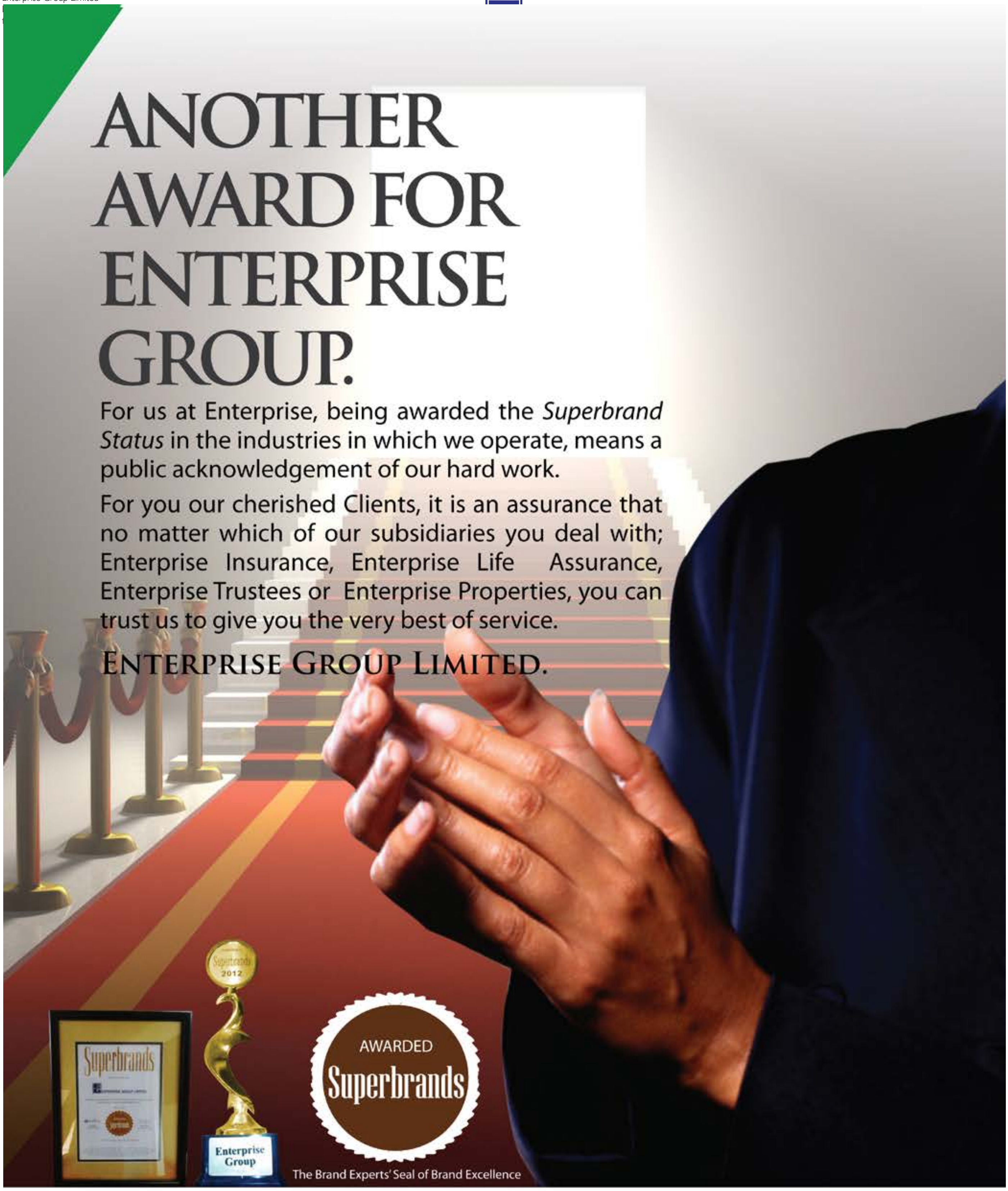
2012 Annual Report

# Nurturing Growth

ENTERPRISE GROUP LIMITED


ANOTHER AWARD FOR ENTERPRISE GROUP.
For us at Enterprise, being awarded the *Superbrand Status* in the industries in which we operate, means a public acknowledgement of our hard work.
For you our cherished Clients, it is an assurance that no matter which of our subsidiaries you deal with; Enterprise Insurance, Enterprise Life Assurance, Enterprise Trustees or Enterprise Properties, you can trust us to give you the very best of service.
ENTERPRISE GROUP LIMITED.
Superbrands
Enterprise Group
AWARDED
Superbrands
The Brand Experts' Seal of Brand Excellence

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# Notice and Agenda of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of Enterprise Group Limited will be held at the Ghana College of Physicians and Surgeons, Accra, on Wednesday, May 22, 2013 at 10.30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive the Report of the Directors and the Financial Statements together with the Report of the Auditors thereon for the year ended 31st December 2012.
2. To declare a final dividend
3. To re-elect retiring Directors
4. To authorise the Directors to fix the remuneration of the Auditors
5. To approve Directors' Remuneration

By Order of the Board
Abena Bonsu, Company Secretary

Dated the 8th Day of April, 2013.



NOTE: A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not also be a member. In order to be valid, the PROXY FORM must be deposited at the Office of the Registrar, NTHC Limited, 1st Floor, Martco House, Adabraka or NTHC Limited, P.O. Box KIA 9563, Airport – Accra NOT LESS THAN 48 HOURS before the time of the holding of the meeting.

## Five Year Financial Summary

(All amounts are expressed in thousands of Ghana cedis)

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Gross Premium** | **132,288** | **95,931** | **68,268** | **49,714** | **35,316** |
| Net premium | 114,998 | 81,410 | 55,779 | 37,248 | 23,890 |
| Net Premium Earned | 111,928 | 79,553 | 54,891 | 37,771 | 23,416 |
| Claims | (28,256) | (20,357) | (14,333) | (11,143) | (7,180) |
| Operating expenses | (31,349) | (22,095) | (18,201) | (12,277) | (8,494) |
| Investment income | 27,467 | 12,752 | 13,470 | 15,658 | 2,646 |
| Profit before Tax | 32,662 | 23,309 | 9,179 | 4,197 | 7,238 |
| **Profit for the Year** | **29,895** | **23,734** | **8,353** | **2,236** | **4,414** |
| Total Equity and Surplus | 106,535 | 75,302 | 56,898 | 34,120 | 26,879 |
| Total Assets | 223,626 | 152,890 | 115,165 | 73,883 | 59,986 |
| **Number of Shares** | **131,210,825** | **131,210,825** | **131,210,825** | **131,083,325** | **131,083,325** |
| Earnings per Share attributable to equity shareholders | 0.15 | 0.15 | 0.06 | 0.017 | 0.034 |
| Dividend per share | 0.032 | 0.000 | 0.010 | 0.009 | 0.008 |
| Return on Assets | 15.6% | 12.5% | 7.3% | 3.03% | 7.35% |
| Return on Equity | 26.1% | 25.3% | 14.7% | 6.55% | 16.42% |
| Share Price (Market) (GH¢) | 0.48 | 0.38 | 0.50 | 0.440 | 0.628 |
| Price Earning Ratio | 3.24 | 6.67 | 5.97 | 25.88 | 18.47 |

# Corporate Information

## Board of Directors

Trevor Trefgarne – Chairman
George Otoo – Chief Executive Officer
Ken Ofori-Atta
Keli Gadzekpo
H. E. (Mrs.) Margaret Clarke-Kwesie
Martin Eson-Benjamin
Emmanuel Idun

## Secretary

Abena Bonsu (Ms.)
Enterprise Group Limited
No. 11 High Street
P. O. Box GP 50
Accra

## Solicitors

Sam Okudzeto & Associates
Total House, 3rd Floor
Liberia Road
P O Box 5520
Accra-North

## Independent Auditor

PricewaterhouseCoopers
Chartered Accountants
No. 12 Airport City
Una Home 3rd Floor
PMB CT 42
Cantonments
Accra, Ghana

## Registrar

NTHC
1st Floor, Martco House,
Adabraka
P. O. Box KIA 9563
Airport, Accra

## Registered Office

Enterprise House
No. 11 High Street
P. O. Box GP 50
Accra

## Bankers

Barclays Bank of Ghana Limited.
Standard Chartered Bank

## Chairman's Review

Trevor Trefgarne
Chairman, Enterprise Group Limited

> "In a very competitive environment, the Group continued to deliver strong revenue growth, again demonstrating the great potential in our business sector."



# Dear Shareholder

### Introduction

2012 was a good year for the Enterprise Group, which achieved above market growth rates in both revenues and profits, accompanied by the strong cash flows required to support new ventures expected to deliver future growth. Based on this performance, the board wishes to propose a final dividend of GHS 0.016, bringing the full year payout to GHS 0.032 per share.

### 2012 Ghana Economic Review

Ghana's economic growth remained robust in 2012, with GDP growth estimated at 7.3%. Growth was driven by the industrial sector which achieved a 13.6%, on the back of the new oil sector and expansion in mining. The seemingly good industry sector growth hides the concern and fact that the underlying consumer driven manufacturing base in Ghana is in steep decline, and this does not auger well for the growth of commercial insurance in the General insurance business. Services delivered growth of 6%, powered by construction and Telecoms, but lower than the last two years. Agricultural growth was slower, at 3% growth, and was impacted by poor forestry and fishing performance. The Industry and services sectors drove the Group's revenues.

Inflation remained in the single digit zone at 8.8%, again driven by low single digit food inflation of 3.9%, accounting for 45% of the total inflation basket. Non-food inflation of 11.6% contributed 78% of total inflation and was driven by transport cost inflation of 20.6%, transportation alone contributing 15% of total inflation. This had an adverse impact on motor claims in our General business which derives a significant proportion of its revenue from motor premiums.

Economic and political uncertainty prior to the 2012 elections, weakened the Ghanaian Cedi which depreciated against the US$ by 20%. The management of the public debt remains a concern and is estimated to have risen to 51% of GDP as at year end 2012.

### Economic prospects 2013

2013 will be challenging. Heightened expectations following the elections and the emergence of Ghana as an oil economy will test the capabilities of the economic management team. The severe inadequacies in national infrastructure, in terms of power generation; water; roads; social services; education facilities etc. to support economic growth, coupled with the need to reduce the fiscal deficit will require exceptional management skills.

We expect continued political stability going forward, and this will buttress the strong economic growth seen in recent years. On the positive side the relatively stable prices for export commodities provides some certainty around revenue flows Resolution of some of the infrastructure and social amenity gaps could represent an exceptional source of business opportunity across the Enterprise Group.

### Delivering on our Strategy

In our 2011 annual report, we went into some detail on the strategic direction of the Enterprise Group. I am pleased to report that we made good progress on our main aims.

Net revenues grew by 51.9%, whilst profit after tax advanced by 16.1%. Total assets and shareholder funds grew by 46.2% and 41.5% respectively. This is a strong performance by any standards.

# Chairman's Review *(continued)*

Through internally generated resources, we recapitalized both our General and Life businesses to the statutory US $5 million each, and met a capital call to improve liquidity in the new pensions company, Enterprise Trustees Limited. We anticipate an early start to the Group's first significant real estate commercial development project through our wholly owned subsidiary, Enterprise Properties Limited. The equity component of this investment will be funded through internal resources. However, you can remain confident that in bringing partners, we will continue to focus on extracting synergies and efficiencies from the new corporate structure. This is a major change from which the benefits can be seen already, but will take time to reach maturity.

## Business Performance & Dividends

In a very competitive environment, the Group continued to deliver strong revenue growth, again demonstrating the great potential in our business sector. Profit after tax attributable to EGL shareholders improved to GHS 19.4m, against prior year's GHS 19m, due to our contnued investment in growth. With earnings per share, return on assets and return on equity of GHS 0.148; 15.6% and 26.1%, the Group's fortunes are steadily improving and we are confident that our strategy will continue to deliver the desired results.

In May 2012, we paid an interim dividend of GHS 0.016 per share. We propose a final dividend for 2012 payable in June 2013 of GHS 0.016 per share, bringing the total 2012 payout to GHS 0.032 per share or a total of GHS 4.2m. This clearly demonstrates that your board is fully committed to delivering sustainable shareholder value.

## Share Price Performance on the Ghana Stock Exchange

The Ghana Stock Exchange regained some of the losses sustained in the last quarter of 2011. Enterprise Group's share price was a beneficiary of this recovery, closing the year with a share price of GHS 0.48 per share and a market capitalization of GHS 61.4m, representing a price earnings ratio of 3.24. Our balance sheet with total assets of GHS 223.6m and net assets of GHS 0.67 per share provides support for the profitable opportunities we see in the Ghanaian economy.

## Management & Staff

Once again the dedicated and loyal management and staff of the Enterprise Group have not disappointed us. On behalf of the Board and shareholders I wish to express our thanks to the management and staff of the Group for the excellent results delivered.

## 2013 Prospects

We go into 2013 with confidence in the future of the Enterprise Group. There are of course some risks in the competitive and economic environment. We believe however that we have the capabilities necessary to mitigate the impact of these risks.

Trevor Trefgarne

Trevor Trefgarne
Chairman, Enterprise Group Limited

# Board of Directors - Enterprise Group Limited

**Trevor Trefgarne**
Chairman

**George Otoo**
Group Chief Executive Officer

**Emmanuel Idun**
Executive Director,
Finance

**H. E. Mrs. Margaret Clarke-Kwesie**
Director

**Keli Gadzekpo**
Director

**Martin Eson-Benjamin**
Director

**Ken Ofori-Atta**
Director



# Non-Executive Directors of Subsidiary Companies

**Charles Paul Odei**
Director - EIC & ETL

**Matilda Obeng–Ansong**
Director - ELAC

**Gloria Akuffo**
Director - ELAC

**Margaret Dawes**
Director - ELAC & ETL

**Kwabena Asante**
Director - EPL

**Fiifi Kwakye**
Director - ETL

**Josh Wrench**
Director - ETL

## Group Chief Executive Officer's Review

George Otoo,
Group Chief Executive Officer.
Enterprise Group Limited

"The overall results were achieved through the excellent top line revenue growth, good performance on investment income, significant market related fair value gains, and positive underwriting results in the insurance businesses"



# Group Chief Executive Officer's Report

**Introduction**

2012 was a rewarding year as we nurtured the growth of the Group. We continued to translate our strategic plans into action, and achieved a large measure of success as evidenced by the quality of results achieved. These achievements were against the back drop of a fiercely competitive environment, the extended political season and some turbulence in the economy.

**Business, competitive and regulatory environment**

The Group met the proposed regulatory minimum capitalization requirement of US $5 million each in Enterprise Insurance Company Limited and Enterprise Life Assurance Company Limited. The total reserves and assets transferred into stated capital in these two businesses amounted to GHS13.3m. Additionally, we met a capital call from Enterprise Trustees Limited of US $1 million.

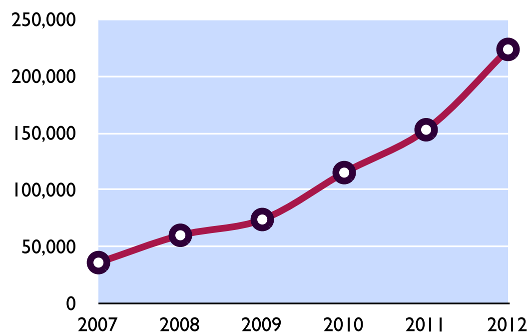
The proposed new insurance regulatory legislation comprising of a new Solvency Framework, a new Insurance Act, Insurance Regulations and Insurance Code, Corporate governance and risk management codes failed to materialize into law. This offers the insurance industry a further opportunity to make inputs aimed at ensuring that any new legislation promotes the growth of the industry.

The industry remained fiercely competitive. There were 2 new entrants, bringing the total number of industry players to 24 in General and 18 in Life. Discipline remained an issue in the industry, with pricing, particularly in the General insurance business, playing a key role in business acquisition as opposed to real innovation and service quality. The new NIC rules around the granting of credit and management of debtors in the industry, appeared slow in application.

**Progress on delivering the Group Strategy**

The Group made significant progress on its strategy. Most prominent amongst these achievements were the outstanding growth in both our net revenue and profits, which achieved growth rates of 51.9% and 16.1% respectively. These achievements were made possible through product and channel innovation; improved channel reach and higher yields on investments. ROE and ROA improved to 26.1% and 15.9% against prior year's 25.3% and 12.5% respectively.

## Total Assets



## Group Chief Executive Officer's Review *(continued)*

Our first offshore venture in the Gambia is looking promising. Together with the potential in our home market, we see good prospects for the future.

We made good progress in properties and expect to start our first major office development by the start of the 4th quarter 2013. Further, we expect our current redevelopment joint venture with Taysec, to come to a successful conclusion by the end of September, 2013.

Despite the delay by the National Pensions Regulatory Authority, [NPRA] in implementing fully the provisions of the Pensions Act, three years after its enactment, we see great benefits for both business and fund contributors, once all stakeholders begin to live up to their commitments fully.

Good cash generation and a strong reserves position enabled us meet the statutory capitalization requirement for both the General and Life Insurance businesses of US $5m each, and also recapitalized Enterprise Trustees Limited. Total capitalization in the Group amounted to GHS 15.3m.

Going forward, we envisage further substantial capital funding requirements in respect of new redevelopment projects in Properties and the proposed funeral business. We expect to continue to fund substantial proportions of these new ventures with internally generated funds together with some medium term debt financing as may be necessary. Naturally, this will be done without jeopardizing other business demands and commitments.

Initiatives aimed at extracting efficiencies and synergies from the Group structure and shared services continued. These focused on major projects to improve the quality of business information, and a higher exploitation level of technology and shared services. These projects are medium to long term in nature, in terms of realizing the benefits of these initiatives. Aligned to this is the "One Enterprise" project which seeks to pull the energies and creativity of our over 300 strong employees, in a single direction.

We will continue to seek Strategic partners in our business where we believe this will bring increased growth and profitability.

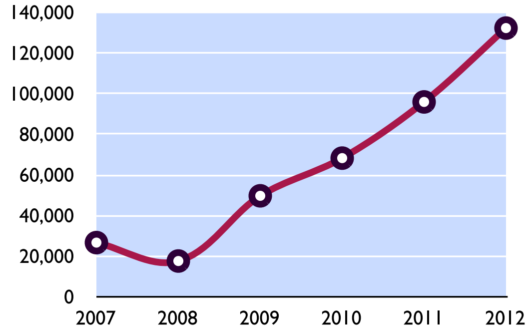
We see change as a necessary and continuous process in our evolution into a key player in financial services within the sub region. We will therefore remain dynamic in responding to the needs of our potential and existing customers.

### Financial Performance Review

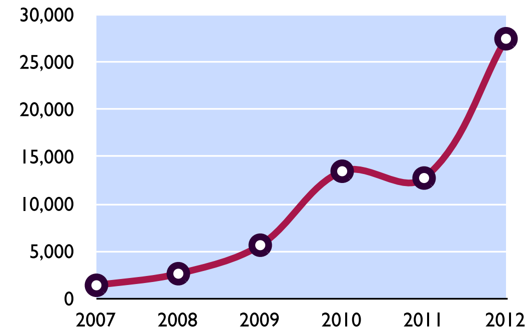
**Revenues**

We delivered another year of outstanding revenue growth of 51.9%. in 2012. This was primarily driven by the General and Life insurance businesses, which delivered growth rates of 25.4% and 45% respectively. Investment income and fair value gains accelerated net revenue growth to 51.9% to GHS 145.7m against prior year's GHS 95.9m, with investment income and fair gains contributing 23.2% of total net income, versus prior year's comparative of 17.0%. The significant lift in the share of investment income to Net income can be attributed to the good performance of shares on the Ghana Stock Exchange, which delivered an index

### Gross Premium




### Investment Income




growth of 23.8% in 2012; the high yields on Government paper and the very significant capital appreciation in the values of prime properties in Accra. Overall, the insurance businesses contributed 91.5% of net revenue, with the remainder originating from new ventures and the holding company, Enterprise Group

### Operating Costs

Total net expenses of GHS 113.0m, representing a growth over prior year of 60.4% was driven primarily by provisions to the life fund of GHS 32.7m, representing 27.7% of total group net expenses. The 149% growth in this provision was mainly the result of the exceptional returns on investments in the year, and which ultimately accrued to policy holders.

Overall claims grew by 38.8% against prior year, impacted by policy surrenders and part encashment, in the Life business. Policy holders increasingly see their policies as a pool of savings to be accessed in emergencies.

Commission growth of 38.8% reflected the increased number of agents and channels, necessary to push forward our growth agenda.

Operating cost growth of 41.9% reflected incremental costs associated with headcount growth and one off costs associated with new initiatives within the Group.

Relative to net income, net expenses rose marginally to 77.6% against the 73.5% achieved in prior year mainly on account of our pursuance of growth; the accelerated actuarial charges in the year, and projects associated with the Group's diversification and change agenda, such as rebranding.

## Group Chief Executive Officer's Review *(continued)*

We expect some continuing "one-off" significant charges in the medium term, however we expect that over the medium to long term, the benefits of these investments will lead to a progressively more efficient organization and an overall reduction in operating costs relative to revenues.

### Profits

Our insurance businesses continued to generate positive underwriting margins, in line with our overall strategy of creating operating efficiencies which made this possible. Group profit after tax and before minority interest was GHS 29.9m, against prior year's GHS 25.7m, representing an improvement of 16.1%. Profit attributable to Enterprise Group shareholders was GHS 19.4m versus GHS 19.0m achieved in 2011.

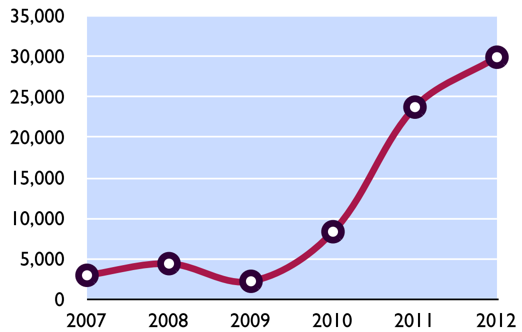
These overall results were achieved through the excellent top line revenue growth, good performance on investment income, significant market related fair value gains, and positive underwriting results in the insurance businesses.

Although the fair value gains can be deemed as exceptional, improving cost management, active management of the larger investment base and the start of revenue streams from the new businesses will progressively compensate for these exceptional gains.

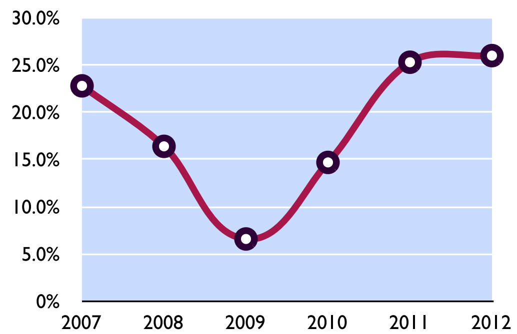


Earnings per share improved to GHS 0.148 from GHS 0.145 in 2011. Return on assets and equity were 15.6% and 26.1% against prior year's 12.5% and 25.3% respectively.

### Profit for the Year




### Return on Equity




### Balance Sheet

The restructuring of aspects of the Group's Balance Sheet in 2011, has already began yielding dividends, as it has allowed the Group to create incremental value from idle, low yielding assets. In the process, we continue to grow and strengthen the Group's Balance Sheet.

Total assets grew by 46.2%, driven by a 48.2% growth in investment securities, consisting mainly of treasury bills, equity and cash, and a 45.9% value appreciation on investment properties. The positive real interest rates on government paper, the exceptional performance of equities on the Ghana Stock Exchange, and a higher level of investments for policy holders on account of actuarial provisions accounted for growth in financial assets. Our portfolio of prime real estate sites in Accra continued to appreciate in value as demand outstripped the supply for such desirable sites. Total Net assets grew by 41.5%, driven by increases in retained earnings and statutory provisions on account of the Group's improved profitability. Net assets attributable to Enterprise Group shareholders grew by 36.9%.

### Management & Staff

Throughout 2012, the people agenda took center stage, as we pursued our growth and diversification strategy.

Our staff and management responded positively by embracing change. Many championed change projects initiated to deliver our strategic objectives.

On the back of our "One Enterprise" strategy, we aligned the management structures throughout the Group.

Our 2013 people agenda will be focused on developing the quality, depth and breadth of experience in our key people, which will continue to be a critical success factor if we are to lead the market in innovation and services delivery to our customers. This will include robust forward planning for succession.

Once again we wish on your behalf to express our deep appreciation to all the staff and management of the Enterprise Group who have made our achievements possible.

### Prospects for 2013

Our industry offers many opportunities for growth. Our objective in 2013 will be to continue to capitalize on these opportunities in pursuance of our strategic objectives. Both the regulatory and competitive environment will continue to pose challenges. We believe, however, that the staff and management of your business can deliver.

George Otoo, Chief Executive Officer.
Enterprise Group Limited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Kwame Ofori
Executive Director, EIC

"With the return of the company to positive underwriting margins in 2011, Management's focus is now on the achievement of consistent and sustainable profits year after year"



# Enterprise Insurance Company Limited Report

**The Industry**

The year 2012 saw the National Insurance Commission (NIC), the regulator, begin a process aimed at streamlining the claims settlement procedures in the insurance industry. New guidelines have now been set for operators of general insurance business, spelling out time limits for the handling of motor insurance claims. It is expected that as all insurance companies conform to these guidelines it will increase consumer confidence in insurance and help improve the image of the industry as a whole.

The insurance penetration in the country is still very low. The Finscope survey which was commissioned by the Government of Ghana on the financial sector concluded that, excluding those with the national health insurance, only 5% of the population has an insurance product.

Insurance penetration, which is defined as the contribution of total insurance premiums to GDP is still 1%, compared to 14.8%, 2.8% and 4.8% for South Africa, Kenya and Malaysia respectively. There are therefore enormous opportunities for growth.

It is in the light of the above that the NIC, in a bid to entice low income earners to patronize insurance products, partnered with Deutche Gesellschaft fur Internationale Zusammenarbeit (GIZ) Gmbt, during the year to promote micro insurance. Presently, there are a few general insurance companies providing micro insurance services on a limited scale. The NIC has included provisions on micro insurance into the draft bill which may be passed into law in 2013. It is believed that the Commission's increased focus on micro insurance may well prove to be the vehicle to propel insurance penetration to new heights in the country.

Competition within the industry, based on pricing as well as the uncontrolled granting of credit continued unabated.

**Company Results**

Management made good its pledge to maintain positive underwriting results to the Company for the period under review.

Gross Premium grew by 25.16% from GHS34.42m to GHS 43.08m in 2012. Net Premium went up from GHC20.80m to GHC27.42m, a growth of 31.82% over 2011. Management is committed to growing the small to medium-sized businesses of which significant portions are retained to achieve our Net Premium growth agenda and thus increase the Underwriting Margin.

New business contribution to the Gross Premium was GHS13.33m a growth of 32.50% over 2011 of GHS10.06m. The major contributor, as usual was motor bringing into the new business pool GHS7.92m.

## Enterprise Insurance Company Limited Review *(continued)*

We collected 90.02% of the premium for the period under review. We will continue to prevail on our clients to pay their premiums promptly, as we are committed to maintain the debtor balances to the barest minimum to ensure that we have sufficient liquidity to honour our claims obligations at all times.

We did record some significant fire and marine claims in 2012. That notwithstanding, Underwriting Profit grew by a 155.31% to GHS1.58m from GHS0.62 in 2011.

Our key objective for 2013 is to further grow our Net Premium and our investment income in order to improve substantially Underwriting Profit and our bottom line situation.

### Financial Results

We witnessed a 64.07% growth in Investment Income from GHS0.604m in 2011 to GHS0.991m in 2012.

With the growth in Underwriting Profit, Underwriting Margin grew from 1.8% in 2011 to 3.69% in 2012. Other Income, however, went down by 41.97% from GHS0.25m in 2011 to GHS0.16m in 2012.

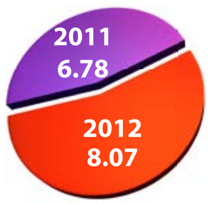
Profit before Taxation was GHS4.07m against GHS27.17m in 2011. This was due to the fact that we recorded Profit from Disposal of Shares of GHS28.08m in 2011.

Total taxation (corporate tax and Stabilization Levy) increased in 2012 as a result of increase in operating income.

Profit after Taxation was GHS2.09m

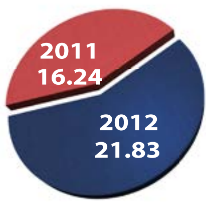
| | 2012 | 2011 | % Growth |
|---|---|---|---|
| Gross Premium | 43,079 | 34,419 | 25.16 |
| Net Premium | 27,419 | 20,801 | 31.82 |
| Claims Incurred | 12,749 | 9,893 | 28.87 |
| Net commission Expense | 2,007 | 1,165 | 72.27 |
| Operating Expenses | 8005 | 7,266 | 10.17 |
| Underwriting Profit | 1588 | 621 | 155.55 |

### Summary of performance by class of Business



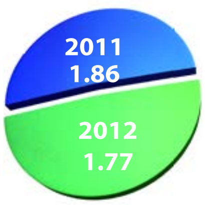

#### Fire

The Fire Account grew by 19.02% from GHS6.78m in 2011 to GHS8.07m in 2012 contributing 18.73% to the Gross Premium Income compared to 19.69% in 2011. The portfolio recorded an Underwriting Profit of GHS0.09m in 2012 as against the Underwriting Loss of GHS0.36m in 2011.




#### Motor

The Motor portfolio grew by 34.47% from GHS16.24m in 2011 to GHS21.83m 2012. It continues to be the highest contributor to the Gross Premium Income moving from 47.18% in 2011 to 50.69% in 2012. With the high rate of depreciation of the Ghana Cedi against the major currencies experienced in 2012 coupled with the high cost of spare parts, Motor recorded an underwriting loss of GHS0.20m in 2012 as against GHS0.52 in 2011. Its contribution to the Net Premium cannot be over emphasized moving from 92% in 2011 to 94.30% in 2012. We remain committed to returning the Motor portfolio to profitability.




#### Marine

Income from Marine fell from GHS1.86m in 2011 to GHS1.77m in 2012. This was due to non-declaration of shipments by a major client who now require their importers to arrange for insurance on their shipment. The portfolio's contribution to the overall Gross Premium Income thus fell from 5.41% in 2011 to 4.10% in 2012. The account recorded a marginal reduction in Underwriting Profit from GHS0.36m in 2011 to GHS0.26m in 2012


#### General Accident

General Accident as a Class of Business comprises Public Liability, Engineering All Risks, Burglary, Personal Accidents, Customs and other Bonds, Professional Indemnity, Goods-in-Transit, Money Insurance among others.

The Portfolio recorded a growth of 18.99% over 2011 moving from GHS9.58m in 2011 to GHS11.40m in 2012. Its contribution to the Net Premium also increased from 33.66% in 2011 to 35.98% in 2012. The Accident portfolio contributed 26.46% to the overall Gross Premium Income as against 25.53% in 2011. The portfolio returned an Underwriting Profit of GHS1.45m as compared to GHS1.14m in 2011

## Enterprise Insurance Company Limited Review *(continued)*

**The future**

Management is determined to continue the upward trend in underwriting profit and to ensure profitability in all our business lines. 2013 will be a year of re-engineering for growth that will include an upgrade of our insurance software, restructuring of our workgroups system of operation and the opening of more branch offices.

We will also continue to pursue the innovations that we have introduced in the last few years in the way of new products, all of which we believe give ample reason for great optimism.

**Appreciation**

We are greatly appreciative of the continued patronage of our valued clients and intermediaries whose trust in us continues to keep us in business. We assure them of the best of service to enable them continue to enjoy the peace of mind we offer.

I thank management and staff for continuing to work diligently in a very challenging business environment to steer us back to the path of profitability.

Finally, I thank the board of directors for their invaluable counsel, guidance and support, without which the return to profitability could not have been possible.

Kwame Ofori
Executive Director, EIC

## Enterprise Life Assurance Company Limited Review

C.C. Bruce Jnr.,
Executive Director, ELAC

> “ELAC's financial strategy continues to be to ensure we have a strong balance sheet and the flexibility to support the significant growth strategy”



# Enterprise Life Assurance Company Limited Report

**Introduction**

Year 2012 marked our 11th full year in operations which is the beginning of a new generation in the life of the company. We are happy to announce again, impressive results with significant growth in both our Gross Premium Income and Profit figures. We managed to retain our positions as No. 1 in the Financial Services Sector and No. 3 overall in the GIPC Club 100 rankings. We also took back the CIMG Life Insurance Company of the year award we first won in 2009.

**Corporate Theme**

We adopted "Insurance Delivery with a Heart" as a corporate theme for the year. The heart occupies a central position in the body and is the source of real intelligence, passion and drive. We seek to deliver Life Insurance not only applying our intellect (technical skills) and competence but combining with emotional maturity and connecting with people.

**Strategic Objective**

Our strategy is built on five (5) pillars.

The first pillar is to create an enabling environment which will drive peak performance. Our focus will be on developing our people through capacity building and performance management.

The second pillar is service delivery through the application of technology and adoption of best practice.

The third pillar is maintaining our current strategic alliances and building new ones. Through strategic alliances we intend to develop new growth channels.

The fourth pillar is the visibility and awareness of our company. This is supported by a well-structured marketing plan and our corporate social responsibility activities.

The fifth pillar is attaining qualitative and profitable growth. This combines aggressive sales growth with prudent expense management.

**Financial Review**

Our focus to create, deliver and grow shareholder and policyholder value was realized in our 2012 results. ELAC had remarkable year making significant strides in the market, increasing profitability, growing size of premium income to an appreciable level in spite of stiff competition.

Net premium recorded a 44.4% growth to hit GH¢87.5m. This was driven by improvements in our Group Life Operations as well as Individual Life. In spite of this growth, management expenses only increased by 25.1% to GH¢16.6m, improving our expenses ratio from 21.6% to 18.6%. However, growth in Actuarial Liability was significant due to very strong performance from the savings products. 2012 saw a growth of 249.2% to tip GH¢ 32.7m. This was however compensated for by a strong showing from returns on investments which grew by 390.1% over 2011 to GH¢ 18.7m. The end result was a 61.8% improvement in Profit after Tax from GH¢14.1m to GH¢22.7m.

Total assets increased by 46.7% to GH¢130.4m. This was driven by investments in Bonds, Treasury Bills and landed properties.

Annual Premium Equivalent (APE) which measures new business premium over a twelve month period, grew from GH¢31.2m in 2011 to GH¢45.7m in 2012. This is a result of higher average premiums from the enhanced funeral policies and strong growth in new business volumes. VNB, a measure of profitability for new business, also improved by 40% from GH¢14.3m to GH¢20.0m in 2012.

The Embedded Value of the business, (the adjusted net worth of the company plus the value of future profits from in-force covered business less the cost of required capital), improved by 45.1% from GH¢80.3m to GH¢116.5m. The movement was enhanced by increase in Net Asset Value of 53.2% and Value of in-force business (present value of future profits) of 39.0%

## Distribution

Our geographical expansion continued with the opening of eight (8) more offices in Goaso, Mampong, Sefwi Wiaso, Kpong, Cape Coast, Wa, Madina and Hohoe. With our entry into Wa, we are now present in all the 10 regions of Ghana.

We grew our directly managed Sales Representatives by 5% which drove our Agency Channel to contribute 68% of individual new business sales.

The quality of our Sales Representatives was reflected in the increase in productivity of 10%. The continuous training of our Sales Management team coupled with our strict performance management regime contributed to the growth of the Agency Channel.

Under the Broker Channel, we signed on two (2) more Brokers and increased the Sales Representatives by 15%. The contribution of this channel to the total new business sales however decreased from 22% in 2011 to 19% in 2012.

Our Bancassurance Channel decreased their share of new business from 22.73% in 2011 to 17.92% in 2012.

## Individual Life Products

Having reviewed the Funeral Finance Plan (FFP), we set up a new platform to enable existing policyholders to migrate unto the new FFP to enjoy enhanced benefits.

Within the period we also reviewed the Funeral Plans for both Barclays and Standard Chartered Bank.

A new product, the first on the market was developed for Standard Chartered Bank – Care4Ladies. We also developed Lifetime Needs (LTN) and Educare for ELAC-Gambia.

## Premium Collection

During the year, we made strides in premium collection from all three sources; Banks, Employee Deduction and Controller & Accountant General's Department. They contributed to the 11% of growth in incepted cases and improved on our lapse rate by 19%.

This improvement was in spite of the Controller & Accountant General's software disruptions in the months of August 2012. In addition, Ghana Police and Ghana Armed Forces introduced new premium deduction rules which affected the number of polices that qualified for deduction.

Our premium collection effort is heavily influenced by third parties and we are part of industry efforts to engage these third parties for our mutual benefits.

## Customer Service / Benefit Payments

Service delivery under our individual life operations remains our key focus. During the year, we moved from our total house branch to the L'aine Service building in Adabraka to offer a more spacious and central customer service center. We also improved the service center at Roman Ridge Office.

Benefit Payments increased by 48% over the previous year with funeral products accounting for 99% of all benefit payments made.

The percentage of fraudulent claims however decreased over prior year.

We completed the implementation of the new phase of our operational software. The new orfeo is web based which makes it easily accessible. Our distribution channels can have access to the platform as well. This software is more stable and gives us lot of flexibility in our business operations.

## Group Operations

Our group operations division had another good year with 86% increase in gross premium income over prior year.

Group Operations contributed over 12.93% our total premium income and in 2012 contributed modestly to our profit position.

Our credit life portfolio is however threatened by the Portfolio Protection Plan (PPI) Rules introduced in the UK financial market which requires banks to give their customer a choice in selecting their credit life insurers. Foreign banks operating in Ghana are likely to apply these rules to their local operations.

## Marketing

We very much improved our marketing and visibility activities during the year. We employed multiple advertising channels using billboards, newspaper advertisements (product and testimonials) as well as sponsorship of radio programs.

Our corporate social responsibility activities focused mainly on three main areas Health, Education and Institutional donations and support. These are as follows.

Health

- Children's Heart Foundation
- Kidney Foundation
- National Cardio thoracic Centre

# Enterprise Life Assurance Company Limited Review *(continued)*

Education

- WA Library project
- University Of Ghana medical students association.
- KNUST medical students association
- Aburi Girls Senior High School.
- Bishop Girls Junior High School
- UCC actuarial students association.

Institutions

- Basic & leadership training school Tema (Eastern Naval Command)
- Navy trade Training School Takoradi
- Ghana Prisons Service

## Gambia Operations – (ELAC - Gambia)

We were finally granted a license and started our operations in the Gambia in September. The official launch was held in November and was attended by both the Gambian Finance Minister and the Central Bank Governor. The initial performance indications are positive and we are hopeful that given the goodwill enjoyed in the country, ELAC-Gambia will turn out good results.

## Enterprise Funeral Service, Ghana

During the year, we incorporated a new subsidiary, the EFSG to enter the funeral services industry. With our strength and dominance in selling funeral insurance in the country, our entry into the funeral service industry would be a vertical integration strategy to enable us provide the full range of funeral insurance and allied services. Even though, the EFSG is a wholly owned subsidiary, we are engaging others for both technical services and equity partnership.

## 2013 Outlook

In the year 2013, we will stick with our 5-pillar strategy.

We will continue with our geographical expansion and bring life assurance to the doorsteps of Ghanaians in other towns.

We will deepen our relationships with third party distribution partners to continue to diversify our distribution channels.

We will seek to improve efficiency and manage cost through technology application.

Our West Africa expansion plan is to consolidate our Gambian Operations whiles exploring for other regional opportunities.

We will also explore opportunities in Microinsurance.

With our continuous focus on the fundamentals of our business whiles pursuing new initiatives we expect 2013 to be challenging but exciting with good results.

C.C. Bruce Jnr.,
Executive Director, ELAC

Kwaku Yeboah-Asuamah
Executive Director, ETL

> "Our operational software has been under constant upgrade to meet the expectations of the regulator and our teaming customers."



# Enterprise Trustees Limited Report

## Regulatory Developments

Year 2012 saw the National Pensions Regulatory Authority (NPRA) taking two significant steps in the implementation of the new pensions law. Fifteen Corporate Trustees, twelve Custodians and thirty-one Fund Managers were licensed to operate in the tiers two and three under the Pensions Act, 2008, Act 766 in March 2012. Following the licensing, hopes of many players in the industry were raised very high, however, schemes were not licensed until November. This meant that receipt and management of contribution could only start in the middle of December 2012. This unfortunate delay by NPRA in licensing schemes also meant that no fee income could be earned in the whole of 2012. The hope, however, was that the period of inactivity by Corporate Trustee was over, paving the way for exciting challenges and opportunities in 2013.

## Operations

The company successfully registered six (6) Master Trust Schemes. These are made up of three (3) 2nd tier occupational pension schemes and three (3) 3rd tier provident fund schemes. Five (5) of these schemes are occupational in nature with one of them, Enterprise Personal Pension Scheme, specially designed to meet the needs of individuals who want to make provisions for their future pension. Our operational software has been under constant upgrade to meet the expectations of the regulator and our teaming customers.

## Marketing

Vigorous marketing campaign started in April 2012 after our license was issued in March. Our activities were, however, concentrated in Accra. By the end of the year, we had signed on about 70,000 employees to our various schemes and about 80,000 employees to various employer sponsored schemes that we had been contracted to provide administration services. There is still a significant number of employers who are yet to contract the services of Corporate Trustees as a result of lack of employer education. This obviously presents opportunities as we enter into year 2013. This may require that we expand on our branch network to help us get closer to these companies to secure their businesses.

## Enterprise Trustees Limited Review *(continued)*

### Branch Operations

During the last quarter of the year under review, we established our presence in Kumasi and Takoradi in a rather inconspicuous way. We managed to put a desk each in Kumasi and Takoradi offices of our sister companies, ELAC and EIC to canvass for business. Fully-fledged offices are envisaged for the immediate future.

### Operating Results

Contrary to the expectation of the board and management, the whole of 2012 ended up without any operating income. The delay in scheme registration affected all the players in the industry. In the year 2012, we made an operating loss of GHS1.33m, this affected our capital base. To offset the reduction in capital, shareholders injected an additional GHS1.87m in the last quarter of the year. Actual commencement of the real pension fund management had to start at a slow pace in the last two weeks of the year. In view of this many of our plans were put on hold.

### Outlook for 2013

The employees covered under various schemes registered so far and the large number of corporate bodies yet to select Corporate Trustees presents exciting opportunities amid the challenges of having to reach out to the many small registered companies in various districts and the associated logistical challenge. The success of the year 2013 also, to a very large extent, depends on the timely release of the Temporary Pension Fund held by Bank of Ghana to the Corporate Trustees. Contributions made by individuals since 2010 constitutes a significant portion of the financial projections of the Corporate Trustees. Delay in releasing these funds will, in no doubt, affect our operations.

Kwaku Yeboah-Asuamah
Executive Director, ETL

Philip Godson-Amamoo
General Manager, EPL

"We expect to have a broad strategic framework for all our currently owned real estate properties by the end of the half year 2013 that will ensure excellent value for money returns to our shareholders."



# Enterprise Properties Limited Report

**Industry Structure**

The Ghanaian real estate market has been adjudged by most foreign experts as the best destination for real estate returns within the medium (3yrs) to long term (10yrs) in West Africa. Current perceptions are that, the region is still considered a high risk alternative but this same research indicates a changing trend of increased participation in the sector.

Real estate industry faces a high interest rate regime, impacting both developers and buyers. Lines of credit to the builder is severely restricted by lending policies. The high home loan rates restrain the demand in the residential segment. Commercial property market is exploding but demand has been dampened as a result of high cost of acquisition and rents.

The Accra commercial property market where Enterprise Properties Limited has the bulk of the investments is experiencing a price correction in rental prices. Over the next 3 years the demand for space will be limited to properties offering world class standards and prices are expected to be in the region on US$40-45 per square meter and median rental charges offered in the range of US$25 depending on the sustainability of current market drivers.

Prices of residential property, however, have not shown any significant lowering of prices in most areas. This is due to ever increasing demand for home ownership. Given the methods of financing home purchases through cash savings and personal loans and an aversion and lack of understanding of mortgage finance, it is increasingly suggestive to project that the mortgage finance market will be a good investable segment of the industry.

**Business Analysis**

The thrust of the company's activities in 2012 has been actively working on an office building project on the 7th Avenue at Ridge in Accra. Construction is expected to commence at the end of the third quarter of 2013 at the latest and involves a 12-floor world class office building that we estimate will take 30 months to complete.

Our Roman Ridge venture with Taysec Homes providing high class residential accommodation is also ongoing and remains on track for completion by year end 2013. There have been little variations in terms of cost growth and project remains within budget.

Additionally, our company has been providing a lot of services for Enterprise Life Assurance Company (ELAC) and Enterprise Insurance Company (EIC). We have been at the forefront of lease negotiations for branch space, property acquisitions, refurbishment and renovations and the standardization of office space for these two companies.

As a member of the Enterprise Group, we have also been instrumental in developing policies for safety, disaster recovery, fire drills and evacuation methodologies and most importantly evolving our Group policy on our real estate development. Other major work-in-progress activities include services provided to our Funeral Services subsidiary of the Group. This includes management of a 50-acre piece of land earmarked for a private cemetery in Miotso, Prampram and other add-on services such as property acquisition, permits, etc. for the funeral business.

### Financial Analysis

Most of our projects are work-in-progress. Rental income for 2012 was GHS0.52m. We also conducted a revaluation of our investment properties which increased in value by GHS10.83m, from GHS11.4m in 2011 to GHS22.2m in 2012. Our equity investments also appreciated by 212% growing from GHS0.38m to GHS1.19m. Our total comprehensive income grew from GHS7.99m to GHS11.65m. Our expenses increased from GHS0.13m to GHS0.93m, a 600% increase. This is attributable to increases in the headcount of the unit and also some costs attributable to on-going projects being charged to the unit. Our total assets are GHS11.65m, an increase of 46% from GHS7.99 in 2011.

### Outlook

We expect to have a broad strategic 'signed off' framework for all our currently owned real estate properties by the end of the half year 2013 that will ensure excellent value for money returns to our shareholders.

We continue to be optimistic about our company's future. Availability of high-end customers in the commercial space and a broadening affluent middle class population of the country offer a good opportunity for carrying out profitable business.

We will seek to improve efficiency and manage cost through application of technology where possible. We will continue to deepen our relationship with our third party consultants and service providers to deliver world class standards. We will constantly review all opportunities and conduct our business profitably.

Philip Godson-Amamoo
General Manager, EPL



*An artist impression of one Enterprise Properties Development*

## Corporate Governance Statement

**Introduction**

Enterprise Group Limited is committed to the principles and implementation of good corporate governance. The company recognizes the valuable contribution that good corporate governance makes to long term business prosperity; sustainability and accountability to shareholders and other stakeholders. The company is managed in a way that maximizes long-term shareholder value and takes into account the interests of all its stakeholders.

Enterprise Group Limited believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of directors and notes to the accounts, the business adopts standard internationally recognised accounting practices and ensures sound internal control to facilitate the reliability of the financial statements.

**The Board of Directors**

The responsibility for inculcating good corporate governance principles and practices belongs to the Board of Directors and the Management Team. The Members of the Board are highly qualified and experienced in both managerial and their respective fields of specialisation. The Board of Directors is currently comprised of five non-executive directors (including two independent directors), the Group Chief Executive Officer and the Group Executive Director, Finance.

The Board of Directors formally meets four times in a year. They provide a clear strategic direction for the Group and ensure the achievement of key deliverables. Senior management attends meetings of the Board of Directors by invitation.

The roles of the Chairman and the Group Chief Executive Officer are separate and do not vest in the same person, with the Chairman being a non-executive Director. The Chairman provides leadership and guidance to the Board of Directors and encourages proper deliberation of all matters requiring the Board's attention.

To ensure effective control and monitoring of the company's business, the Board has three main committees: an Audit Committee, a Human Resource Committee, and an Investment Committee.

**Audit Committee**

The Audit Committee reviews and reports to the Board of Directors on the compliance, integrity and major judgmental aspects of the company's published financial statements. It also reviews the scope and quality of the external audits as well as the adequacy of the company's internal controls and risk management.

The Audit Committee members are:
Martin Eson-Benjamin - Chairman
Ken Ofori-Atta - Member
George Otoo - Member
The Committee met twice in the year under review.
Some notable recommendations of the Committee approved by the Board in 2012 were:

- Revision and approval of Credit Policy
- Development of a comprehensive Business Continuity Plan (BCP)

**Human Resource Committee**

The Human Resource Committee determines the level and structure of Executive remuneration and reviews the executives' performance and service agreements annually. Additionally, the committee sets Board remuneration after appropriate surveys. It is also responsible for reviewing the Human Resource Policy for the company; executive succession plans and the recruitment of officers from the General Manager Level and above.

The Membership of the Human Resource Committee is as follows:

Keli Gadzekpo - Chairman
Ken Ofori-Atta - Member
Margaret Dawes - Member
Gloria Akuffo - Member
Trevor Trefgarne - Member

The Committee met twice in the year under review.

Some notable recommendations of the Committee approved by the Board in 2012 were:

- Implementation of a Group strategic framework for achieving a "One Enterprise" structure and culture
  - Group Town Hall Meetings
  - Standard HR Software across the Group
  - Standardised reward structures and streamlined reward practices in line with market data and best practice.
  - Capacity Building Initiatives through learning and development.
- Promotion and creation of awareness of Health and Wellbeing Practices
- The development of a Group HR Policy Manual & Employee Handbook

## Investment Committee

The Committee reviews, discusses and recommends investment opportunities to the Board.The Committee monitors the progress of the Company's investment programmes and approves financial transactions within its authority as delegated by the Board. This Committee also provides strategic direction for the attainment of EGL's corporate vision and objectives aimed at maximizing shareholder value through growth and development through its subsidiaries.

The Membership of the Investment Committee is as follows:
Ken Ofori-Atta - Chairman
George Otoo - Member
Emmanuel Idun - Member

The Committee met twice in the year under review.

Some notable recommendations of the Committee to the Board in 2012 were:

- Purchase of low priced stocks
- Increase in property portfolio for the Group

## The Group's subsidiaries

Enterprise Insurance Company Limited, Enterprise Life Assurance Company Limited, Enterprise Trustees Limited and Enterprise Properties Limited each have their Board of Directors. These Boards also formally meet four times a year.

The roles of the Chairpersons and the Chief Executive Officers in the subsidiaries are separate and do not vest in the same person, with the Chairpersons being non-executive Directors.

To ensure effective control and monitoring of the subsidiary insurance companies business, their Boards have four main committees, an Audit Committee, a Human Resource Committee, an Investment Committee and a Strategy and Operations Committee.

Enterprise Trustees Limited and Enterprise Properties Limited which are Group's latest additions benefit from the monitoring of the Group's Corporate Audit and Risk function as well as the External Auditor's.

ELAC Gambia, a subsidiary of ELAC has begun operations in Gambia and is off to a promising start.

## Sustainability - Our Way

Sustainability is firmly embedded in our strategy and organization. In all business areas sustainable management is the guiding principle.
Our concept of sustainable management focuses on two broad pillars

- Embedding sustainable growth as a key driver of growth
- Building sustainable strategic partnerships at the corporate level and with our external stakeholders.

### Strategy

Building on the Group's previous non-financial disclosure in its annual reports, the group has continued its journey of integrating non-financial information on the issues that are material to stakeholders and the group's long term sustainability as we move towards a fully integrated report.

We have strategically embedded sustainability into our company as a significant driver for growth. The Group defines sustainability as balancing economic success with social and environmental responsibility, both today and in the future which includes embracing opportunities and managing risks to achieve sustainable growth in returns to shareholders.

### Innovation

Within our market, we are committed to providing you services with the best technology there is on offer at world class levels.

Our innovative strength rests on our intercultural mix of highly qualified employees with various specializations. Our training both locally and internationally ensures that our employees are always at the cutting edge of their respective industry.

Our technology allows the Group to be at the forefront of the industry providing us with a platform to uniquely customize our products to satisfy our clients need.

### Securing and Protecting Lives and Property

From the cradle to the grave, the Group's agenda is to provide our customers with a holistic security package that encompasses both their lives and properties. We ensure sustainability through the provision of life's solutions that continually protect the lives and estate of our cherished customers beyond death.

We will concentrate our efforts into developing services that continues to provide a better standard of living. Our Pension and Property subsidiaries aid to complement this goal within the medium term and other development efforts are being conducted to provide an all-inclusive hierarchy of needs service.



### Customer Relations

- Customized products: joint collaborations to develop services and formualtions for a specific industry of demographic range
- Functionalized solutions: strategic partnerships that builds on world class innovations and technologies for better customer processes and applications

In 2012, we reorganized our operations within our general insurance subsidiary across the value chain. Both our technology platform and process workflow has been redesigned aimed at providing first class service to our customers.

The Group's business models and sales channels are designed to provide customer groups and segment with quality services. We also aim to provide practical solutions within our footprint to ensure uniformity in our product offering.

*Jackie Benyi (GM, Operations, ELAC) making a presentation to the cardiothoracic centre*

### Great Place to Work

- Excellent people: We attract the right people and create space for their performance and personal development
- Excellent place to work: We cultivate a working environment that inspires and connects people
- Excellent leaders: We foster an inclusive leadership culture with mutual trust, respect and dedication to top performance

Our employees are fundamental to achieving our vision of 'being the leading financial services group'. We aim to attract the right people and support them in their development within our company. To do so, we cultivate a working environment that inspires and connects people. It is founded on inclusive leadership based on mutual trust, respect and dedication to top performance safety assurances within our places of work. We have benfitted from the introduction of a General Manager for our Propeties subsidiary who is championing our objective to achieve the highest levels of helath and safety standards across the Group.

### Social Commitment

The Group's social commitment has had a two faceted approach. Our principle and criteria for support are in promoting health and education across our footprint.

In 2012, we shifted our focus from providing assistance generally to a community and took a focused approach in supporting some key associations and organizations that have been under funded over the years such as the Autism centre in Accra.

We have nonetheless kept our promise on ongoing projects, key amongst them, our library project in the upper west region.




*Staff of Enterprise Life making a donation to the Ghana Heart Foundation*


*Phyllis Woode-Nartey (Head, Bus Dev't, Comm and Sales, EIC) making a donation to Awwa Awaa 2 an NGO that supports speech impaired children.*

*A cross section of staff of Enterprise Life at a staff durbar.*

*More than just a work place: GM, Group Human Resource Amma Ansah  interacts with staff and their families.*



*Rewarding Excellence-George Otoo, acknowledges Joe Ampofo's dedication to duty*

# Report of the Directors to the Members of Enterprise Group Limited

The directors submit their report together with the audited financial statements for the year ended 31 December 2012, in accordance with the Companies Act, 1963 (Act 179) which discloses the state of affairs of the Company and the Group.

## 1. Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company and its subsidiaries and of the consolidated profit or loss and consolidated cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards and complied with the requirements of the Companies Act, 1963 (Act 179).

The directors are responsible for ensuring that the Company and the Group keep proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and its subsidiaries. The directors are also responsible for safeguarding the assets of the Company and its subsidiaries and taking reasonable steps for the prevention and detection of fraud and other irregularities.

## 2. Principal activities

The principal activities of the Company and its subsidiaries continued to be undertaking the business of investments, insurance underwriting, pension management and real estate development and management

## 3. Results and dividend

The directors in submitting to the shareholders the financial statements of the Company and the Group for the year ended 31 December 2012 report as follows:



| | The Company GH¢'000 | The Group GH¢'000 |
|---|---|---|
| Profit for the year before income tax and non-controlling interest | 14,663 | 32,662 |
| from which is deducted income tax expense of: | (774) | (2,767) |
| from which is deducted non-controlling interest of | - | (10,518) |
| giving a profit for the year attributable to owners of the Company/Group of | 13,889 | 19,377 |
| to which is added balance on the income surplus account brought forward of | 10,204 | 19,285 |
| from which is made a transfer to contingency reserves of | - | (1,292) |
| giving a total of | 24,093 | 37,370 |
| out of which is deducted an interim dividend paid for 2012 of | (2,100) | (2,100) |
| leaving a surplus carried forward on income surplus account of | 21,993 | 35,270 |

## Report of the Directors to the Members of Enterprise Group Limited *(continued)*

### 4. Directors

The directors who held office during the year and to the date of this report were:

- Trevor Trefgarne (Chairman)
- George Otoo (Group Chief Executive Officer)
- Ken Ofori-Atta
- Keli Gadzekpo
- Hon. (Mrs.) Margaret Clarke-Kwesie
- Martin Eson-Benjamin
- Emmanuel Idun

### Auditor

The Company's auditor, PricewaterhouseCoopers Chartered Accountants, will continue in office in accordance with Section 134(5) of the Companies Act, 1963, (Act 179).

### Approval of the Financial Statements

The financial statements were approved by the board of directors on 26th April, 2013 and signed on their behalf by:

GROUP CHIEF EXECUTIVE OFFICER

DIRECTOR

# Financial Statements

# REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ENTERPRISE GROUP LIMITED

We have audited the financial statements of Enterprise Group Limited (the "Company") and its subsidiaries (together, the "Group"), as set out on pages 34 to 87. These financial statements comprise the statement of financial position at 31 December 2012, the statement of comprehensive income, statement of changes in equity and the statement of cash flows of the Group for the year then ended, together with the statement of financial position of the company standing alone as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the company for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Companies Act, 1963 (Act 179), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## 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 about 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 judgement, 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 of financial statements that give a true and fair view 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.

## Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2012 and of the financial performance and cash flows of the Company and the Group for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179).

## REPORT ON OTHER LEGAL REQUIREMENTS

The Companies Act, 1963 (Act 179) requires that in carrying out our audit we consider and report 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 purposes of our audit;

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) the group's balance sheet (group's statement of financial position) and group's profit and loss account (group's income statement) are in agreement with the books of account.

PricewaterhouseCoopers

Signed by: Oseini Amui (ICAG/P/1139)
For and on behalf of:
PricewaterhouseCoopers (ICAG/F/028)
Chartered Accountants
Accra, Ghana
26 April 2013

pwc

## Statement of Financial Position

(All amounts are expressed in thousands of Ghana cedis)

| | | The Company | | The Group | |
|---|---|---|---|---|---|
| | | At 31 December | | | |
| | Note | 2012 | 2011 | 2012 | 2011 |
| **Assets** | | | | | |
| Property and equipment | 5 | 142 | 87 | 19,758 | 11,480 |
| Intangible assets | 6 | - | - | 27 | 31 |
| Investment properties | 7 | - | - | 13,006 | 8,911 |
| Investments in subsidiaries | 8 | 34,285 | 24,651 | - | - |
| Investment securities | 9 | 15,584 | 14,083 | 148,610 | 100,281 |
| Loans and receivables | 10 | 205 | 78 | 8,899 | 6,764 |
| Due from related parties | 22 | 2,256 | - | - | - |
| Due from re-insurers | 11 | - | - | 3,971 | 4,753 |
| Deferred income tax asset | 20 | 2,664 | 3,438 | 2,836 | 229 |
| Current income tax asset | 27 | - | - | - | 346 |
| Cash and cash equivalents | 12 | 934 | 3,019 | 26,519 | 20,113 |
| **Total assets** | | 56,070 | 45,356 | 223,626 | 152,908 |
| **Capital and reserve** | | | | | |
| Stated capital | 13 | 31,599 | 31,599 | 31,599 | 31,599 |
| Contingency reserve | 14 | - | - | 11,169 | 9,877 |
| Other reserves | 15 | 545 | - | 8,362 | 1,336 |
| Income surplus account | 16 | 21,993 | 10,204 | 35,270 | 19,285 |
| Non-controlling interest | | - | - | 20,135 | 13,205 |
| **Total equity** | | 54,137 | 41,803 | 106,535 | 75,302 |
| **Liabilities** | | | | | |
| Life fund – insurance contract liabilities | 17 | - | - | 82,734 | 49,992 |
| Unearned premiums and unexpired risk provision | 18 | - | - | 12,079 | 9,009 |
| Outstanding claims | 19 | - | - | 862 | 1,014 |
| Deferred income tax liability | 20 | - | - | 5,370 | - |
| Trade and other payables | 21 | 1,932 | 112 | 9,849 | 13,944 |
| Due to re-insurers | 11 | - | - | 4,528 | 1,648 |
| Due to related parties | 22 | 1 | 3,441 | 1,490 | 1,999 |
| Current income tax liability | 27 | - | - | 179 | - |
| **Total liabilities** | | 1,933 | 3,553 | 117,091 | 77,606 |
| **Total equity and liabilities** | | 56,070 | 45,356 | 223,626 | 152,908 |

The financial statements on pages 34 to 87 were approved for issue by the board of directors on 26th April, 2013 and signed on its behalf by:

GROUP CHIEF EXECUTIVE OFFICER

DIRECTOR

*The notes on pages 41 to 87 are an integral part of these financial statements.*

## Income Statement

(All amounts are expressed in thousands of Ghana cedis)

| | | The Company | | The Group | |
|---|---|---|---|---|---|
| | | Year ended 31 December | | | |
| | Note | 2012 | 2011 | 2012 | 2011 |
| Investment income | 23 | 18,708 | 18,743 | 27,467 | 12,752 |
| Fair value gains on investment property | 7 | - | - | 4,038 | 2,592 |
| Impairment of investment in subsidiary | 8 | - | (10,305) | - | - |
| **Net investment income** | | 18,708 | 8,438 | 31,505 | 15,344 |
| Gross insurance premium revenue | | - | - | 132,288 | 95,931 |
| Insurance premium ceded to reinsurers | | - | - | (17,290) | (14,521) |
| Net premium written | | - | - | 114,998 | 81,410 |
| Unearned premium | 18 | - | - | (3,070) | (1,857) |
| **Net insurance premium revenue** | | - | - | 111,928 | 79,553 |
| Other income | 24 | 3 | - | 2,261 | 980 |
| **Net income** | | 18,711 | 8,438 | 145,694 | 95,877 |
| Insurance claims incurred | | - | - | (31,996) | (24,423) |
| Insurance claims recoveries from reinsurers | | - | - | 3,740 | 4,066 |
| Change in insurance contract liabilities – life fund | 17 | - | - | (32,742) | (13,123) |
| **Net benefits and claims** | | - | - | (60,998) | (33,480) |
| Operating expenses | 25 | (4,048) | (962) | (31,349) | (22,095) |
| Commission expense | | - | - | (20,685) | (14,906) |
| **Net expenses** | | (4,048) | (962) | (113,032) | (70,481) |
| **Profit before national fiscal stabilisation levy and income tax** | | 14,663 | 7,476 | 32,662 | 25,396 |
| National fiscal stabilisation levy | 26 | - | - | - | (2,087) |
| Income tax (expense) / credit | 27 | (774) | 3,438 | (2,767) | 2,436 |
| **Profit for the year** | | 13,889 | 10,914 | 29,895 | 25,745 |
| **Attributable to:** | | | | | |
| Owners of the parent | | 13,889 | 10,914 | 19,377 | 19,045 |
| Non-controlling interest | | - | - | 10,518 | 6,700 |
| **Earnings per share for profit attributable to the equity holders of the Company during the year** | | | | | |
| Basic and diluted (GH¢ per share) | 31 | 0.106 | 0.083 | 0.148 | 0.145 |

*The notes on pages 41to 87 are an integral part of these financial statements.*

## Statement of Comprehensive Income

(All amounts are expressed in thousands of Ghana cedis)

| | The Company | | The Group | |
|---|---|---|---|---|
| | Year ended 31 December | | | |
| | 2012 | 2011 | 2012 | 2011 |
| Profit for the year | 13,889 | 10,914 | 29,895 | 25,745 |
| **Other comprehensive income** | | | | |
| Currency translation difference | - | - | 158 | - |
| Gains on revaluation of properties (Note 5) | - | - | 7,371 | 2,980 |
| Deferred tax charge (Note 20) | - | - | (971) | (1,644) |
| Recycling of fair value gain on disposal of available for sale financial assets (Note 23) | - | - | - | (6,771) |
| **Total comprehensive income for the year** | 13,889 | 10,914 | 36,453 | 20,310 |
| **Attributable to:** | | | | |
| | | | | 4,699 |
| Owners of the parent | 13,889 | 10,914 | 25,935 | 13,610 |
| Non – controlling interest | - | - | 10,518 | 6,700 |
| **Total comprehensive income for the year** | 13,889 | 10,914 | 36,453 | 20,310 |

*The notes on pages 41 to 87 are an integral part of these financial statements.*

# Statement of Changes in Equity

(All amounts are expressed in thousands of Ghana cedis)

| **The Company**<br>**Year ended 31 December 2012** | Stated capital | Income surplus account | Share option scheme | Total |
|---|---|---|---|---|
| At start of year | 31,599 | 10,204 | - | 41,803 |
| Profit and total comprehensive income for the year | - | 13,889 | - | 13,889 |
| **Transactions with owners** | | | | |
| Interim dividends paid for 2012 | - | (2,100) | - | (2,100) |
| Employee share option scheme | | | | |
| - Value of employee services | - | - | 545 | 545 |
| **Total transactions with owners** | - | (2,100) | 545 | (1,555) |
| **At end of year** | 31,599 | 21,993 | 545 | 54,137 |
| Year ended 31 December 2011 | | | | |
| At start of year | 31,599 | 77 | - | 31,676 |
| Profit and total comprehensive income for the year | - | 10,914 | - | 10,914 |
| **Transactions with owners** | | | | |
| Dividends declared for 2010 | - | (787) | - | (787) |
| **Total transactions with owners** | - | (787) | - | (787) |
| **At end of year** | 31,599 | 10,204 | - | 41,803 |

*The notes on pages 41 to 87 are an integral part of these financial statements.*

# Statement of Changes in Equity

(All amounts are expressed in thousands of Ghana cedis)

**The Group**

**Attributable to owners of the Company**

| **Year ended 31 December 2012** | | | Other reserve | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stated capital | Income surplus | Revaluation reserve | Currency translation reserve | Share Option scheme | Contingency reserve | Non controlling interest | Total equity |
| At 1 January 2012 | 31,599 | 19,285 | 1,336 | - | - | 9,877 | 13,205 | 75,302 |
| Profit for the year | - | 19,377 | - | - | - | - | 10,518 | 29,895 |
| **Other comprehensive income**: | | | | | | | | |
| Foreign currency translation difference | - | - | - | 81 | - | - | 77 | 158 |
| Gains on revaluation of properties (Note 5) | - | - | 7,371 | - | - | - | - | 7,37 |
| Deferred tax charge (Note 20) | - | - | (971) | - | - | - | - | (971) |
| **Total comprehensive income** | - | 19,377 | 6,400 | 81 | - | - | 10,595 | 36,453 |
| **Transactions with owners** | | | | | | | | |
| Dividends relating to 2012 | - | (2,100) | - | - | - | | (4,410) | (6,510) |
| Employee share option scheme - Value of employee services | - | - | - | - | 545 | - | - | 545 |
| Additions to non controlling interest in subsidiary | - | (787) | - | - | - | - | 745 | 745 |
| Transfer to contingency reserve | - | (1,292) | - | - | - | 1,292 | - | - |
| **Total transactions with owners** | - | (3,392) | - | - | 545 | 1,292 | (3,665) | (5,220) |
| **At 31 December 2012** | 31,599 | 35,270 | 7,736 | 81 | 545 | 11,169 | 20,135 | 106,535 |

*The notes on pages 41 to 87 are an integral part of these financial statements.*

# Statement of Changes in Equity
(All amounts are expressed in thousands of Ghana cedis)

**The Group**

| Year ended 31 December 2011 | Stated capital | Income surplus account | Other reserve: Revaluation reserve | Other reserve: Contingency reserve | Non controlling interest | Total equity |
|---|---|---|---|---|---|---|
| At 1 January 2011 | 31,599 | 6,251 | - | 4,653 | 8,519 | 51,022 |
| Profit for the year | - | 19,045 | - | - | 6,700 | 25,745 |
| **Other comprehensive income** | | | | | | |
| Gains on revaluation of properties, net of tax | - | - | 1,336 | - | - | 1,336 |
| **Total comprehensive income** | - | 19,045 | 1,336 | - | 6,700 | 27,081 |
| **Transactions with owners** | | | | | | |
| Dividends relating to 2010 | - | (787) | - | - | (2,695) | (3,482) |
| Additions to non controlling interest in new subsidiaries | - | - | - | - | 681 | 681 |
| Transfer to contingency reserve | - | (5,224) | - | 5,224 | - | - |
| **Total transactions with owners** | - | (6,011) | - | 5,224 | (2,014) | (2,801) |
| **At 31 December 2011** | 31,599 | 19,285 | 1,336 | 9,877 | 13,205 | 75,302 |

Attributable to owners of the Company: Stated capital, Income surplus account, Other reserve (Revaluation reserve, Contingency reserve).

*The notes on pages 41to 87 are an integral part of these financial statements.*

# Statement of Cash Flows

(All amounts are expressed in thousands of Ghana cedis)

| | | The Company | | The Group | |
|---|---|---|---|---|---|
| | | Year ended 31 December | | | |
| | Note | 2012 | 2011 | 2012 | 2011 |
| **Cash flows from operating activities** | | | | | |
| Cash (used in)/generated from operations | 29 | (5,388) | (15,404) | (1,724) | 12,476 |
| Investment income received | | 14,869 | 20,152 | 16,297 | 5,469 |
| Income tax paid | | - | (201) | (406) | (592) |
| Net cash generated from operating activities | | 9,481 | 4,547 | 14,167 | 17,353 |
| **Cash flows from investing activities** | | | | | |
| Capital contribution in subsidiaries | | (9,354) | (966) | - | - |
| Purchases of property and equipment | 5 | (112) | (116) | (2,114) | (1,854) |
| Proceeds from sale of property and equipment | 5 | - | - | 118 | 51 |
| Net increase in cash and cash equivalents | | (9,466) | (1,082) | (1,996) | (1,803) |
| **Cash flow from financing activities** | | | | | |
| Dividends paid | | (2,100) | (787) | (6,510) | (3,482) |
| Proceeds from issue of ordinary shares | | - | - | 745 | 637 |
| Net cash used in financing activities | | (2,100) | (787) | (5,765) | (2,845) |
| Net (decrease)/increase in cash and cash equivalents | | (2,085) | 2,678 | 6,406 | 12,705 |
| Cash and cash equivalents at beginning of year | 12 | 3,019 | 341 | 20,113 | 7,408 |
| **Cash and cash equivalents at end of year** | 12 | 934 | 3,019 | 26,519 | 20,113 |

*The notes on pages 41 to 87 are an integral part of these financial statements.*

# Notes

## 1. General information

Enterprise Group Limited ("the Company") and its subsidiaries (together forming "the Group") underwrite insurance risks, including as those associated with death, disability, health, property and liability. The Group also operates a pension trust and real estate business.

Enterprise Group Limited (EGL) is a limited liability company incorporated under the Companies Act, 1963, (Act 179) and domiciled in Ghana with registered office address of No.11 High Street, Enterprise House, P. O. Box GP50, Accra. The Company is listed on the Ghana Stock exchange and has five subsidiaries: Enterprise Insurance Company Limited, Enterprise Life Assurance Company Limited, Enterprise Life Assurance Company (Gambia) Limited, Enterprise Properties Limited and Enterprise Trustees Limited at year end.

For Companies Act, 1963 (Act 179) reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by part of the statement of comprehensive income, in these financial statements.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and relates to both the Company's and the Group's activities. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act, 1963 (Act 179) and the Insurance Act 2006, (Act 724). The financial statements have been prepared under the historical cost conversion, except for investment properties, available for sale financial assets and financial assets held at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Ghana Cedi (GH¢), rounded to the nearest thousand, unless otherwise stated.



The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

### 2.1.1 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company and the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2012 that would be expected to but a material impact on the Group and the Company.

(ii) New standards and interpretations that are not yet effective and have not been early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements.

None of these is expected to have a significant effect on the financial statements of the Company and the Group, except the following:

Amendment to IAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The application of this amendment will mainly impact the presentation of the primary statements.

# Notes *(continued)*

## 2. Summary of significant accounting policies *(continued)*

### 2.1 Basis of preparation *(continued)*

### 2.1.1 Changes in accounting policy and disclosures *(continued)*

(ii) New standards and interpretation that are not yet effective and have not been early adopted ***(continued)***
IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The application of IFRS 13 may enhance fair value disclosures in certain circumstances.

IAS 19, 'Employee benefits', was amended in June 2012. The impact on the Company and the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The directors are yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. Issued in November 2009 and October 2011, it replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The directors are yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.



IFRS 10, Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The directors are yet to assess IFRS 10's full impact and intend to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group and the Company.

### 2.2 Consolidation

### 2.2.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies and is generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

## Notes *(continued)*

### 2. Summary of significant accounting policies *(continued)*

### 2.2 Consolidation *(continued)*

#### 2.2.1 Subsidiaries *(continued)*

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.



Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### 2.2.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### 2.2.3 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

## Notes *(continued)*

### 2. Summary of significant accounting policies *(continued)*

#### 2.2 Consolidation *(continued)*

#### 2.2.3 Separate financial statements

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Dividend income is recognised when the right to receive payment is established.

#### 2.3 Foreign currency transaction

#### 2.3.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Cedis (GH¢), which is the Group's presentation currency.

#### 2.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relates to cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.



#### 2.3.3 Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in 'currency translation reserve' in equity.

#### 2.4 Property and equipment

All property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Cost of an item of property and equipment includes its purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing property, plant and equipment at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day – to - day servicing of an item of property equipment.

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

# Notes *(continued)*

## 2. Summary of significant accounting policies *(continued)*

### 2.4 Property and equipment *(continued)*

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

| | |
|---|---|
| Motor vehicles | 25% |
| Furniture and fittings | 12.5% |
| Office equipment | 20% |
| Computer equipment | 33.3% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

### 2.5 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

### 2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the company expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:
- The provisions of the construction contract.
- The stage of completion.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

## Notes *(continued)*

### 22. Summary of significant accounting policies *(continued)*)

#### 2.6 Investment property *(continued)*

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property. Changes in fair values are recognised in the income statement. Investment properties are derecognised when they have been disposed.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16.



Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

#### 2.7 Leases

**2.7.1 Operating lease**
Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Properties leased out under operating leases are included in investment properties.

**2.7.2 Finance lease**
Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and noncurrent borrowings.

Notes *(continued)*

## 2. Summary of significant accounting policies *(continued)*

### 2.7 Leases *(continued)*

### 2.7.2 Finance lease *(continued)*

The interest element of the finance cost is treated as borrowing costs and expensed/capitalised over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Investment properties recognised under finance leases are carried at their fair value.

Properties leased out by the Group under operating leases are included in investment property in the statement of financial position (Note 2.6). See Note 2.16.3 for the recognition of rental income.

### 2.8 Financial instruments

### 2.8.1 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The directors determine the classification of its financial assets at initial recognition and depend on the purpose for which the investments were acquired.

**Classification**

a) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

Financial assets designated as at fair value through profit or loss at inception are those that are:

- Held in internal funds to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. The Group's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

b) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

(i) those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss;

(ii) those that the Group upon initial recognition designates as available-for-sale; or

(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Receivables arising out of reinsurance arrangements or direct insurance arrangements are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

## Notes *(continued)*

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

**2.8 Financial instruments** *(continued)*

**2.8.1 Financial assets** *(continued)*

**Classification** *(continued)*

**c) Held-to-maturity financial assets**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the directors have the positive intention and ability to hold to maturity, other than:
(a) those that the Group upon initial recognition designates as at fair value through profit or loss;
(b) those that the Group designates as available-for-sale; and
(c) those that meet the definition of loans and receivables.

**c) Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

**Recognition and measurement**

Regular-way purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.



Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to- maturity financial assets are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of investment income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as net realised gains on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established. Both are included in the investment income line.

Notes *(continued)*

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

**2.8 Financial instruments** *(continued)*

**2.8.2 Financial liabilities**

The Group's holding in financial liabilities represents mainly insurance liabilities, creditors arising from reinsurance arrangements, other liabilities and dividend payable. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

**2.8.3 Determination of fair value**

For financial instruments traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges. The quoted market price used for financial assets is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the reporting dates.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

**2.8.4 Impairment of financial assets**



a) Financial assets carried at amortised cost

The Group assesses, at each reporting period, whether there is 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 only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss.

b) Assets classified as available-for-sale

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account

## Notes *(continued)*

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

**2.8 Financial instruments** *(continued)*

**2.8.4 Impairment of financial assets** *(continued)*

b) Assets classified as available-for-sale *(continued)*

The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

**2.8.5 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**2.9 Insurance contract**

Companies within the group registered to carry out insurance business issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

**2.9.1 Recognition and measurement**

The Group's insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.



**2.9.1.1 Short-term insurance contracts**

These contracts are casualty, property and short-duration life insurance contracts.
Casualty insurance contracts protect the contract holder against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the contract holder for damage suffered to their properties or for the value of property lost. Contract holders who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short-duration life insurance contracts protect the contract holders from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Short-term insurance premium income is recognised as revenue (earned premiums) proportionately 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 and are gross of any taxes or duties levied on premiums.

Notes *(continued)*

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

**2.9 Insurance contract** *(continued)***)**

**2.9.1 Recognition and measurement (***(continued)*

**2.9.1.1 Short-term insurance contracts** *(continued)*

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims other than for disability claims.

Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Commission expenses are paid on new insurance policies accepted during the period and renewals. Commission expense is recognised when incurred.

**2.9.1.2 Long-term insurance contracts**

The Group issues long term insurance contracts. These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.



A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at the end of each reporting period using the assumptions established at inception of the contracts.

**2.9.2 Reinsurance contracts held**

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts in Note 2.9.1 are classified as reinsurance contracts held. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

## Notes *(continued)*

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

**2.9 Insurance contract** *(continued)*

**2.9.2 Reinsurance contracts held** *(continued)*

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

**2.9.3 Receivables and payables related to insurance contracts**

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers, reinsurers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.8.4.

**2.9.4 Salvage and subrogation reimbursements**

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).



Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

**2.9.5 Liability valuation basis and methodology**

Policy liabilities for insurance contracts are determined using the Financial Soundness Valuation principles and are reflected in the statement of financial position as "Insurance Contract liabilities".

Liabilities are valued as the present value of future cash flows discounted at the rate of return assumed on the assets backing the policyholder funds. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins. Best estimate assumptions are required for future: investment returns; expenses; persistency; mortality and other factors that may impact on the financial position of the Group.

Demographic assumptions including mortality and persistency rates are derived directly from recent experience and are adjusted for anticipated future trends. Investigations are performed at least annually and the most recent were performed in December 2012.

Notes *(continued)*

## 2. Summary of significant accounting policies (continued)

### 2.9 Insurance contract (continued)

### 2.9.5 Liability valuation basis and methodology (continued)

Future expenses are projected on a per policy basis where the per-policy expense is derived from actual renewal expenses incurred during the last financial period. Renewal expenses are determined by removing acquisition costs and non-recurring expenses from the total expenses and adding an allowance for future one-off costs which is derived from an analysis of historical one-off patterns.

For individual policies where benefits are linked to the return on an underlying investment portfolio, the liabilities are taken as the market values of the underlying investments, built up from the investment allocations made from the premiums paid, adjusted to allow for the discounted present value of the difference between expected future expenses and expected future charges.

### 2.10 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiary operate and generate taxable income. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.



Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### 2.12 Stated capital

Ordinary shares are classified as equity. All shares are issued at no par value.

## Notes *(continued)*

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

### 2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.14 Provisions

Provisions are recognised when: the Group have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.15 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

### 2.16 Revenue recognition

Revenue comprises the fair value for services. Revenue is recognised as set out below:

#### 2.16.1 Premium income

The accounting policy in relation to revenue from insurance contracts is disclosed in note 2.9.

#### 2.16.2 Dividend income

Dividend income is recognised in profit or loss when the Group's right to receive payment is established.

#### 2.16.3 Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Investment property revenue includes rental income, and service charges and management charges from properties.

#### 2.16.4 Service charges and management charges from investment properties

Service and management charges are recognised in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

#### 2.16.5 Pension management fee

Pension management fees are charged to the customer periodically (monthly) either directly or by making a deduction from invested funds.

Notes *(continued)*

## 2. Summary of significant accounting policies *(continued)*

### 2.16 Revenue recognition *(continued)*

### 2.16.5 Pension management fee *(continued)*

Fees billed in advance are recognised on a straight-line basis over the billing period; fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

#### 2.16.6 Interest income

Interest income for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognised within 'investment income' using the effective interest rate method. When a receivable is impaired, the Group 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.

### 2.17 Management expenses

Management expenses include expenses claim handling costs, product development, training costs, and marketing expenditure as well as all other non-commission-related expenditure. Management expenses are recognised when incurred. Management expenses also include staff related costs, auditors and directors remuneration and other general administrative expense.

### 2.18 Commission expenses

Commission expenses are paid on new business accepted policies during the period and renewals. Commission expenses are recognised when incurred.

### 2.19 Policyholder benefits (claims)

Policyholder benefit payments in respect of insurance contracts are shown gross of reinsurance recoveries and recognised when claims are incurred.



### 2.20 Employee benefits

**Defined contribution plans**

The Group and Company have a defined contribution plan for its employees. The Group and Company and all its employees also contribute to the National Social Security Fund, which are defined contribution schemes.

A defined contribution plan is a pension plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company has a provident fund scheme for staff under which the Company contributes 9% of staff basic salary. The Company's obligations under the plan is limited to the relevant contributions and these are settled on due dates.

For defined contribution plans, the Group pay contributions to publicly or privately administered plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Notes *(continued)*

## 2. Summary of significant accounting policies (continued)

### 2.21 Share base payment

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service contributions conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the entity issues new shares. The proceeds received net of any directly attributable transaction costs are credited to stated capital when the options are exercised.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.



### 2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

## 3. Management of insurance and financial risk

### 3.1 Insurance risk

Insurance contracts issued by companies within the group carrying out insurance business transfers insurance risk. This section summarises these risks and the way the Group manages them.

### 3.1.1 Management of non - life insurance risk

The Group underwrites risks that individuals, corporate or other entities wish to transfer to an insurer. Such risks may relate to property, accident, personal accident, motor, liability, marine, life and other perils which may arise from an insured event. As such the Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under insurance contracts. The principal risk is that the frequency and/or severity of claims are greater than expected.

Insurance events are by their nature random and the actual size and number of events in any one year may vary from those estimated and experienced in prior periods.

# Notes *(continued)*

## 3. Management of insurance and financial risk

### 3.1 Insurance risk *(continued)*

### 3.1.1 Management of non - life insurance risk *(continued*

The Group underwrites short-term risks, that is, insurance under which claims are typically settled within one year of the occurrence of the events giving rise to the claims and long term risks which is associated with human life.

Consequently, whilst the Group may experience variations in its claims patterns from one year to the next, the Group's exposure at any time to insurance contracts issued more than one year before is limited. The product features of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts in the Group are described below.

(i) Property
Provides indemnity for loss or damage to immovable and movable property caused by perils such as fire, lightning, explosion, weather, water, earthquake and malicious damage. These contracts may also include business interruption policies which insure the loss of profits incurred by a business as a result of loss or damage to the insured property by these perils.

(ii) Accident
Provides indemnity for loss of or damage to mainly movable property for losses caused by crime, certain accidental damage such as damage to goods in transit or accidental damage to glass. Included under the accident classes are legal liabilities an insured may incur as a result of accidental damage to third-party property or accidental death or injury to a third party caused by the insured.

Provides compensation arising out of the death, permanent or temporary total disability of the insured, the family of the insured or the employees of a business. This cover is restricted to certain accidents and does not provide the wider benefits available from the life assurance industry.

(iii) Motor
Provides indemnity for loss of or damage to the insured motor vehicle. The cover is normally on an all-risks basis providing a wide scope of cover, however the insured may select restricted forms of cover such as fire and theft only. Legal liabilities arising out of the use or ownership of the motor vehicle following an accident for damage to third-party property or death or injury to a third parties are also covered in this class.
Warranty and maintenance cover on insured vehicles are incorporated in this class of business.

(iv) Engineering
Provides indemnity for losses sustained through the use of machinery and equipment or the erection of buildings and structures. Risks covered by this type of contract include machinery breakdown, business interruption and loss or damage to plant and equipment.

(v) Marine
Provides indemnity for both cargo and hull classes of business. Cargo covers physical loss of or damage to cargo. Hull covers accidental loss or damage to commercial vessels.

### 3.1.2 Limiting exposure to non - life insurance risk

The Group limits its exposure to insurance risk through setting clearly defined underwriting strategy and limits, application of appropriate risk assessment techniques, and centralised management of reinsurance.

## Notes *(continued)*

### 3. Management of insurance and financial risk *(continued)*

#### 3.1 Insurance risk *(continued)*

#### 3.1.2 Limiting exposure to non - life insurance risk *(continued*

The Group limits its exposure to insurance risk through setting clearly defined underwriting strategy and limits, application of appropriate risk assessment techniques, and centralised management of reinsurance.

The Group's underwriting strategy ensures diversification of insurance risk in terms of type and amount of risk covered, geographical location and type of industry covered. The strategy also aims to develop a sufficiently large population of risks to reduce the variability of the expected outcome. The underwriting strategy is detailed in underwriting authorities which set the limits for underwriters in terms of line size, class of business and industry to enforce appropriate risk selection within the portfolio.

The underwriting mandates are applicable to both internal and external underwriters and partners. Ongoing review and analysis of underwriting information enables the Group to monitor its risks and take timely corrective action. The ability to adjust premiums allows the Group to mitigate the risk of underwriting losses by addressing adverse loss ratios in terms of different classes of business and different portfolio or clients.

The risk of fraudulent claims is reduced by internal controls embedded in claims-handling processes and specific techniques developed to proactively detect fraudulent claims.

**(i) Underwriting and reinsurance operating procedures**
The Group has implemented an appropriate risk management framework to manage risk in accordance with the Group's risk appetite. Group reinsurance is managed by the reinsurance department and risk management unit. The objectives and responsibilities of the department is set out and approved by the board of directors.



The main objective of the risk management outfit is to provide a policy framework that ensures that risk assumption and risk retention practice is in line with prudent risk/reward parameters set by the Group.

Specifically, the department determines the risk-retention policy of the Group, and this leads to the type and level of reinsurance placed for the year. Facultative and treaty reinsurance are undertaken for the purposes of cost-efficiency, compliance with risk assumption criteria and security.

**(ii) Reinsurance strategy**
The Group obtains reinsurance cover to reduce risks from single events or accumulation of risk which could have a significant impact on earnings for the current year or the Group's capital. This cover is placed on the local and international reinsurance market.

The Group's insurance risk and return position is tested against a wide range of reinsurance alternatives including viability of proportional and non-proportional alternatives.

**(iii) Risk-retention parameters**
The Group is in the business of assuming that level of risk, which is deemed prudent in relation to the risk/reward and the Group's absolute capacity in terms of shareholders' funds and reserves.

**(iv) Treaty and facultative placing process**
Treaties are placed in accordance with the various agreement signed between the Group and its major reinsurance companies participating in its treaty arrangements which is reviewed/renewed at the end of each year.

Notes *(continued)*

### 3. Management of insurance and financial risk *(continued)*

#### 3.1 Insurance risk *(continued)*

#### 3.1.3 Sources of uncertainty in the estimation of future claim payments

Insurance risks are unpredictable and it is impossible to forecast with absolute certainty future claims payable under existing insurance contracts. As such reasonable provisions are made to adequately cater for all insurance obligations when they arise.

(i) Claims provision
The Group's outstanding claims provision include notified claims as well as incurred but not yet reported claims, and due to the short term nature of the business, it is not considered necessary to discount any of the claims provision.

(ii) Notified claims
Claims provisions are based on previous claims experience, knowledge of events, terms and conditions of the relevant policies and interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with regard to the specific circumstances, information available from the insured and the loss adjuster and past experience of similar claims. The Group employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment. In addition, the Group utilises the services of specialised administrators to perform the claims assessment process for some of its business.

The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Estimates are reviewed regularly and updated if new information becomes available.

(iii) Claims incurred but not yet reported (IBNR)
The majority of the Group's IBNR is calculated as a percentage of premiums written. This percentage is a best estimate reserve, which represents the expected value of the unreported claims liabilities. Different percentages are applicable for different classes of business and their appropriateness is assessed against the Group's past claims experience. There were no losses following the application of the liability adequacy test.



The Group has not changed the processes used to manage its non-life insurance risks from previous periods.

#### 3.1.4 Management of life insurance risk

The risk under any one life insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of a life insurance contract, this risk is random and therefore unpredictable.

For a portfolio of life insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities.

This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. The assumptions used in the insurance contracts are disclosed in Note 3.

The Group manages these risks through the activities of the Audit, Investment and Actuarial committees. Each committee meets at least two times per annum to discuss financial risk issues. Management is responsible for implementing recommendations that have been agreed with management and reporting back to the relevant committee. Of primary concern is the principle of asset liability matching in order to reduce the Group's risk of financial loss.

Notes *(continued)*

**3. Management of insurance and financial risk (***(continued)*

**3.1 Insurance risk** *(continued)*

**3.1.4 Management of life insurance risk** *(continued)*

The Actuarial Committee draws on its knowledge of the business; the asset manager's expertise; and the experience of the statutory actuary.

The Investment Committee is responsible for the implementation and monitoring of the asset management process to ensure that the risks arising from trading positions are effectively managed within the pre-determined risk parameters.

The Group has not changed the processes used to manage its non-life insurance risks from previous periods.

**3.2 Financial risk**

The Group is exposed to a range of financial risks through its financial assets, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk (including foreign currency risk, interest rate risk and other price risk), liquidity risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Group manages financial risks via the Board Investment Committee ("BIC") which is mandated to achieve long-term investment returns in excess of the Group's obligations under insurance contracts. The principal technique of the BIC is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The Group has not changed the processes used to manage its risks from previous periods.



**3.2.1 Market risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**3.2.1.1 Foreign exchange risk**

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars, the Pound Sterling and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

At 31 December 2012, if the Ghana cedi had weakened/strengthened by 5% (2011: 5%) against the US dollar with all other variables held constant, post tax profit for the year would have been GH¢1,054,711 (2011: GH¢ 1,017,000) higher/lower, mainly as a result of US dollar receivables and bank balances.

At 31 December 2012, if the Ghana cedi had weakened/strengthened by 5% (2011: 5%) against the Euro with all other variables held constant, post tax profit for the year would have been GH¢ 243,078 (2011: GH¢ 164,000) lower/higher, mainly as a result of Euro denominated amounts payable and bank balances.

At 31 December 2012, if the Ghana cedi had weakened/strengthened by 5% (2011: 5%) against the Pound with all other variables held constant, post tax profit for the year would have been GH¢ 501,400 (2011: GH¢ 226,000) lower/higher, mainly as a result of pound denominated amounts payable and bank balances.

Notes *(continued)*

**3. Management of insurance and financial risk** *(continued)*

**3.2 Financial risk** *(continued)*

**3.2.1 Market risk** *(continued)*

**3.2.1.2 Interest rate risk**

The Group's interest bearing financial instruments are the government securities, fixed deposit and bank balances, and on which they are therefore exposed to cash flow and fair value interest rate risk. The Group regularly monitors financing options available to ensure optimum interest rates are obtained.

At 31 December 2012, if the interest rates of government securities and fixed deposits had been 50 basis points (2011: 50 basis points) higher/lower, with all other variables held constant, post-tax profit for the year would have been GH¢621,000 (2011: GH¢459,125) higher/lower.

**3.2.1.3 Price risk**

The Group is exposed to equity securities price risk because of investments in quoted shares classified as fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group. All listed investments held by the Group are traded on the Ghana Stock Exchange (GES).

At 31 December 2012, if the GES index had increased/decreased by 15% (2011: 15%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, post tax profit for the year would have been GH¢1,071,740 (2011: GH¢646,540) higher/lower.

**3.2.2 Credit risk**

Credit risk arises from the inability or unwillingness of counterparty to a financial instrument to discharge its contractual obligations.

Key areas where the Company is exposed to credit risk are:

i) receivables arising out of direct insurance arrangements; and
ii) receivables arising out of reinsurance arrangements.

Other areas where credit risk arises include cash and cash equivalents and deposits with banks and other receivables.

The Group has no significant concentrations of credit risk. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category are approved periodically by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the procedures on credit.

## Notes *(continued)*

**3. Management of insurance and financial risk** *(continued)*

**3.2 Financial risk** *(continued)*

**3.2.2 Credit risk** *(continued)*

Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the underwriting department.

The Group's financial instruments do not represent a concentration of credit risk because the business deals with a variety of reinsures and its premiums receivable are spread among a number of major industries and customers. Amounts receivable in terms of long-term insurance business are secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

Exposure to outside financial institutions concerning deposits and similar transactions is monitored against approved limits. The Group deals with only reputable well-established financial institution.

None of the Group's financial assets were either past due or impaired at 31 December 2012 and 31 December 2011.

**3.2.3 Liquidity**

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of policyholder benefit payments or cash requirements from contractual commitments. Such outflows would deplete available cash resources for operational, trading and investments activities. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil policyholder commitments. The risk that the Group will be unable to do so is inherent in all insurance operations and can be affected by a range of institution-specific and market wide events including, but not limited to, credit events, systemic shocks and natural disasters.



The Group's liquidity management process, is monitored by a separate team in finance, includes day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met, maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow and monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements. Monitoring and reporting take the form of cash flow measurement and projections for the next month, as this is a key period for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 3. Management of insurance and financial risk *(continued)*

#### 3.2 Financial risk *(continued)*

#### 3.2.3 Liquidity *(continued)*

The table below presents the cash flows payable by the Company for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows:

| The Company | Carrying amount | Contractual cash flows (undiscounted) | |
|---|---|---|---|
| Year ended 31 December 2012 | | up to 1 year | Over 1 year |
| **Contractual liabilities:** | | | |
| • Due to re-insurers | 1 | 1 | - |
| • Trade and other payables | 1,932 | 1,932 | - |
| | 1,933 | 1,933 | - |
| **Assets held for managing credit risk:** | | | |
| • Equity securities | 12,323 | 12,323 | - |
| • Treasury bills and fixed deposits | 3,261 | 3,261 | - |
| • Loans and receivables | 205 | 205 | - |
| | 15,789 | 15,789 | - |
| Year ended 31 December 2011 | | | |
| **Contractual liabilities:** | | | |
| • Due to re-insurers | 3,441 | 3,441 | - |
| • Trade and other payables | 112 | 112 | - |
| | 3,553 | 3,553 | - |
| **Assets held for managing credit risk:** | | | |
| • Equity | 14,083 | 14,083 | - |
| • Treasury bills and fixed deposits | - | - | - |
| • Loans and receivables | 78 | 78 | - |
| | 14,161 | 14,161 | - |

## Notes *(continued)*

(All amounts are expressed in thousands of Ghana cedis)

### 3. Management of insurance and financial risk *(continued)*

#### 3.2 Financial risk *(continued)*

#### 3.2.3 Liquidity *(continued)*

**The Group**

Year ended 31 December 2012

| | Carrying amount | Contractual cash flows (undiscounted) | |
|---|---|---|---|
| | | up to 1 year | Over 1 year |
| **Contractual liabilities:** | | | |
| • Due to re-insurers | 4,528 | 4,528 | - |
| • Due to related parties | 1,490 | 1,490 | - |
| • Outstanding claims | 862 | 862 | - |
| • Life fund | 82,734 | - | 82,734 |
| • Trade and other payables | 9,849 | 9,849 | - |
| | 99,463 | 16,729 | 82,734 |
| **Assets held for managing credit risk:** | | | |
| • Listed equity securities | 50,899 | 50,899 | - |
| • Unlisted debt securities | 97,711 | 90,276 | - |
| • Insurance and other receivables | 8,899 | 8,899 | 7,435 |
| • Due from re-insurers | 3,971 | 3,971 | - |
| | 161,480 | 154,045 | 7,435 |

**The Group**

Year ended 31 December 2012

| | Carrying amount | up to 1 year | Over 1 year |
|---|---|---|---|
| **Contractual liabilities:** | | | |
| • Due to re-insurers | 1,648 | 1,648 | - |
| • Due to related parties | 1,999 | 1,999 | - |
| • Outstanding claims | 1,014 | 1,014 | - |
| • Life fund | 49,992 | - | 49,992 |
| • Trade and other payables | 13,944 | 13,944 | - |
| | 68,597 | 18,605 | 49,992 |
| **Assets held for managing credit risk:** | | | |
| • Listed equity securities | 32,327 | 32,327 | - |
| • Unlisted debt securities | 67,942 | 67,942 | - |
| • Insurance and other receivables | 6,764 | 6,764 | - |
| • Due from re-insurers | 4,753 | 4,753 | - |
| | 111,786 | 111,786 | - |

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 3. Management of insurance and financial risk (continued)

#### 3.3 Capital management

The Group's objectives when managing capital are:
- To comply with the insurance capital requirements;
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The insurance and pension regulators in each of the countries in which the Group operates specifies minimum capital that must be held in addition to the insurance liabilities.

The minimum required capital (presented in the table below for each of the entities within the Group) must be maintained at all times throughout the year.

The table below summarises the minimum required capital and the regulatory capital held. These figures are an aggregate number, being the sum of the statutory capital.

2012

| Entity | Nature of activity | Regulatory capital held | Minimum regulatory capital requirement |
|---|---|---|---|
| Enterprise Insurance Company Limited | General Insurance | 10,000 | 1,980 |
| Enterprise Life Assurance Company Limited | Life Insurance | 10,000 | 1,980 |
| Enterprise Life Assurance Company (Gambia) Limited | Life Insurance | 843 | 843 |
| Enterprise Trustees Limited | Pension | 3,463 | 1,000 |
| **2011** | | | |
| Enterprise Insurance Company Limited | General Insurance | 5,000 | 1,980 |
| Enterprise Life Assurance Company Limited | Life Insurance | 5,000 | 1,980 |
| Enterprise Life Assurance Company (Gambia) Limited | Life Insurance | 843 | 843 |
| Enterprise Trustees Limited | Pension | 1,603 | 1,000 |

Companies in the group carrying out insurance business are subject to insurance solvency regulations in the territories in which it operate. The Group has embedded in its framework the necessary monitoring to ensure continuous and full compliance with such regulations.

#### 3.3 Fair value hierarchy
Fair value measurements classified as Level 1 include exchange-traded prices of fixed maturities and equity securities.

Investments classified as Level 2 primarily include government securities and certain corporate debt securities, such as private fixed maturities.

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 3. Management of insurance and financial risk *(continued)*

#### 3.3 Fair value hierarchy *(continued)*

As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined utilising relevant information generated by market transactions involving comparable securities. They are often based on model pricing techniques that effectively discount prospective cash flows to present value. These valuation methodologies have been studied and evaluated by the Group and the resulting prices determined to be representative of exit values. Observable inputs generally used to measure the fair value of securities classified as Level 2 include benchmark yields, benchmark securities, bids, offers and reference data.

Investments classified as Level 3 primarily include unlisted equity. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement.

The following table presents the Company's financial assets and liabilities measured at fair value at 31 December 2012 and 2011.

**The Group**

| | (Level 1) | (Level 2) | (Level 3) | Total |
|---|---|---|---|---|
| At 31 December 2012 | | | | |
| Equity securities | 50,887 | - | - | 50,887 |
| Unlisted equity securities | - | - | 12 | 12 |
| Bonds | - | 7,435 | - | 7,435 |
| Fixed deposits and treasury bills | - | 90,276 | - | 90,276 |
| **Total** | 50,887 | 97,711 | 12 | 148,610 |
| At 31 December 2011 | | | | |
| Equity securities | 32,327 | - | - | 32,327 |
| Unlisted equity securities | - | - | 12 | 12 |
| Bonds | - | 11,571 | - | 11,571 |
| Fixed deposits and treasury bills | - | 56,371 | | 56,371 |
| **Total** | 32,327 | 67,942 | 12 | 100,281 |

**The Company**

| | (Level 1) | (Level 1) | Total |
|---|---|---|---|
| At 31 December 2012 | | | |
| Equity securities | 12,323 | - | 12,323 |
| Fixed deposits | - | 3,261 | 3,261 |
| **Total** | 12,323 | 3,261 | 15,584 |
| At 31 December 2011 | | | |
| Equity securities | 14,083 | - | 14,083 |

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 3. Management of insurance and financial risk *(continued)*

#### 3.4 Financial instruments by category

**The Company**

| | 2012 | 2011 |
|---|---|---|
| **Assets per statement of financial position** | | |
| Fair value through profit or loss | | |
| • Listed equity investments | 12,323 | 14,083 |
| • Fixed deposit | 3,261 | - |
| • Loans and receivables | 205 | 78 |
| **Total** | 15,789 | 14,161 |
| **Liabilities per statement of financial position** | | |
| Other financial liabilities at amortised cost | | |
| • Trade and other payables | 1,932 | 112 |
| • Due to related parties | 1 | 3,441 |
| **Total** | 1,933 | 3,553 |

**The Group**

| | 2012 | 2011 |
|---|---|---|
| **Assets per statement of financial position** | | |
| Fair value through profit or loss | | |
| • Listed equity investments | 50,887 | 32,327 |
| • Treasury bills and fixed deposits | 79,244 | 48,171 |
| • Government bonds | 7,435 | 11,571 |
| Available for sale financial assets | | |
| • Unlisted equity investments | 12 | 12 |
| • Treasury bills and fixed deposits | 11,032 | 8,200 |
| Loans and receivables | | |
| • Insurance receivables | 2,308 | 2,626 |
| • Other receivables | 6,591 | 4,138 |
| • Due from re-insurers | 3,971 | 4,753 |
| • Cash and cash equivalents | 26,519 | 20,113 |
| **Total** | 187,999 | 131,911 |

Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

## 3. Management of insurance and financial risk *(continued)*

### 3.4 Financial instruments by category *(continued)*

**The Group** *(continued)*

| | 2012 | 2011 |
|---|---|---|
| **Liabilities per statement of financial position** | | |
| Fair value through profit or loss | | |
| • Life fund | 82,734 | 49,992 |
| Other financial liabilities at amortised cost | | |
| • Outstanding claims | 862 | 1,014 |
| • Trade and other payables | 9,849 | 13,944 |
| • Due to re-insurers | 4,528 | 1,648 |
| • Due to related parties | 1,490 | 1,999 |
| **Total** | 99,463 | 68,597 |



## 4. Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

### 4.1 Assumptions and estimates of contract holder liabilities

The liabilities relating to insurance contracts are measured in accordance with the financial soundness valuation (FSV) basis. The FSV basis uses best estimate assumptions regarding future experience together with compulsory and discretionary margins for prudence and deferral of profit emergence. Assumptions used in the valuation basis are reviewed periodically and any changes in estimates are reflected in the statement of comprehensive income as they occur.

(i) Mortality

Individual non-profit business: Mortality assumptions are based on internal investigations into mortality experience. Annual mortality investigations are carried out, with the most recent investigation being in respect of the 2012 financial year.

Allowance for worsening mortality as a result of AIDS has been made using a widely accepted Aids and demographic model, calibrated to reflect the contract holder population being modelled.

(ii) Morbidity

Morbidity and accident investigations are done annually, the most recent being in the past financial year 2012.

(iii) Persistency

Lapse and surrender assumptions are based on pricing and past experience. When appropriate, account is also taken of expected future trends. Experience is analysed by product type as well as policy duration.

## Notes *(continued)*

(All amounts are expressed in thousands of Ghana cedis)

### 4. Critical accounting estimates and judgements *(continued)*

#### 4.1 Assumptions and estimates of contract holder liabilities *(continued)*

**(iv) Expenses**

The budgeted expense for 2012 is taken as an appropriate expense base. Provision for future renewal expenses starts at a level consistent with the budgeted experience for the 2012 financial year and allows for escalation at an assumed expense inflation. The allocation of total expenses between initial and renewal is based on a functional cost analysis for both grouped and individual business.

**(v) Investment returns**

Market-related information is used to derive assumptions in respect of investment returns, discount rates used in calculating contract holder liabilities and renewal expense inflation. These assumptions take into account the notional asset mix backing each liability type and are suitably adjusted for tax and investment expenses. The notional and actual asset mix is closely related.

**Sensitivity analysis**

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities

| Variable | Change in variable | Change in liability | |
|---|---|---|---|
| | | 2012 | 2011 |
| Worsening in mortality | +1%p.a | 1,071 | 862 |
| Worsening of expense inflation | +1%p.a | 506 | 469 |
| Worsening of lapse rate | +20% | 649 | 421 |

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values; and change in lapses and future mortality.

#### 4.2 Impairment of available-for-sale equity financial assets

The Group determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. These are unlisted equity securities.

This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluates among other factors, 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.

Had all the declines in fair values below cost been considered significant or prolonged, the Group would suffer an additional GH¢12,000 loss in its financial statements, being a write-off of these unlisted equity securities.

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 5. Property and equipment *(continued))*

**The Company**

| **Year ended 31 December 2012** | Motor vehicles | Equipment | Office furniture | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2012 | 70 | 35 | 11 | 116 |
| Additions | - | 101 | 11 | 112 |
| At 31 December | 70 | 136 | 22 | 228 |
| **Accumulated Depreciation** | | | | |
| At 1 January | 17 | 10 | 2 | 29 |
| Charge for the year | 17 | 34 | 6 | 57 |
| At 31 December | 34 | 44 | 8 | 86 |
| **Net book value** | | | | |
| At 31 December 2012 | 36 | 92 | 14 | 142 |
| Year ended 31 December 2011 | | | | |
| **Cost** | | | | |
| At 1 January 2012 | - | - | - | - |
| Additions | 70 | 35 | 11 | 116 |
| At 31 December | 70 | 35 | 11 | 116 |
| **Depreciation** | | | | |
| At 1 January | - | - | - | - |
| Charge for the year | 17 | 10 | 2 | 29 |
| At 31 December | 17 | 10 | 2 | 29 |
| Net book value | | | | |
| At 31 December 2011 | 53 | 25 | 9 | 87 |

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 5. Property and equipment *(continued))*

**The Group**

| **Year ended 31 December 2012** | Leasehold property | Motor vehicles | Equipment, fittings and furniture | Capital work in progress | Total |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January | 10,083 | 2,032 | 3,174 | - | 15,289 |
| Additions | 16 | 629 | 1,067 | 402 | 2,114 |
| Revaluation surplus | 7,371 | - | - | - | 7,371 |
| Disposals | - | (310) | (139) | - | (449) |
| At 31 December | 17,470 | 2,351 | 4,102 | 402 | 24,325 |
| **Depreciation** | | | | | |
| At 1 January | 933 | 1,150 | 1,726 | - | 3,809 |
| Charge for the year | 36 | 464 | 640 | - | 1,140 |
| Disposal | - | (246) | (136) | - | (382) |
| At 31 December | 969 | 1,368 | 2,230 | - | 4,567 |
| **Net book amount** | | | | | |
| At 31 December 2012 | 16,501 | 983 | 1,872 | 402 | 19,758 |

The Group's leasehold properties were last revalued at 31 December 2012 by independent valuers. Valuations were made on the basis of the open market value. The valuation surplus net of applicable deferred taxes was credited to other comprehensive income and is shown in other reserves in shareholder's equity.

If leasehold buildings were stated on a historical cost basis, the amounts would be as follows:

| | 2012 | 2011 |
|---|---|---|
| Cost | 1,366 | 1,350 |
| Accumulated depreciation | (115) | (81) |
| Net book value | 1,251 | 1,269 |

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 5. Property and equipment *(continued)*

**The Group** *(continued))*

| **Year ended 31 December 2012** | Leasehold property | Motor vehicles | Equipment, fittings and furniture | Capital work in progress | Total |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January | 10,219 | 1,431 | 2,560 | 92 | 14,302 |
| Additions | 267 | 746 | 841 | - | 1,854 |
| Transfer to investment property (Note 7) | (3,383) | - | - | - | (3,383) |
| Revaluation surplus | 2,980 | - | - | - | 2,980 |
| Disposals | - | (145) | (227) | (92) | (464) |
| **At 31 December** | 10,083 | 2,032 | 3,174 | - | 15,289 |
| **Depreciation** | | | | | |
| At 1 January | 872 | 877 | 1,394 | - | 3,143 |
| Charge for the year | 61 | 418 | 559 | - | 1,038 |
| Disposal | - | (145) | (227) | - | (372) |
| **At 31 December** | 933 | 1,150 | 1,726 | - | 3,809 |
| **Net book amount** | | | | | |
| **At 31 December 2011** | 9,150 | 882 | 1,448 | - | 11,480 |

Profit/(loss) on disposal of property and equipment is as follows:

| **The Group** | 2012 | 2011 |
|---|---|---|
| Carrying amount | 449 | 464 |
| Accumulated depreciation | (382) | (372) |
| Net book amount | 67 | 92 |
| Proceeds on disposal | (118) | (51) |
| (Profit)/loss | (51) | 41 |

### 6. Intangible asset

**The Group**

| | 2012 | 2011 |
|---|---|---|
| Cost at 1 January and at 31 December | 118 | 118 |
| Accumulated amortisation at 1 January | (87) | (82) |
| Amortisation charge for the year | (4) | (5) |
| At 31 December | 27 | 31 |

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 7. Investment properties

**The Group**

| | 2012 | 2011 |
|---|---|---|
| At 1 January | 8,911 | 3,758 |
| Fair value gains | 4,038 | 2,592 |
| Subsequent expenditure to investment properties | 57 | 1,725 |
| Transfer from property and equipment (Note 5) | - | 3,383 |
| Disposals | - | (2,547) |
| At 31 December | 13,006 | 8,911 |

The properties were valued by an independent valuer at 31 December 2012 and 2011 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.

### 8. Investment in subsidiaries

| | 2012 | 2011 |
|---|---|---|
| Enterprise Insurance Company Limited | 29,738 | 21,293 |
| Enterprise Life Assurance Company Limited | 383 | 383 |
| Enterprise Trustees Limited | 2,135 | 966 |
| Enterprise Properties Limited | 2,029 | 2,009 |

There was no impairment of investment in subsidiary at 31 December 2012 (2011: 10,305,000).

| Name of subsidiary | Nature of Activity | Percentage interest held 2012 | Percentage interest held 2011 |
|---|---|---|---|
| Enterprise Insurance Company Limited. | General Insurance | 100 | 100 |
| Enterprise Life Assurance Company Limited | Life Assurance | 51 | 51 |
| Enterprise Life Assurance Company (Gambia) Limited | Life Assurance | 51 | 51 |
| Enterprise Properties Limited | Real Estates | 75 | 75 |
| Enterprise Trustees Limited | Pension | 60 | 60 |

Enterprise Life Assurance Company (Gambia) Limited is incorporated in the Republic of The Gambia. All other subsidiaries are incorporated in the Republic of Ghana.

### 9. Investment securities

The Group's financial assets are summarised by measurement category in the table below:

| | The Company 2012 | The Company 2011 | The Group 2012 | The Group 2011 |
|---|---|---|---|---|
| Available-for-sale investments | - | - | 12 | 12 |
| Fair value through profit or loss | 15,584 | 14,083 | 148,598 | 100,269 |
| | 15,584 | 14,083 | 148,610 | 100,281 |

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 9. Investment securities *(continued)*

| The Group | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **Available for sale financial assets** | | | | |
| Equity securities - Unlisted | - | - | 12 | 12 |
| **Financial assets at fair value through profit or loss** | | | | |
| Equity securities - Listed | 12,323 | 14,083 | 50,887 | 32,327 |
| Unlisted debt securities | 3,261 | - | 97,711 | 67,942 |
| | 15,584 | 14,083 | 148,598 | 100,269 |

Equity and debt securities classified at fair value through profit or loss are designated in this category upon initial recognition.

Unlisted debt securities are securities issued by the government of Ghana. Fixed deposits are held with reputable financial institutions. All are due to mature within twelve months.

The movement in financial assets at fair value through profit or loss is summarised in the table below

| Listed equity securities | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| At beginning of year | 14,083 | - | 32,327 | 35,640 |
| Purchases of equity securities | - | 19,895 | 12,826 | 19,895 |
| Sale of equity securities | (5,599) | (2,394) | (5,643) | (22,974) |
| Net purchases of equity securities | (5,599) | 17,501 | 7,183 | (3,079) |
| Net gains/(loss) on equity securities | 3,839 | (3,418) | 11,377 | (234) |
| At end of year | 12,323 | 14,083 | 50,887 | 32,327 |
| **Unlisted debt securities** | | | | |
| At beginning of year | - | - | 67,942 | 46,954 |
| Additions | 3,261 | - | 30,020 | 20,988 |
| Net fair value loss | - | - | (251) | - |
| At end of year | 3,261 | - | 97,711 | 67,942 |

## Notes *(continued)*

(All amounts are expressed in thousands of Ghana cedis)

### 10. Loans and receivables

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Staff loans | 205 | 78 | 187 | 697 |
| Insurance receivables | - | - | 2,308 | 2,626 |
| Other receivables | - | - | 6,404 | 3,441 |
| | 205 | 78 | 8,899 | 6,764 |

The maximum amount of staff loans during the year did not exceed GH¢930,596 (2011: GH¢697,133).

All loans and receivables are current and their carrying values approximate their fair value.

### 11. Reinsurance assets and liabilities

**The Group**

| | 2012 | 2011 |
|---|---|---|
| **Due from reinsurers** | 3,971 | 4,753 |

Due from reinsurers are receivable within twelve months. The carrying value of amount due from reinsurers approximates their fair value.

| | | |
|---|---|---|
| **Due to reinsurers** | 4,528 | 1,648 |



Due to reinsurers are payable within twelve months. The carrying value of amount due to reinsurers approximates their fair value.

### 12. Cash and cash equivalents

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Cash | - | - | - | 4 |
| Bank balances | 934 | 3,019 | 26,519 | 20,109 |
| | 934 | 3,019 | 26,519 | 20,113 |

### 13. Stated capital

The authorised shares of the Company are 200,000,000 (2011: 200,000,000) ordinary shares of no par value. The issued ordinary shares at 31 December 2011 and 31 December 2012 is as follows:

| | No of Shares | GH¢'000 |
|---|---|---|
| Cash | 1 | 1 |
| Bank balances | 131,210,824 | 31,598 |
| | 131,210,825 | 31,599 |

There is no movement in the stated capital during the year. There is no unpaid liability on any share and there are no calls or instalments unpaid. There are no treasury shares.

## Notes*(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 14. Contingency reserves

| The Group | 2012 | 2011 |
|---|---|---|
| At 1 January | 9,877 | 4 ,653 |
| Transfer from income surplus | 1,292 | 5,224 |
| At 31 December | 11,169 | 9,877 |

The non-life insurance Company sets aside on an annual basis a contingency reserve of not less than three per cent of the total premiums or twenty per cent of net profit whichever is greater as required by the Insurance Act 2006 (Act 724).

### 15. Other reserves

Other reserves represents share option scheme, foreign currency translations and revaluation of properties reserves. Analysis of these reserve are shown in the statements of changes in equity on page 10.

### 16. Income surplus account

Income surplus represents the residual of cumulative annual profits that are available for distribution



### 17. Insurance contract liabilities

| The Group | 2012 | 2011 |
|---|---|---|
| At 1 January | 49,992 | 36,869 |
| Transfer from profit or loss | 32,742 | 13,123 |
| At 31 December | 82,734 | 49,992 |

The actuarial valuation of the Life Fund as at 31 December 2012 and 2011 was carried out by an independent actuary.

### 18. Provision for unearned premium

| The Group | 2012 | 2011 |
|---|---|---|
| At 1 January | 9,009 | 7,152 |
| Increase in provision | 3,070 | 1,857 |
| At 31 December | 12,079 | 9,009 |

In the non-life insurance business, unearned premiums represent the proportion of the premiums written in periods up to the accounting date, which relate to the unexpired terms of policies in force at the reporting date, and are calculated at 45% of the premium written. No provision has been made for marine premiums due to the short-term nature of the class of business. The amount shown above is the net movement of provisions made in the prior period and the balance outstanding at 31 December 2012.

Notes (continued)
(All amounts are expressed in thousands of Ghana cedis)

## 19. Outstanding claims

| The Group | 2012 | 2011 |
|---|---|---|
| At 1 January | 1,014 | 1,452 |
| Claims incurred | 32,032 | 24,170 |
| Change in claims incurred but not reported | (36) | 253 |
| Reinsurance recoveries | (3,740) | (4,066) |
| Net claims for the year | 28,256 | 20,357 |
| Claims settled during the year | (28,408) | (20,795) |
| At 31 December | 862 | 1,014 |

Outstanding claims are due within twelve months. The carrying value of outstanding claims approximates their fair value.

## 20. Deferred income tax

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Deferred tax assets | 2,664 | 3,438 | 2,836 | 229 |
| Deferred tax liability | - | - | 5,370 | - |

Deferred income tax is calculated using the enacted income tax rate of 25% (2011: 25%). Deferred income tax assets and liabilities and deferred income tax charge/(credit) in the income statement and the statement of changes in equity of the Company and the Group are attributable to the following items

**The Company**

Deferred tax assets arising from:

**Year ended 31 December 2012**

| | At 1 January | Charge/(credit) to profit or loss | At 31 December |
|---|---|---|---|
| Accelerated depreciation | (7) | (14) | (21) |
| Other deductible temporary difference | (3,431) | 788 | (2,643) |
| | (3,438) | 774 | (2,664) |
| Year ended 31 December 2011 | | | |
| Accelerated depreciation | - | (7) | (7) |
| Other deductible temporary difference | - | (3,431) | (3,431) |
| | - | (3,438) | (3,438) |

## Notes *(continued)*

(All amounts are expressed in thousands of Ghana cedis)

### 20. Deferred income tax *(continued)*

| **The Group**<br>**Year ended 31 December 2012** | At 1 January | Charged/ (credit) to profit or loss | Charged/ (credit) to equity | At 31 December |
|---|---|---|---|---|
| Deferred tax assets arising from: | | | | |
| Accelerated depreciation | - | 45 | - | 45 |
| Other deductible temporary difference | - | (2,881) | - | (2,881) |
| | - | (2,836) | - | (2,836) |
| Deferred tax liabilities arising from: | | | | |
| Accelerated depreciation | (3) | (200) | - | (203) |
| Other deductible temporary difference | (226) | 5,006 | (178) | 4,602 |
| Revaluation surplus on properties | - | - | 971 | 971 |
| | (229) | 4,806 | 793 | 5,370 |
| Year ended 31 December 2011 | | | | |
| Deferred tax liabilities arising from: | | | | |
| Accelerated depreciation | 235 | (238) | - | (3) |
| Other deductible temporary difference | 2,555 | (2,781) | - | (226) |
| Revaluation surplus on properties | (1,644) | - | 1,644 | - |
| | 1,146 | (3,019) | 1,664 | (229) |



### 21. Trade and other payables

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Trade payables | 168 | 112 | 5,118 | 10,791 |
| National Fiscal Stabilisation Levy (Note 26) | - | - | - | 1,944 |
| Accrued expenses | 1,764 | - | 4,731 | 1,209 |
| | 1,932 | 112 | 9,849 | 13,944 |

All balances are current. The carrying value of outstanding claims approximates their fair value.

### 22. Related party transactions

The Group is controlled by Enterprise Group Limited, which is also the ultimate parent. Enterprise Group Limited's share holding in the other companies making up the Group is disclosed in Note 8. Sanlam Emerging Market is related to the Group through its common share holdings in Enterprise Life Assurance Company Limited and Enterprise Trustees Limited respectively.

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 22. Related party transactions *(continued*

The following transactions were carried out with related parties:

| | 2012 | 2011 |
|---|---|---|
| Expenses | | |
| • Enterprise Insurance Company Limited for Enterprise Group Limited | - | 3,441 |
| • Sanlam Emerging Market Limited for Enterprise Life Assurance Company Limited | 368 | 5 |
| Dividend | | |
| • Enterprise Insurance Company Limited to Enterprise Group Limited | 7,045 | 17,340 |
| • Enterprise Life Assurance Company Limited to Enterprise Group Limited | 4,590 | 2,805 |
| • Enterprise Life Assurance Company Limited to Sanlam Emerging Market Limited | 4,410 | 2,695 |

Year end balances arising from transactions with the related parties are as follows:

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **Amount due to related parties** | | | | |
| Enterprise Insurance Company Limited | 1 | 2,629 | - | - |
| Enterprise Properties Limited | - | 812 | - | - |
| Sanlam Emerging Market Limited | - | - | 1,490 | 1,999 |
| | 1 | 3,441 | 1,490 | 1,999 |
| **Amount due from related parties** | | | | |
| Enterprise Properties Limited | 2,256 | - | - | - |

The amounts due from and due to related parties are due within twelve months. The payables bear no interest.

**Transactions with directors**

Directors' emoluments are disclosed in Note 25.

**Key management personnel**

The compensation of key management paid to or payable to key management for employee services is shown below:

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Salaries and other short-term benefits | 1,412 | 750 | 3,774 | 3,886 |
| Share option | 265 | - | 545 | - |
| Employer's social security contribution | 139 | 61 | 352 | 331 |
| Employer's provident fund contribution | 177 | 68 | 397 | 306 |
| | 1,993 | 879 | 5,068 | 4,523 |

# Notes *(continued)*

(All amounts are expressed in thousands of Ghana cedis)

## 23. Investment income

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Fair value through profit or loss | | | | |
| • Dividend income | 332 | 95 | 997 | 616 |
| • Interest on unlisted debt securities | 98 | - | 12,443 | 5,599 |
| Net fair value gain/(loss) in equity securities | 3,839 | (3,418) | 11,377 | (4,492) |
| Net gain on disposal of equity securities | 2,624 | 1,921 | 2,620 | 4,258 |
| Net fair value loss on unlisted debt securities | - | | (251) | - |
| • Dividend from subsidiary | 11,636 | - | - | - |
| • Bank interest | 179 | 20,145 | 281 | - |
| Available-for-sale: | | - | | |
| • Recycling of fair value gains on available for sale financial assets upon disposal | - | - | - | 6,771 |
| | 18,708 | 18,743 | 27,467 | 12,752 |

## 24. Other income

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Exchange gains | - | - | 1,306 | 648 |
| Profit/(loss) on disposal of property and equipment (Note 5) | - | - | 51 | (41) |
| Rental income | - | - | 654 | 189 |
| Sundry income | 3 | - | 250 | 184 |
| | 3 | - | 2,261 | 980 |

## 25. Operating expenses

The following items have been charged in arriving at operating profit

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Directors' emoluments | 639 | 670 | 2,078 | 2,432 |
| Auditor's remuneration | 21 | 21 | 224 | 170 |
| Depreciation and amortisation | 57 | 29 | 1,144 | 1,043 |
| Staff cost | 1,993 | 209 | 16,691 | 14,067 |
| Staff cost include: | | | | |
| Salaries and other short-term employment benefit | 1,412 | 175 | 14,047 | 12,316 |
| Employee share option | 265 | - | 497 | |
| Employer's provident fund contribution | 177 | 15 | 956 | 753 |
| Employer's social security contribution | 139 | 19 | 1,191 | 998 |
| | 1,993 | 209 | 16,691 | 14,067 |

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 25. Operating expenses *(continued)*

The number of staff employed by the Company and the Group were as follows:

| | The Company 2012 | The Company 2011 | The Group 2012 | The Group 2011 |
|---|---|---|---|---|
| Staff numbers | 13 | 13 | 283 | 276 |

### 26. National Fiscal Stabilisation Levy

**The Group**

**Year ended 31 December 2012**

| | At 1 January | Payments | Charged to profit or loss | At 31 December |
|---|---|---|---|---|
| Up to 2011: | 1,944 | (1,944) | - | - |
| Year ended 31 December 2011 | | | | |
| Up to 2010 | 432 | - | - | 432 |
| 2011 | - | (575) | 2,087 | 1,512 |
| | 432 | (575) | 2,087 | 1,944 |

The National Fiscal Stabilisation Levy (NFSL) is assessed under the National Fiscal Stabilisation Levy Act, 2009 (Act 785) at 5% on accounting profit before tax. The levy was discontinued on 1 January 2012.

### 27. Income tax expense

| | The Company 2012 | The Company 2011 | The Group 2012 | The Group 2011 |
|---|---|---|---|---|
| Current income tax | - | - | 797 | 583 |
| Deferred income tax charge/(credit) | 774 | (3,438) | 1,970 | (3,019) |
| | 774 | (3,438) | 2,767 | (2,436) |

**Current income tax**

**The Company**

**Year ended 31 December 2012**

There was no chargeable income for tax purposes for the year ended 31 December 2012. There was no outstanding corporate tax liability at 31 December 2012.

| | At 1 January | Payments | Charged to profit or loss | At 31 December |
|---|---|---|---|---|
| Year ended 31 December 2011: | | | | |
| Up to 2010 | 201 | - | - | 201 |
| 2011 | - | (201) | - | (201) |
| | 201 | (201) | - | - |

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 27. Income tax expense *(continued)*

**Current income tax**

**The Group**

| **Year ended 31 December 2012** | At 1 January | Payments | Charged to profit or loss | At 31 December |
|---|---|---|---|---|
| Up to 2011 | (100) | - | - | (100) |
| 2012 | - | (382) | 797 | 415 |
| | (100) | (382) | 797 | 315 |
| Tax credit | (112) | (24) | - | (136) |
| | (212) | (406) | 797 | 179 |
| Year ended 31 December 2011 | | | | |
| Up to 2010 | (185) | - | - | (185) |
| 2011 | - | (574) | 583 | 9 |
| | (185) | (574) | 583 | (176) |
| Tax credit | (152) | (18) | - | (170) |
| | (337) | (592) | 583 | (346) |



The Group and the Company's profit before tax differ from the theoretical amount as follows

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Profit before income tax | 14,663 | 7,476 | 32,662 | 25,396 |
| Tax rate of 25 % (2011: 25%) | 3,666 | 1,869 | 8,165 | 6,349 |
| Tax effect of: | | | | |
| Income not subject to tax | (4,608) | (5,540) | (28,942) | (9,280) |
| Expenses not deductible for tax purposes | 1,716 | 233 | 23,544 | 495 |
| | 774 | (3,438) | 2,767 | (2,436) |

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 28. Dividend

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| At 1 January | - | - | - | - |
| Amount declared during the year | 2,100 | 787 | 6,510 | 3,482 |
| Amount paid | (2,100) | (787) | (6,510) | (3,482) |
| At 31 December | - | - | - | - |

### 29. Reconciliation of profit before income tax to cash generated from operations

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **Cash flows from operating activities** | | | | |
| Profit before income tax | 14,663 | 7,476 | 32,662 | 25,396 |
| Adjustments for: | | | | |
| Depreciation | 57 | 29 | 1,140 | 1,038 |
| Amortisation | - | - | 4 | 5 |
| Impairment of investment in subsidiary | - | 10,305 | - | - |
| Employee share option | 265 | - | 545 | - |
| Fair value gain on investment property | - | - | (4,038) | (2,592) |
| Investment income | (18,708) | (18,743) | (27,467) | (12,752) |
| Loss/(profit) on sale of property and equipment | - | - | (51) | 41 |
| Foreign exchange effect on consolidation | - | - | 158 | - |
| **Changes in working capital** | | | | |
| Change in insurance contract liabilities: | | | | |
| - Transfer to life fund | - | - | 32,742 | 13,123 |
| - Unearned premium | - | - | 3,070 | 1,857 |
| - Outstanding claims | - | - | (152) | (438) |
| - Amount due to re-insurers | - | - | 2,880 | (861) |
| (Increase)/decrease in amount due to related parties | (3,440) | 3,441 | (509) | 581 |
| Decrease/(increase) in loans and receivables | (127) | 93 | (2,135) | (3,907) |
| Increase in amount due from related parties | (2,256) | - | | |
| (Decrease)/increase in trade and other payables | 1,820 | (504) | (4,095) | 5,031 |
| Increase in amounts due from re-insurers | - | - | 782 | (2,558) |
| Net purchase of operating assets: | | | | |
| Equity securities | 5,599 | (17,501) | (7,183) | 3,079 |
| Unlisted debt securities | (3,261) | - | (30,020) | (15,389) |
| Investment properties | - | - | (57) | 822 |
| Cash (used in)/generated from operations | (5,388) | (15,404) | (1,724) | 12,476 |

### 30. Segment information

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. All operating segments meet the definition of reportable segments under IFRS 8.

The Group is organised into five operating segments. These segments are non-life insurance business; Life assurance business; Pension; Real estate; and Investments.

Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

## 30. Segment Reporting *(continued)*

The segmental information provided to the board of directors for the reportable segments for the year is as follows

**Year ended 31 December 2012**

| | Non-life insurance | Life Assurance | Pension | Real estate | Investments | Total |
|---|---|---|---|---|---|---|
| Gross premium from external customers | 43,079 | 89,209 | - | - | - | 132,288 |
| Reinsurance | (15,660) | (1,627) | - | - | - | (17,290) |
| Net premium written | 27,419 | 87,583 | - | - | - | 114,998 |
| Unearned premium | (3,070) | - | - | - | - | (3,070) |
| **Net premium earned** | 24,349 | 87,583 | - | - | - | 111,928 |
| Net investment and other income | 2,481 | 18,914 | 92 | 5,203 | 7,076 | 33,766 |
| **Net income** | 26,830 | 106,497 | 92 | 5,203 | 7,076 | 145,694 |
| Increase in Life fund | - | (32,742) | - | - | - | (32,742) |
| Net claim incurred | (12,749) | (15,507) | - | - | - | (28,256) |
| Commission | (2,007) | (18,678) | - | - | - | (20,685) |
| Operating expenses | (8,005) | (16,893) | (1,427) | (979) | (4,048) | (31,349) |
| **Profit before tax** | 4,069 | 22,677 | (1,335) | 4,224 | 3,028 | 32,662 |
| Income tax expense | (1,061) | (122) | 2 | (812) | (774) | (2,767) |
| **Profit after tax** | 3,008 | 22,555 | (1,333) | 3,412 | 2,254 | 29,895 |
| **Total assets** | 45,219 | 130,391 | 1,871 | 28,489 | 17,656 | 223,626 |
| **Total liabilities** | 19,143 | 90,738 | 201 | 5,076 | 1,933 | 117,091 |

Notes (continued)
(All amounts are expressed in thousands of Ghana cedis)

## 30. **Segment Reporting** *(continued)*

The segmental information provided to the board of directors for the reportable segments for the year is as follows

Year ended 31 December 2011

| | Non-life insurance | Life Assurance | Pension | Real estate | Investments | Total |
|---|---|---|---|---|---|---|
| Gross premium from external customers | 34,419 | 61,512 | | - | - | 95,931 |
| Reinsurance | (13,618) | (903) | - | - | - | (14,521) |
| **Net premium written** | 20,801 | 60,609 | - | - | - | 81,410 |
| Unearned premium | (1,857) | - | - | - | - | (1,857) |
| **Net premium earned** | 18,944 | 60,609 | - | - | - | 79,553 |
| Net investment and other income | 8,315 | 4,787 | 13 | 1,806 | 1,403 | 16,324 |
| **Net income** | 27,259 | 65,396 | 13 | 1,806 | 1,403 | 95,877 |
| Increase in Life fund | - | (13,123) | - | - | - | (13,123) |
| Net claim incurred | (9,893) | (10,464) | - | - | - | (20,357) |
| Commission | (1,165) | (13,741) | - | - | - | (14,906) |
| Depreciation and amortization | (447) | (499) | (9) | (59) | (29) | (1,043) |
| Operating expenses | (6,822) | (12,776) | (469) | (53) | (932) | (21,052) |
| Profit before tax | 8,932 | 14,793 | (465) | 1,694 | 442 | 25,396 |
| National Fiscal Stabilisation Levy | (1,347) | (740) | - | - | - | (2,087) |
| Income tax expense | (1,004) | - | 2 | - | 3,438 | 2,436 |
| **Profit after tax** | 6,581 | 14,053 | (463) | 1,694 | 3,880 | 25,745 |
| **Total assets** | 25,335 | 88,519 | 1,544 | 16,396 | 21,114 | 152,908 |
| **Total liabilities** | 14,118 | 62,962 | 404 | - | 122 | 77,606 |

## Notes *(continued)*
(All amounts are expressed in thousands of Ghana cedis)

### 31. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

| | The Company | | The Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Profit attributable to equity holders of the company (GH¢ 000) | 13,889 | 10,914 | 19,377 | 19,045 |
| Weighted average number of ordinary shares in issue | 131,210,825 | 131,210,825 | 131,210,825 | 131,210,825 |
| Basic earnings per share | 0.106 | 0.083 | 0.148 | 0.145 |

There were no potentially dilutive shares outstanding at 31 December 2012 or 2011. Diluted earnings per share are therefore the same as basic earnings per share.

### 32. Share-base payments

Share options are granted to Directors and to selected employees for shares of the parent Company. The exercise price of the granted options is equal to the market price of the shares less 21% on the date of the grant. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, there are no other vesting conditions; the options have a contractual option term of five years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.



Movements in the number of share options outstanding and their related weighted average exercise prices are as follows

**The Company**

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Average exercise price per share | Options (thousands) | Average exercise price per share | Options (thousands) |
| At 1 January | - | - | - | - |
| Granted | 0.48 | 2,730 | - | - |
| | 0.48 | 2,730 | - | - |

Share options outstanding at the end of the year have the following expiry date and exercise prices:

**The Company**

| Grant - vest | Expiry date 1 January | Exercise price in GHS/share | Shares | |
|---|---|---|---|---|
| | | | 2012 | 2011 |
| 2012 to 2014 | 2015 | 0.28 | 2,730,000 | - |

## Notes *(continued)*

(All amounts are expressed in thousands of Ghana cedis)

### 32. Share-base payments *(continued)*

The fair value of options granted during the period determined was GHS.48 per option (2011: Nil). See note 25 for the total expense recognised in the income statement for share options granted to directors and employees.

### 33. Contingencies

There were no contingent liabilities at the reporting date (2011: Nil).

### 34. Capital commitments

There were no capital commitments at the reporting date (2011: Nil).

## Shareholders' information

### i. Directors shareholding at 31 December 2012

| | |
|---|---|
| George Otoo | 1,069,975 |
| Trevor Trefgarne & Caroline France | 163,565 |
| Keli Gadzekpo | 32,500 |
| Mrs. Margaret Clarke-Kwesie | 25,000 |
| Emmanuel Kojo Idun | 5,000 |
| Martin Eson Benjamin | 4,110 |

### ii. Analysis of Shareholding at 31 December 2012

| | Number of Shareholders | Number of Shares | Percentage Holdings |
|---|---|---|---|
| 1–1,000 | 1,456 | 601,312 | 0.46 |
| 1,001–5,000 | 1,029 | 2,661,128 | 2.03 |
| 5,001–10,000 | 362 | 2,525,067 | 1.92 |
| 10,001 and over | 522 | 125,423,318 | 95.59 |
| | 3,369 | 131,210,825 | 100.00 |



### iii. List of Twenty Largest Shareholders at 31 December 2012

| | Number of Shares | Percentage Holdings |
|---|---|---|
| VENTURES AND ACQUISITIONS LIMITED | 45,924,540 | 34.99 |
| CAL BANK LIMITED | 13,500,000 | 10.29 |
| STD NOMS TVL PTY/CREDIT SUISSE SEC (USA) LLC/ AFRICA OPPORTUNITY FUND L.P | 11,410,577 | 8.69 |
| SCBN/EPACK INVESTMENT | 8,901,755 | 6.78 |
| SOCIAL SECURITY & NATIONAL INSURANCE TRUST | 7,831,250 | 5.97 |
| SCBN/ ELAC POLICYHOLDERS FUND | 4,856,290 | 3.70 |
| MAXWELL JANET SNOWDEN | 2,967,500 | 2.26 |
| STD NOMS TVL PTY/CREDIT SUISSE SEC (USA) LLC/ AFRICA OPPORTUNITY CAYMAN | 2,852,644 | 2.17 |
| SCBN/UNILEVER GHANA PROVIDENT FUND | 1,500,000 | 1.14 |
| OTOO GEORGE BANASCO | 1,069,975 | 0.82 |
| NTHC LIMITED | 819,915 | 0.62 |
| SCBN/UNILEVER GHANA MANAGERS PENSION FUND | 725,000 | 0.55 |
| UNIVERSAL INSURANCE CONSULTANTS | 650,000 | 0.50 |
| ESTATES OF DR P.K.ANIM ADDO | 625,000 | 0.48 |
| SCBN/DATA BANK BALANCE FUND LIMITED | 605,000 | 0.46 |
| GHANA INTERNATIONAL SCHOOL STAFF PF | 600,000 | 0.46 |
| SCBN RE:ELAC SHAREHOLDERS FUND | 592,795 | 0.45 |
| FRANCIS DODOO & TACHIE EMMA | 493,360 | 0.38 |
| SSNIT SOS FUND | 461,000 | 0.35 |
| SCBN/GHANA MEDICAL ASSOCIATION PENSION FUND | 397,500 | 0.30 |
| | 106,784,101 | 81.36 |

I, G. T. Waugh certify that the liabilities in respect of life policies of Enterprise Life Assurance Company for the financial year ended 31 December 2012 do not exceed the amount of the life assurance fund as shown in the balance sheet.

The Company was financially sound on the statutory basis as at the valuation date, and in my opinion is likely to remain financially sound for the foreseeable future.

## Embedded value analysis

### Embedded Value (EV)

Margins in the reserving basis mean the net asset value of an insurance company does not necessarily provide a good indication of the company's value. The Embedded Value (EV) is intended to address this problem by placing a value on these margins. The EV is equal to:

- the adjusted net worth of the company.
- plus the value of future profits from in-force business.
- less the cost of required capital.

The Net Asset Value (NAV) is defined as the excess value of all assets attributed to the business not required to back the liabilities.

The value of future profits from in-force business (VIF) is determined by projecting profits on the best estimate basis without margins, and discounting the results at the risk discount rate. The value derived is therefore the economic value of the margins in the reserves. A similar calculation is performed to determine the value of new business at the point of sale (VNB)

For the VIF and the VNB allowance is made for the cost of required capital (CoC). This represents the difference between the required capital and the discounted value of interest on the amount and the releases on an annual basis. The required capital has been set equal to the anticipated regulatory minimum capital when draft legislation is enacted.

### Embedded Value Results

The embedded value has increased by GH¢36,2 million over the past year to date, as shown in the table below:

| | 2012<br>GH¢'000 | 2011<br>GH¢'000 |
|---|---|---|
| Net Asset Value | 39,988 | 25 940 |
| Value of in-force business | 80 755 | 58 110 |
| Cost of Capital | (4 262) | (3 784) |
| **Embedded Value** | 116 481 | 80 266 |

## Embedded Value Earnings

The embedded value earnings are shown in the table below:

| | 2012 |
|---|---|
| | GH¢'000 |
| Change in EV (excluding dividends) | 36,215 |
| Dividends declared | 9,000 |
| Change in Capital | - |
| **Embedded Value Earnings** | **45,215** |

## Analysis of Change in Embedded Value

The analysis of change provides explanations and insights as to how and why the NAV and the VIF have changed over the reporting period. It also provides a check that the business is performing in line with expectations. A summary of the analysis is shown in the table below

| | VIF | CoC | NAV | EV |
|---|---|---|---|---|
| **EV at start** | **58,110** | **(3,784)** | **27,314** | **81,641** |
| VNB to December 2012 | 20,419 | (694) | 287 | 20,012 |
| Expected transfers to net worth | (16,408) | - | 16,408 | - |
| Dividends paid | - | - | (9,000) | (9,000) |
| Actuarial Movements | 13,106 | (864) | 4,314 | 16,556 |
| **EV projected to end of period** | **75,213** | **(5,342)** | **39,322** | **109,193** |
| Experience profits/ losses | 3,876 | - | 3,334 | 7,210 |
| Basis Changes | 1,666 | 1,080 | (2,669) | 77 |
| **EV at end new basis** | **80,755** | **(4,262)** | **39,987** | **116,481** |

## Key Assumptions

The assumptions are set based on estimates of future experience. These are derived from analyses of past experience for mortality, persistency and expenses. Allowance is made for future investment return at 15.55% pa and inflation at 11% pa. The risk discount rate is 21%pa.

GTWaugh

**G T Waugh**

**Statutory Actuary**
**30 March 2013**

## Resolutions

### Ordinary Resolutions

The Board of Directors will be proposing the following resolutions, which will be put to the Annual General Meeting:

### To receive the 2012 Accounts

The Board will be proposing for acceptance by shareholders the audited Financial Statements for 2012, together with the Reports of the Auditors and the Directors thereon in respect of the year ended 31st December, 2012.

### To declare a final Dividend

The Directors recommend the payment of a final dividend of GHS0.016 per share for the year ended 31st December 2012. This would bring the total dividend for the year 2012 to GHS0.032 per share.

### To re-elect retiring Directors

The following Directors of the Board, Mr. Ken Ofori-Atta and Mr. Martin Eson-Benjamin are retiring in accordance with s. 298 (a) of the Companies Act, 1963 (Act 179). The afore-mentioned Directors are eligible for re-election and have offered themselves to be re-elected as directors of the company.

#### *Mr. Ken Ofori-Atta*

Ken Ofori-Atta is the Non-Executive Chairman of Databank and its Co-founder. He was the Executive Chairman from 1990 until his retirement on February 14, 2012. Databank has been awarded numerous professional, social and leadership awards during his incumbency including being awarded the 2007 Most Respected Company in Ghana.

Ken is a director of two publicly listed companies – Enterprise Group Ltd and Trust Bank Ltd of The Gambia of which he is Chairman. He is a Director at the International Bank of Liberia and is also a Board Member of the Acumen Fund, a global Private Equity Social Investment Fund and a director of AAF SME Fund LLC, a target US$ 100m private equity for SME agribusiness in Africa.



Ken has keen interest in education. He is on the Boards of New York University in Ghana, Central University College, University College of Agriculture and Environmental Studies. He is also Chairman of the College of Agriculture and Consumer Science of the University of Ghana; and a member of the President's Council on International Activities of Yale University. He is Co-founder of the Africa Leadership Initiative of the Aspen Global Leadership Network and a Henry Crown Fellow of the Aspen Institute.

Prior to co-founding Databank, Ken worked at Morgan Stanley and Salomon Brothers on Wall Street in New York. Ken went to Achimota School in Accra, Ghana; he has a BA in Economics from Columbia University in New York and an MBA from the Yale School of Management. Ken was honoured as a Donaldson Fellow at Yale University and a John Jay Fellow at Columbia University. He was twice honoured by PWC Ghana as one of the Most Respected CEOs in Ghana.
Ken is a Ghanaian and lives in Accra with his family.

#### *Mr. Martin Eson-Benjamin*

Mr. Martin Eson-Benjamin is the CEO of the Millennium Development Authority of Ghana (MiDA). He has also served on the Boards of various organisations. Board appointments include, Chairman of the Multimedia Broadcasting Company Limited, Chairman of Ghana Agro Foods Company (GAFCO). He worked with Kumasi Brewery Limited, a subsidiary of UAC Ghana Limited and moved to Unilever Ghana Limited. He was awarded the National Order of the Volta in 2008. Mr Eson-Benjamin joined the EGL Board in 2010. Mr. Eson-Benjamin is Ghanaian.

### To authorise the Directors to fix the remuneration of the Auditors

The Board would request that the Directors be authorised to fix the remuneration of the Auditors for the year 2013.

### To approve Directors' Remuneration

The Board would request that in accordance with s. 194 of Companies Act, 1963 (Act 179), that members approve the remuneration of Directors.

Enterprise Group Limited and Subsidiaries

## PROXY FORM

I/WE ........................................................................................ being a member / members of Enterprise Group Limited
(Block Capitals Please)

Hereby appoint ........................................................................ or failing him Trevor Trefgarne or failing him George Otoo as my / our proxy to vote on my / our behalf at the Annual General Meeting of the Company to be held on Wednesday, May 22, 2013 and at any adjournment thereof.

The General Meeting hereby resolves the following:

| RESOLUTION | | FOR | AGAINST |
|---|---|---|---|
| 1. | To adopt the Reports of the Directors and the Auditors and the Financial Statements. | | |
| 2. | To declare a final Dividend | | |
| 3. | To re-elect retiring Directors<br>a. Mr. Ken Ofori-Atta<br>b. Mr. Martin Eson-Benjamin | | |
| 4. | To authorise the Directors to fix the remuneration of the Auditors | | |
| 5. | To approve Directors' Remuneration | | |



Dated this ........................................................ day of ........................................................ 2013

Signature: ........................................................

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IMPORTANT: - Before posting the attached form please tear off this part and retain it – see over. A member (Shareholder) who is unable to attend the Meeting is allowed to vote by proxy. The attached form has been prepared to enable you to exercise your right to vote in case you cannot personally attend the Meeting. Following the normal practice the names of two Directors of the Company have been inserted on the proxy form to ensure that someone will be present at the Meeting to act as your proxy, but if you wish you may insert in the blank space on the form the name of any person whether a Member of the Company or not, who will attend the Meeting and vote on your behalf, instead of one of the Directors. Please complete and post the proxy form in time for it to reach the address indicated in the Notice on page 2 not later than 48 hours before the time of the holding of the Meeting.

*Please Affix*
*Stamp Here*

*First Fold Here*

**The Registrar**
**NTHC Limited**
**1st Floor, Martco House, Adabraka**
**P.O. Box KIA 9563**
**Airport**
**Accra, Ghana**

*Second Fold Here*

*Third Fold Here*



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*IMPORTANT: A member attending the meeting should not produce this form.*

ENTERPRISE GROUP LIMITED

Enterprise House
No. 11 High Street, P M B 50, G. P. O. Accra.
www.enterprisegroup.net.gh