	-
Exchange gain	354,900	-	**354,900**	134,040
Balance at 31 December	2,255,700	-	**2,255,700**	1,900,800

10a. DUE FROM CEDING AND RETROCEDING COMPANIES

	General Business Gh¢	Life Business Gh¢	2012 Gh¢	2011 Gh¢
Due from Ceding Companies	56,567,987	2,293,312	**58,861,299**	62,123,041
Due from Retroceding Companies	9,501,570	64,169	**9,565,739**	8,106,381
	66,069,557	2,357,481	**68,427,038**	70,229,422
Less impairment loss	(42,416,358)	(1,295,511)	**(43,711,869)**	(42,878,248)
	23,653,199	1,061,970	**24,715,169**	27,351,174

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

10b. IMPAIRMENT ALLOWANCE

	General Business Gh¢	Life Business Gh¢	2012 Gh¢	2011 Gh¢
ACCOUNT				
Balance at 1 January	42,033,027	845,221	**42,878,248**	42,330,848
Increase in impairment loss	383,331	450,290	**833,621**	547,400
Balance at 31 Dececember	42,416,358	1,295,511	**43,711,869**	42,878,248

11. OTHER ACCOUNTS RECEIVABLES

	General Business Gh¢	Life Business Gh¢	2012 Gh¢	2011 Gh¢
Staff Debtors	1,647,415	-	**1,647,415**	1,226,954
Current Account with General Business	322,526	-	**322,526**	196,915
Interest Receivable	2,839,597	466,858	**3,306,455**	1,611,795
Other Debtors and Prepayment	1,886,839	297,395	**2,184,234**	2,212,699
	6,696,377	764,253	**7,460,630**	5,248,363

a. The maximum amount owed by staff to the Company did not at any time during the year exceed Gh¢ 1,647,415(2011 - Gh¢1,226,954).

b. The average number of persons employed by the Company during the year was 53 (2011 - 54).

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

	General Business Gh¢	Life Business Gh¢	2012 Gh¢	2011 Gh¢
12a. CASH AND CASH EQUIVALENTS				
Cash on Hand	21,096	-	**21,096**	13,128
Bank Balance	10,789,222	277,436	**11,066,658**	8,695,177
Deposits with other Financial Institutions (Note 12b)	38,034,925	356,474	**38,391,399**	28,403,572
	48,845,243	633,910	**49,479,153**	37,111,877
12b. Deposits with other Financial Institutions				
Fixed Deposits	38,034,925	356,474	**38,391,399**	28,403,572
Balance at 31 December	38,034,925	356,474	**38,391,399**	28,403,572

12c. For the purpose of cash flows, cash and cash equivalents include short-term highly liquid investments maturing in three months or less from the date of acquisition and bank overdrafts as follow:

	2012 Gh¢	2011 Gh¢
Cash and Cash equivalent (note 12a)	**49,479,153**	37,111,877
Government Securities maturing in three months	**42,267,187**	36,761,382
	91,746,340	73,873,259

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

13. UNEXPIRED RISK LIABILITIES

	Fire and Accident Gh¢	Marine and Aviation Gh¢	2012 Gh¢	2011 Gh¢
Balance at 1 January	19,615,889	986,757	**20,602,646**	18,133,356
Increase/(decrease) in Liabilities	7,316,611	2,223,472	**9,540,083**	2,469,290
Balance at 31 December	26,932,500	3,210,229	**30,142,729**	20,602,646

14. CLAIMS LIABILITY

	General Business Gh¢	Life Business Gh¢	2012 Gh¢	2011 Gh¢
Balance at 1 January	19,567,728	767,612	**20,335,340**	13,643,073
Claims Incurred less Recoveries	9,698,649	833,003	**10,531,652**	17,877,935
Claims Paid less Recoveries	(16,038,173)	(1,160,048)	**(17,198,221)**	(11,185,668)
Balance at 31 December	13,228,204	440,567	**13,668,771**	20,335,340

15. LIFE FUND

	2012	2011
Balance at 1 January	**5,894,549**	5,065,106
Transfer from Revenue Account	**2,843,406**	829,443
Transfer to Income Surplus Account	**(2,591,700)**	-
Balance at 31 December	**6,146,255**	5,894,549

Under Section 61 of the Insurance Act, 2006 (Act 724), the Company is required to carry out actuarial valuation of the life fund at least once every year. The liability of the life assurance policies as at 31 December 2012 was Gh¢2,859,537 leaving a surplus of Gh¢3,276,610

16. DUE TO CEDING AND RETROCEDING COMPANIES

	General Business Gh¢	Life Business Gh¢	2012 Gh¢	2011 Gh¢
Due to Ceding Companies	1,251,595	82,336	**1,333,931**	297,994
Due to Retroceding Companies	10,242,893	270,417	**10,513,310**	11,790,648
	11,494,488	352,753	**11,847,241**	12,088,642

17. OTHER ACCOUNTS PAYABLES

	General Business Gh¢	Life Business Gh¢	2012 Gh¢	2011 Gh¢
Current Account with Life Business	30,823	-	**30,823**	196,413
Other Creditors	245,856	26,775	**272,631**	961,504
	276,679	26,775	**303,454**	1,157,917

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

18. CURRENT TAXATION

	Balance at 1 Jan. Gh¢	Payment Gh¢	Charge for the Year Gh¢	Balance at 31 Dec. Gh¢
Assessment year				
2009	(743,806)	-	-	(743,806)
2010-2011	6,366,844	-	-	6,366,844
2012	-	(6,500,000)	**6,953,761**	453,761
	5,623,038	(6,500,000)	**6,953,761**	6,076,799

19. RECONCILIATION OF TAX EXPENSE AT EFFECTIVE RATE AND STATUTORY RATE

	2012 Gh¢	2011 Gh¢
Profit before Taxation	**20,997,167**	8,787,864
Tax at applicable rate of 25% (2011 : 25%)	**5,249,292**	2,196,966
Tax effect of Non-deductible Expenses	**3,239,853**	1,502,049
Tax effect of exempted Revenue	**(1,297,727)**	(1,034,911)
Tax effect on Capital Allowance	**(237,657)**	(13,210)
Deferred tax	**(180,242)**	419,811
Tax Charged	**6,773,519**	3,070,705
Effective Tax Rate	**32.26%**	34.94%

The tax liabilities are subject to agreement with the Internal Revenue Service.

20. NATIONAL FISCAL STABILISATION LEVY

	2012 Gh¢	2011 Gh¢
Balance at 1 January	**610,736**	439,423
Charge for the year	**-**	439,393
Amount paid	**-**	(268,080)
Balance at 31 December	**610,736**	610,736

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

21. TAX EFFECT RELATING TO OTHER COMPEHENSIVE INCOME

	Before-tax Amount GH¢	Tax (expense)/ benefit GH¢	Net-of-tax Amount GH¢
2012			
Available-for-sale	(1,277,850)	-	(1,277,850)
Other comprehensive income	(1,277,850)	-	(1,277,850)
2011			
Available-for-sale	12,868,145	-	12,868,145
Other comprehensive income	12,868,145	-	12,868,145

The gain or loss on the available-for-sale investments relates to listed equity which does not attract tax.

22. DIVIDENDS

	2012 Gh¢	2011 Gh¢
a. Declared Dividends		
Balance at 1 January	**-**	-
Dividends declared	**1,000,000**	1,500,000
Dividends paid	**(1,000,000)**	(1,500,000)
Balance at 31 December	**-**	-

b. Proposed Dividends

For 2012, the directors propose the payment of dividend of GH¢0.06 per share amounting to GH¢3,000,000.

These proposed dividend shall become payable when it is approved by the shareholders. In respect of 2011, the directors paid a dividend of GH¢0.02 per share which amounted to GH¢1,000,000.

23. DEFERRED TAXATION

	Recognised in Income Gh¢	Recognised in Equity Gh¢	2012 Total Gh¢	2011 Total Gh¢
Balance at 1 Jan.	561,294	-	**561,294**	141,483
Charge for the year	(180,242)	-	**(180,242)**	419,811
Balance at 31 Dec.	381,052	-	**381,052**	561,294

24. INVESTMENT INCOME

	General Business Gh¢	Life Business Gh¢	2012 Gh¢	2011 Gh¢
Interests	8,627,411	935,960	**9,563,371**	6,248,286
Dividends	2,831,876	-	**2,831,876**	1,702,584
Rent on Investment Property	576,477	-	**576,477**	495,594
	12,035,764	935,960	**12,971,724**	8,446,464

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

25. EXCHANGE GAIN

	General Business Gh¢	Life Business Gh¢	2012 Gh¢	2011 Gh¢
Realised	5,600,943	(33,361)	**5,567,582**	793,282
Unrealised	-	-	**-**	2,213,405
	5,600,943	(33,361)	**5,567,582**	3,006,687

The unrealised exchange gain represents net effect of gains and losses on exchange which arose from the translation of assets and liabilities denominated in foreign currencies to cedis. The assets are mainly investments and amount due from ceding and retroceding companies. The liabilities are mainly amount due to ceding and retroceding companies.

26. OTHER INCOME

	2012 Gh¢	2011 Gh¢
Interest on Deposit Released	**51,026**	23,789
Profit on Disposal of Property, Plant and Equipment	**-6**	5,048
Miscellaneous	**129,194**	75,436
	180,214	104,273

27. TAX ON COMPREHENSIVE INCOME

	2012 Gh¢	2011 Gh¢
Current Tax expense (Note 18)	**6,953,761**	2,650,894
Deferred tax (credit)/ expense	**(180,242)**	419,811
	6,773,519	3,070,705

28. MANAGEMENT EXPENSES

	2012 Gh¢	2011 Gh¢
These include:		
Staff Cost	**4,108,718**	3,216,258
Depreciation	**398,010**	398,011
Auditor's Remuneration	**40,000**	38,007
Directors Emoluments	**251,305**	196,140
Charge for Impairment loss	**816,614**	6,862,643
Donations	**105,020**	83,478

29. COMMISSION - LIFE BUSINESS

	2012 Gh¢	2011 Gh¢
a. Commissions on Accepted Businesses	**921,485**	627,336
b. Commissions on Retroceded Businesses	**64,953**	55,658

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

30. CLAIMS INCURRED - LIFE BUSINESS

	2012 Gh¢	2011 Gh¢
Claims Paid	**844,300**	1,195,150
Claims Recovered	**(11,297)**	-
	833,003	1,195,150

31. RECONCILIATION OF PROFIT BEFORE TAX TO CASH FLOW FROM OPERATING ACTIVITIES

	2012 Gh¢	2011 Gh¢
Profit before Tax	**20,997,167**	8,787,864
Adjustment for:		
Depreciation charged	**398,011**	141,504
Revaluation on Investment Properties	**595,748**	(2,437,060)
Profit on Disposal of PPE	**6**	(5,048)
Dividend Received	**(2,831,876)**	(1,702,584)
Interest Income	**(9,563,371)**	(6,248,286)
Exchange gain	**(354,900)**	(2,213,405)
Operating Profit /(Loss) before Working Capital changes	**9,240,785**	(3,677,015)
Due from Ceding/Retroceding Companies	**2,636,005**	(192,156)
Change in Other Accounts Receivable	**(2,142,062)**	948,097
Provision for unexpired risk liability	**9,540,083**	2,469,290
Claims Liability	**(6,666,569)**	6,692,267
Due to ceding/retroceding companies	**(241,401)**	544,144
Sundry creditors & accruals	**(854,463)**	205,065
Change in life fund	**251,706**	829,444
Transfer to life contingency reserve	**45,804**	30,819
Cash Flow from Operating Activities	**11,809,888**	7,849,955

32. CATEGORIES OF FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial instruments of the Company are classified into the following categories:

	2012 Gh¢	2011 Gh¢
a. Available-for-sale Investments		
Equity Securities	**41,063,980**	48,602,298
Corporate Debt Securities	**4,489,930**	1,900,800
Government securities	**43,267,187**	37,761,382
Cash and Cash Equivalents	**49,479,153**	37,111,877
	138,300,250	125,376,357

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

32. CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

	2012 Gh¢	2011 Gh¢
b. Loans and Receivables		
Due from ceding/retroceding companies	**24,715,169**	27,351,174
Other Accounts Receivables	**7,460,630**	5,248,363
	32,175,799	32,599,537

	2012 GH¢	2011 GH¢
c. Financial Liabilities measured at amortised cost		
Due to ceding/retroceding companies	**11,847,241**	11,580,358
Other Accounts Payables	**303,454**	1,094,651
	12,150,695	12,675,009

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

33. RELATED PARTY TRANSACTIONS

Transactions carried out during the year with related parties as well as outstanding balance at the reporting date are as follow:

	2012 GH¢	2011 GH¢
a. Associates		
Accepted premiums from associates	**11,978,157**	8,902,546
Commission on accepted premiums	**(4,520,197)**	(3,185,514)
Claims paid to associates	**(5,921,741)**	(2,561,907)
Net transactions with associates	**1,536,219**	3,155,125
Balances due from associates	**5,840,956**	6,988,277
Net balance due from associates	**5,840,956**	6,988,277

The company is an associated company to the following companies by virtue of having 20% holding in Donewell Insurance Company Limited, 22% holding in Metropolitan Insurance Company Limited.

	2012 GH¢	2011 GH¢
b. Directors, Officers and other employees		
Loans to Directors, Officers and other employees	**1,647,415**	1,226,954

34. Capital Commitments

There were no capital commitments. (2011: nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

35. Contingent Liabilities

At the reporting date the company had no contingent liabilities in respect of pending legal suit. (2011: nil).

36. Comparative Information

Where necessary, presentation of comparative information has been changed to conform with the presentation in the current year.

SCHEDULE TO GENERAL BUSINESS REINSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Fire Gh¢	Motor Gh¢	W. C. A. Gh¢	Other Accidents Gh¢	Marine Cargo Gh¢	Marine Hull Gh¢	Aviation Gh¢	2012 Total Gh¢	2011 Total Gh¢
Underwriting Income									
Gross Premium	31,788,742	10,894,784	1,256,954	13,634,012	4,026,264	1,009,377	631,294	**63,241,427**	45,914,855
Retrocession Premium	(4,509,787)	(66,247)	-	(191,065)	(372,288)	-	(81,163)	**(5,220,550)**	(2,211,742)
Net Premiums Retained	27,278,955	10,828,537	1,256,954	13,442,947	3,653,976	1,009,377	550,131	**58,020,877**	43,703,113
Change in Reserve for Unexpired Risks									
Balance at 31 December	13,475,529	5,192,814	565,630	6,344,670	3,313,582	757,033	493,471	**30,142,729**	20,602,646
Balance at 1 January	(8,680,092)	(4,586,776)	(428,111)	(4,567,053)	(1,651,139)	(640,081)	(49,394)	**(20,602,646)**	(18,133,356)
	4,795,437	606,038	137,519	1,777,617	1,662,443	116,952	444,077	**9,540,083**	2,469,290
Net Premium Earned	22,483,518	10,222,499	1,119,435	11,665,330	1,991,533	892,425	106,054	**48,480,794**	41,233,823
Commission on Retroceded Business	289,381	-	-	-	-	-	14,378	**303,759**	156,045
Net Premium and Commission earned	22,772,899	10,222,499	1,119,435	11,665,330	1,991,533	892,425	120,432	**48,784,553**	41,389,868
Claims Paid less Recoveries									
Claims Paid	13,839,895	4,362,201	37,041	1,509,436	1,347,223	256,405	63,442	**21,415,643**	10,726,561
Less Recoveries	(5,463,492)	-	-	-	-	-	-	**(5,463,492)**	-
	8,376,403	4,362,201	37,041	1,509,436	1,347,223	256,405	63,442	**15,952,151**	10,726,561
Provision for Outstanding claims									
Balance at 31 December	12,421,711	3,428,775	-	318,790	301,169	-	-	**16,470,445**	24,751,196
Due from Retrocessionaires	(5,446,941)	-	-	-	-	-	-	**(5,446,941)**	(5,183,467)
IBNR	1,394,954	685,755	-	63,758	60,234	-	-	**2,204,701**	2,268,584
Balance at 1 January	(11,491,139)	(6,967,810)	(16,884)	(630,548)	(461,348)	-	-	**(19,567,729)**	(15,880,089)
	(3,121,415)	(2,853,280)	(16,884)	(248,000)	(99,945)	-	-	**(6,339,524)**	5,956,224
Claims Incurred less Recoveries	5,254,988	1,508,921	20,157	1,261,436	1,247,278	256,405	63,442	**9,612,627**	16,682,785
Commission on Accepted Business	9,876,804	3,626,896	367,305	4,285,124	1,163,758	233,481	74,164	**19,627,532**	14,305,444
Foreign Taxes and Brokerages	437,075	124,291	5,609	194,335	53,094	21,241	960	**836,605**	660,389
Management Expenses	8,409,507	3,338,202	387,492	4,144,168	1,126,441	311,169	169,594	**17,886,573**	14,445,292
Total Underwriting Expenses	23,978,374	8,598,310	780,563	9,885,063	3,590,571	822,296	308,160	**47,963,337**	46,093,910
Underwriting Profit/(Loss) transferred to P & L	(1,205,475)	1,624,189	338,872	1,780,267	(1,599,038)	70,129	(187,728)	**821,216**	(4,704,042)

NOTES