
2013 Annual Report

# Your Advantage

enterprise GROUP

enterprise GROUP

*Your Advantage*

## *Vision*

In all our markets, our pedigree will be recognized, our strength respected, our expertise valued and our solutions sought by all who desire an advantage in life.

## *Mission*

We provide all who come into contact with us their desired advantage because... we are the best at what we do!

## *Values*

- **F**riendliness
- **T**rust
- **R**eliability
- **E**xcellence
- **P**rofessionalism

enterprise INSURANCE

enterprise LIFE

enterprise TRUSTEES

enterprise PROPERTIES

enterprise FUNERAL SERVICES

# Contents

# *Notice and Agenda of Annual General Meeting*

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of Enterprise Group Limited will be held at the Ghana College of Physicians and Surgeons, Accra, on Thursday, May 22, 2014 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 or the year ended 31st December 2013.

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
Perpetua Yankson,
Ag. Company Secretary

Dated the 21st Day of April, 2014.

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.

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# *Five Year Financial Summary*

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

| | **2013** | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Group Net Income | 230,968 | 145,694 | 95,877 | 69,345 | 37,942 |
| Net Investment income | 68,001 | 31,505 | 15,344 | 14,454 | 3,171 |
| Net Insurance Premium | 157,783 | 111,928 | 79,553 | 54,891 | 34,771 |
| Net Benefits & Claims | 114,726 | 60,998 | 33,480 | 31,689 | 17,948 |
| Operating expenses | 41,394 | 31,349 | 22,095 | 18,111 | 12,277 |
| Profit before Tax | 47,764 | 32,662 | 23,309 | 9,179 | 4,197 |
| Profit After Tax | 39,673 | 29,895 | 23,734 | 8,353 | 2,236 |
| | | | | | |
| Total Equity and Surplus | 135,152 | 106,535 | 75,302 | 56,898 | 34,120 |
| Total Assets | 345,997 | 223,626 | 152,890 | 115,165 | 73,883 |
| **Number of Shares** | **131,210,825** | **131,210,825** | **131,210,825** | **131,210,825** | **131,083,325** |
| Earnings per Share | 0.24 | 0.15 | 0.15 | 0.06 | 0.017 |
| Dividend per share | 0.045 | 0.032 | 0.00* | 0.010 | 0.009 |
| Return on Assets | 8.67% | 9.96% | 19.20% | 7.25% | 3.03% |
| Return on Equity | 27.34% | 22.43% | 36.45% | 14.68% | 6.55% |
| Share Price (Market) (GH¢) | 1.88 | 0.48 | 0.38 | 0.50 | 0.44 |
| Price Earning Ratio | 7.9 | 3.24 | 6.67 | 5.97 | 25.88 |

# *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

## Ag. Secretary

Perpetua Yankson,
Enterprise Group Limited
No. 11 High Street
PMB 150, GPO
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
PMB 150, GPO
Accra

## Bankers

Barclays Bank of Ghana Limited
Standard Chartered Bank

# Chairman's Review

*Trevor Trefgarne*
*Chairman, Enterprise Group Limited*

"Our progress in terms of growth at or above market growth in both revenues and profitability were sustained in 2013. In parallel to this we continued to pursue our plans to enter new business sectors and we will work to ensure that these entries sustain our delivery of shareholder value"

## Dear Shareholder

### Summary

I am pleased to report another year of outstanding performance for the Enterprise Group. Management has maintained growth and as a result more than doubled the size and value of our Group in only three full years since the restructuring at end of 2010. All the Group's key financial performance objectives for 2013 were achieved or exceeded. Directly as a result of this continued good performance, our recommended final dividend of GHS 0.025, and full year dividend of GHS 0.045, represents a growth on prior year of 40.6%. Enterprise Group's shares on the Ghana Stock Exchange appreciated in value from the 2012 year end price of GHS 0.48 to GHS 1.88 at end 2013, valuing your company at GHS247m. The performance of the stock reflects investor confidence in the direction and future of your company.

Your Company has reached another significant milestone as the Group Chief Executive Officer, Mr. George Otoo retires after 33 years of service to your company, 15 of which he served as CEO. At the Annual General Meeting we intend to properly recognize the very great contribution that Mr. Otoo has made to the transformation and growth of Enterprise since his appointment.

We are happy to announce that Mr. Otoo will be succeeded by Mr. Keli Gadzekpo. Mr. Gadzekpo has been a non-executive director of Enterprise Insurance since 1998 and Enterprise Group since it was formed. He is co-founder of Databank Financial Services Group and has been its CEO since 2012. This is a significant appointment that will give renewed strategic direction to developing our business as a diversified financial services Group. We are delighted that such an outstanding director is able to take on this task.

### The Economic Context in 2013

The year 2013 proved more difficult for the economy than envisaged. The key 2013 budget targets for GDP, Inflation, Fiscal Balance and Gross International Reserves were not achieved. Despite these difficulties Ghana's GDP growth remained important, with GDP (non-oil) and GDP (including oil) expected to reach 5.8% and 7.4% respectively. Growth in the Industry and services sectors exceeded targets achieving growth rates of 9.1% and 9.2% respectively.
The agricultural sector showed signs of recovery, achieving a 3.4% growth rate against a target of 4.9% and 2012's performance of 1.3%.

# *Chairman's Review* *(continued)*

Inflation escalated progressively throughout the year to reach 13.5% at year-end 2013. This was composed of food and non-food inflation rates of 7.2% and 18.1% respectively. The non-food basket inflation was driven by price growth of 35% in utilities, 25.6% in transportation and other significant price increases in housing, clothing and imported items. The upward trend in inflation may impact adversely on the disposable income on which significant portions of our businesses depend and will be countered as far as possible with appropriate strategies.

The combined impact of political uncertainty, a decline in volumes and prices of Ghana's major export commodities such as gold and cocoa, as well as increased demand for forex, weakened the Ghanaian Cedi which depreciated against the US$ by 24%. Increased inflows from oil receipts were insufficient to compensate for the shortfalls. The proportion of Government revenues applied to the public wage bill, the public debt and slower than budgeted revenue inflows, continue to hold back the full execution of Government's economic objectives and policies, which revolve around building a resilient economy and expanding infrastructure.

### Economic prospects for 2014

2014 will be a very difficult year for the economy. Although the overall objectives and policies of Government remain unchanged, critical success factors will be Government's ability to stem leakages in revenues, eliminate perceived waste and implement the wide ranging 2014 budget measures aimed at increasing tax revenues. There are concerns over the effects of these new tax measures on business. It is therefore critical that implementation is well thought through to ensure these measures do not discourage the business sectors affected, like the financial services sector, which have contributed significantly to the growth of the economy.

Based on our current understanding of the new tax measures, our General insurance business will be subjected to VAT. Due to low insurance penetration in the country, the introduction of VAT is likely to slow down the growth potential of the sector and indeed government's wish to encourage insurance of natural risks and other disasters such as fire.

### Business Performance

2013 marks the third anniversary since we migrated to the holding company structure and the launch of our growth and diversification agenda. Key performance indicators clearly show that the strategy has been a success. The compounded growth rates over the period 2011 to 2013 for Group Net Revenues, and Group Profit after Tax were 333% and 468.9% respectively.

Simultaneously our share price and market capitalization have progressed from GHS 0.50 and GHS 65.6m to GHS 1.88 and GHS246.7m respectively.

Our progress in terms of growth at or above market growth in both revenues and profitability were sustained in 2013. In parallel to this we continued to pursue our plans to enter new business sectors and we will work to ensure that these entries sustain our delivery of shareholder value. New ventures often take a while to bring to fruition as we seek to ensure a high probability of success in new business sectors

### Shareholder Return & Dividends

In line with our stated aim of returning real shareholder value, we paid an interim dividend of GHS 0.020 in 2013. In the light of the Group's robust performance, we seek your approval at this Annual General meeting to declare a final dividend in respect of the financial year 2013 of GHS 0.025, bringing the full year dividend to GHS 0.045 per share against the 2012 full year dividend of GHS 0.032, and representing a growth of 40.6%.

Since the reorganization in 2010, we have consistently improved dividend payout. 2013 dividend payout, if approved, will be four times the payout in 2010, or from GHS 0.010 to GHS 0.045. Taken together with the improved performance of your stock on the GSE, we believe we have delivered on shareholder return and will strive to continue with this progress.

### Management & Staff

The Board expresses its appreciation to the management, staff and business partners in Enterprise Group for once again delivering the results on which the progress of this business thrives. As previously indicated, Mr George Otoo, retires as Group Chief Executive Officer after this annual general meeting. We wish to thank George for his 33 years of dedicated and outstanding service to the Group.

On your behalf we welcome Mr. Keli Gadzekpo as Group Chief Executive Officer and look forward to continued progress under his leadership.

### 2014 Prospects.

We remain confident in our strategies and particularly in our very capable management and staff to deliver expected long term growth for shareholders.

Trevor Trefgarne
Chairman, Enterprise Group Limited

## *Board of Directors - Enterprise Group Limited*


George Otoo
Group Chief Executive Officer

Emmanuel Idun
Executive Director, Finance

Keli Gadzekpo
Director

H. E. Mrs. Margaret Clarke-Kwesie
Director

Martin Eson-Benjamin
Director

Ken Ofori-Atta
Director

Trevor Trefgarne
Chairman

## *Non-Executive Directors of Subsidiary Companies*

Charles Paul Odei
*Director - Insurance & Trustees*

Matilda Obeng–Ansong
*Director - Life*

Gloria Akuffo
*Director - Life*

Margaret Dawes
*Director - Life & Trustees*

Kwabena Asante
*Director - Properties*

Fiifi Kwakye
*Director - Trustees*

Josh Wrench
*Director - Trustees*

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# *Group Chief Executive Officer's Review*

*George Otoo,*
*Group Chief Executive Officer.*
*Enterprise Group Limited*

"We rebranded in 2013, unifying our brand identity across the Group and this has impacted positively on our new businesses in Trustees and Properties. We remain positive on the opportunities in our chosen business sectors"

## Group Chief Executive Officer's Report

### Introduction

2013 marks the end of the third anniversary following our restructuring and the start of our journey towards becoming a diversified financial services Group. In 2013, we made further progress towards delivering our strategic objectives and achieved all our critical performance indicators. Net revenues grew by 58.5% whilst Group profit after tax advanced 32.7% to GHS 39.7m.

We rebranded in 2013, unifying our brand identity across the Group and this has impacted positively on our new businesses in Trustees and Properties. We remain positive on the opportunities in our chosen business sectors.

### The competitive and regulatory environment

Ghana continued to attract international investment in the financial services sector. Of relevance to our business are the new multinational business entries in financial services and in particular, the General and Life insurance businesses and Pensions/ Wealth management. These entries were executed mostly through the acquisition of local businesses. We envisage that over the long term, these new players will leverage on their larger capital, cross border relationships and innovations in products and services available from their international operations. We believe that our strategic focus on growth through innovation, and customer care will enable us to retain and improve on our market position.

In insurance, industry discipline, price competition, management of debtors and aggressive new business acquisition remained critical issues. However the industry regulator exhibited a new resolve to deal with some of these issues, which if executed, we believe will create a more sustainable operating environment. Further consultations took place with respect to the proposed new industry regulatory framework. However, the timing for enactment into law of the new insurance law and regulations remains uncertain.

In the Trustees business the National Pensions Regulatory Authority continued to develop the operating framework for the industry. However, the accumulated Temporary Pension Fund Account under tier 2 remained with the Government. The uncertainties around when these funds will be released to Corporate Trustees resulted in a review of our business model and operating structure to conserve capital. We believe the steps we have taken will have a long term positive effect on the business.

The recent tax enactment extending the application of VAT to sectors previously exempt will impact on our general insurance business and will aggravate industry attempts to widen the coverage and penetration levels of general insurance in Ghana.

The real estate sector remained vibrant with prime land and property sites continuing to appreciate in value, but at a reduced rate of acceleration. New developments cut across both commercial and residential uses.

### Progress on delivering the Group Strategy

One of the key actions in our strategic framework is to leverage on the Enterprise Brand to power growth. To translate this strategy into action, we rebranded the Group, taking advantage of the process to unite the vision, mission, values and the brand identity of both Group and subsidiaries under a single umbrella. Using the tag line "your advantage", we believe that the new identity will make both our existing and developing businesses instantly recognizable as belonging to the Enterprise family and thereby allow synergies and our reputational benefits to extend automatically to all members of the Enterprise family of companies.

We delivered strong revenue growth rates which, if sustained, and we have every intention of doing so, will enable us to double revenues every three years. Our industry sector penetration levels and potential make this proposition a viable one. We continued to develop our new operation in the Gambia, whilst exploring other new business sectors.

The Group generated adequate cash streams to support our expansion and new businesses, whilst at the same time improving on shareholder returns in terms of dividend payments. Our cash generation remains adequate in the short-term, however we may explore additional sources of funding to fully deliver our strategies particularly in Properties and other new business sectors.

The Group's first real estate development project was completed in quarter 1 2014. We have commenced work on our first office development which is expected to be completed in 2016.

### Financial Performance

**Revenues**

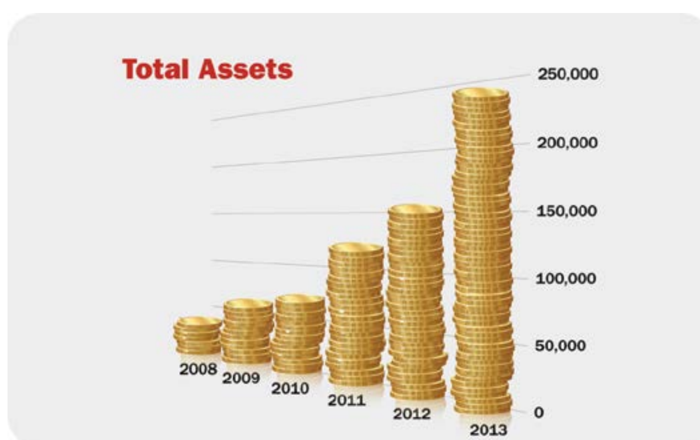
We exceeded our revenue targets significantly as Group Net revenues rose to GHS 230.9m representing a growth rate versus prior year of 58.5%. This was a very pleasing result, and was delivered through exceptional growth in investment income as well as growth from the underlying operating businesses.

Investment income and fair value gains constituted 29.4% of Group net revenues, or GHS 68m. The important contribution made to Group revenues was the result of a renewed management focus on investments, and another exceptional year for equities on the Ghana Stock Exchange, with the GSE composite index appreciating by 78.8%. Additionally, the high yields on deposits and Government treasury bills made an important contribution.

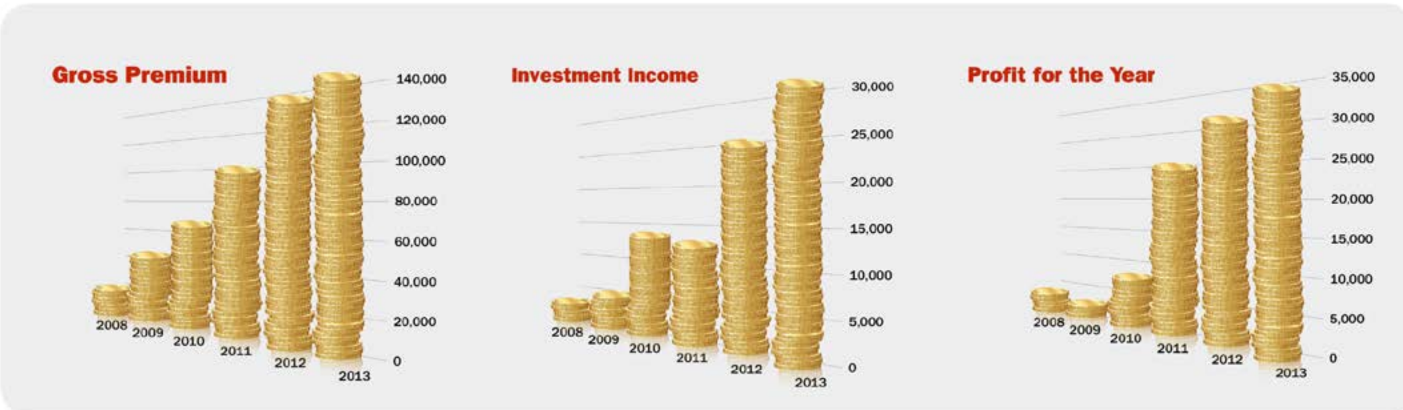
The General and Life businesses represent the most significant part of our business and continued to show great potential for growth delivering growth rates of 42.4% and 40.1% respectively. This growth was primarily driven by new business acquisition and gains made through our expanded branch and agency networks. Going forward, it is our intention to sustain this growth through product innovations focused on targeted market segments, as well as increasing our channel footprint nationally.

The recent introduction of VAT on general insurance businesses represents a new challenge for the industry and will require creativity, as we will retain our clients only if they continue to see value in the services and products we offer. We are confident we can live up to the challenge.

Our prime property sites, particularly Accra, continued to appreciate in value but at a reduced pace of growth and contributed positively to Group net income.



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




## Operating Costs

The adverse operating environment had a cost push impact on our business as net expenses moved from GHS 113.0m in 2012 to GHS 183.2m, representing a growth of 62.1% in 2013.

62.6% or GHS 114.7m of our net expenses were claims related and grew 88% against prior year. The biggest driver of this significant growth was the growth in actuarial liabilities which required an increase in provisions of GHS 65.9m against last year's GHS 32.7m or a growth of 102%. The growth in actuarial liabilities were also driven by the exceptional returns on policy holders funds in the Life business.

Net claim payments to clients also increased significantly to GHS 48.8m from prior years GHS 28.3m, or 72.4%, with maturities, surrenders, terminations and withdrawals driving the Life claims, and inflationary pressures in the economy and currency depreciation impacting on General Insurance claims.

Commissions increased modestly at 30.9% relative to growth.

Operating cost at GHS 41.4m represented a growth of 32% and reflected incremental costs associated with branch expansions, increased headcount, the impact of share price movements on the employee ESOS, rebranding and startup operations.

## Profits

Once again we are happy to report significant growth in profits. Group Profit after Tax for the year was GHS 39.7m representing a growth of 32.7% versus prior year 2012.

This impressive profit out turn was delivered through the significant growth in income, which in turn originated from premium growth in our underlying insurance businesses, particularly in Life, and growth in investment income which now represents 28.1% of net revenues against prior year's 18.8%. The positive net impact of investment income in our new startup operations also had the effect of making these operations cost neutral and helped lift Group profits.

Profit attributable to Enterprise Group shareholders was GHS 31.2m versus GHS 19.4m achieved in 2012 and represents a very significant rise of 60.8%.

Earnings per share improved to GHS 0.238 from GHS 0.148 in 2012. Return on assets and equity were 8.7% and 27.3% against prior year's 9.9% and 22.4% respectively.

## Cash Flows

The Group generated positive cash flows after funding expansions, investments in properties and increased dividends. Cash generation remains central to the success of our growth and diversification plans. As previously stated we will supplement our future funding requirements with debt or partnerships without loss of value to existing shareholders.

## Balance Sheet

Group Total Assets grew by 54.7%, on the back of the appreciation in our portfolio of investment on the GSE and the continuing high yields on fixed-deposits investments and government treasury notes.

Net assets attributable to Enterprise Group shareholders grew by 32.5% to GHS 114.4m.


### Management & Staff

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 year by year.

### Forward view Prospects for 2014

Despite the economic uncertainties and tax policy actions unfavorable to the financial services sector, we remain confident on future prospects and in our forward strategy.

George Otoo,
*Chief Executive Officer.*
*Enterprise Group Limited*


"When I choose a ***Profit Sharing*** option from **Enterprise Insurance**, I get a share of the profit when I don't make a claim on my Insurance "

**That's my Advantage...Whats Yours?**

Choose the ***Profit Sharing*** ***option*** when signing on to our Motor, Home, Fire or Personal Accident insurance for **Your Advantage.**

*Terms and Conditions apply.

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*Kwame Ofori*
*Executive Director, Enterprise Insurance*

## *Enterprise Insurance Company Limited Report*

"We embarked on an expansion drive through the establishment of 5 new branches; we changed our system of operations by centralizing back office operations and also began the upgrade of our operational software, among others"

### The Industry

The year 2013 saw the appointment of a new Insurance Commissioner, Miss Lydia Bawa. Under the direction of this new Commissioner and In accordance with the power conferred on it by sections 2(a), (g) and 204 of the insurance Act 2006, Act 724, the National Insurance Commission (NIC) gave a strong indication of its intention to introduce a "No Premium, No Cover" regime in 2014 which would make it illegal to sell insurance on credit. This new regime aims at ensuring that insurers have adequate resources to enable them operate efficiently to improve service delivery to the public which will in turn engender confidence in the industry and improve our image.

The new directive as agreed by the industry and the NIC is to come into effect on the 1st of April 2014. It is envisaged that strict adherence and implementation of this new policy by the Industry and the Commission respectively will bring to an end the huge outstanding premiums reported in the financial statements of Insurance Companies annually.

As Insurers, we recognize the harm the current situation is doing to our balance sheets through loss of investment income, among others, from uncollected premiums. The success of these guidelines will depend on the commitment of Insurers to strict compliance, but more importantly, on the strict supervision of the NIC as the Commission has announced hefty penalties for defaulting companies.

Besides the government has, through the new Value Addition Tax (VAT) law, imposed a 17.5% VAT on General Insurance premiums. The law comes into effect in 2014. This, the Industry believes, would adversely affect the Industry considering the very low level of insurance penetration in the country. The Industry engaged the Ghana Revenue Authority on the issue in the hope that the government will rescind its decision in order to help the insurance industry's effort at increasing the insurance penetration in the country. This will in turn maximize the benefits of insurance to the society.

Competition as usual intensified in the industry and this regrettably increased the negative practices such as under cutting of premiums, and the wanton granting of credit to gain market share.

## Company Results

The year 2013 was a very good year for the company. It was a year packed with a lot of activity; we embarked on an expansion drive through the establishment of 5 new branches; we changed our system of operations by centralizing back office operations and also began the upgrade of our operational software, among others.

Gross Premium went up by 42.4%, from GHC43.1m to GHC 61.3m while Net Premium posted a higher growth of 45.5%, from GHC27.4m to GHC39.9m. This was as a result of management's efforts at growing the small to medium sized businesses which helped us achieve our Net premium growth agenda. This ultimately boosted our Underwriting Profit.

A total of 26,518 New Businesses were written during the period culminating in a Gross Premium of GHC23.4m. This represents 38.2% of Gross Premium. This was a growth of 75% over the 2012 new business premium of GHC13.3m. The bulk of the new business income came from motor which recorded GHC13.0m representing 55.6% of the total new business premium.

Out of the Gross Premium of GHC61.3m written for the period under review, we collected 86.8%. We believe that with the introduction of the new NIC guideline on the "No premium, No cover" regime the issue of outstanding premiums would be nipped in the bud as all premiums outstanding as at 31st December 2014 would have to be written off in accordance with the NIC directive. Therefore, there would be no outstanding premiums in the books of any insurer from that date.

Underwriting Profit grew from GHC1.6m in 2012 to GHC4.5m in 2013, a growth of 182.7%. This was as a result of our focus on small to medium-sized businesses as alluded to earlier as well as the high growth in our premium income.

## Financial Results

Investment income grew by 296.0% from GHC1.1m in 2012 to GHC4.4m in 2013. More funds were pushed to investment vehicles which yield the highest returns at the lowest possible risk.

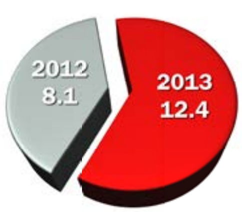
Other income grew by 85.9% from GHC4.5m to GHC8.4m in 2013. Profit before tax was GHC17.3m against GHC7.2m in 2012.

Total taxation (corporate tax & stabilization levy) was GHC3.4m against GHC1.1 for 2012.

Profit after tax was GHC13.9m.

| | 2013 (000) | 2012 (000) | % Growth (000) |
|---|---|---|---|
| Gross Premium | 61,330 | 43,079 | 42.4 |
| Net Premium | 39,880 | 27,419 | 45.5 |
| Claims Incurred | 16,572 | 12,749 | 30.0 |
| Net commission Expense | 3,012 | 2,007 | 50.1 |
| Operating Expenses | 10,388 | 8,005 | 29.8 |
| Underwriting Profit | 4,490 | 1,588 | 182.7 |

**Summary of performance by class of Business**




### Fire

Gross Premium for this class of business went up by 54.2% from GHC8.1m in 2012 to GHC12.4m in 2013. It recorded an underwriting loss of GHC0.4m, which is (263.2) % below the 2012 figure of GHC0.3m.


### Motor

A total Gross Premium of GHC31.1m was recorded in 2013 compared to GHC21.8m in 2012. This showed a growth of 42.6%. This class of business which has consistently been the highest contributor to Gross Premium income made an underwriting profit of GHC6.5m compared to the underwriting loss of GHC0.2m that was recorded in 2012. The huge difference in profit was due to the fact that we adopted a more effective method of computing underwriting profitability

# Enterprise Insurance Company Limited Report *(continued)*



## Marine

Income from Marine increased from GHC1.8m in 2012 to GHC1.9m in 2013, an increase of 10.1%. Underwriting profit went up by 295.8% from GHC0.1m in 2012 to GHC0.3m in 2013.

## General Accident

Premium from General Accident went up from GHC11.4m in 2012 to GHC15.8m in 2013, an increase of 38.6%. General Accident made an underwriting loss of GHC1.9m compared to a profit of GHC1.4m recorded for 2012. This was primarily due to the new formula for computing underwriting profit that we have adopted, since it took into account for the first time, the real cost of service for this segment of our business.

All the classes of business making up this portfolio recorded losses with the exception of Business Burglary, Banker's Indemnity and Personal Accident that recorded moderate gains.

## Looking Forward

As indicated last year, management is still committed to continue driving the upward trend in Underwriting Profit. The initiative that we embarked upon in 2013, which included the expansion drive as well as the re-engineering of our business processes has positioned us strategically to further grow our business in the coming years.

We will continue to pursue this strategy whilst researching into more innovative products and other ways of delighting our clients and prospective clients.

## Appreciation

On behalf of our Board of Directors, I will like to thank our valued clients and intermediaries whose trust in us continues to keep us in business. We are committed to offering you the best of security to enable you concentrate on your core business.

I thank management and staff for their continued hard work and dedication to duty that enabled us deliver such remarkable results this year, in a very challenging business environment.

Finally, I thank the board of directors for their invaluable counsel and guidance.

Kwame Ofori
*Executive Director, Enterprise Insurance*

www.enterprisegroup.com.gh

# **3 times** and counting


We doff our hats to you our cherished policy holders' for making this happen again, we could not have done it without you, thank you.

- **3rd Most prestigious Company in Ghana 2012 -** Ghana Club 100
- **Leader in the Financial Services Sector 2012 - (Insurance Category)** Ghana Club 100

Contact us on +233 302 265306/7/8 Email: customerservice.life@enterprisegroup.com.gh

IN ASSOCIATION WITH THE Sanlam GROUP

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# Enterprise Life Assurance Company Limited Report

"Life Insurance, being a volume driven industry involves a lot of data management, processing and retrieval. The bedrock of service delivery is to manage a data in an effective and cost-efficient way"

## Background – Industry

The outlook for the Life Insurance Industry remained positive for year 2013. A strong middle class with growing incomes and new tastes have boosted the demand for Life Insurance. The low market penetration rate of below 1% points to a potential for continued strong growth in the market.

The industry has been subjected to regular regulatory changes moving towards international standards. The proposed introduction of the new Insurance Act has been postponed to 2014, however, there have been directives introducing quarterly reporting and micro insurance activities. We are expecting a review of the solvency requirements relating to Life Assurance to be effected in 2014.

## Defining Our Strategy

Over the past five years we have maintained a well-defined strategy built on five (5) pillars.

- People development through capacity building and performance management
- Service Delivery through application of technology and adoption of best practice
- Strategic Alliances and new growth channels
- Qualitative and Profitable Growth
- Visibility and Awareness of our company.

Our strategy, we believe, defines and focuses on the essentials of our business and we have kept it aligned to our operations through an effective performance management system.

Our performance is measured through the following five (5) key corporate imperatives;

- Gross Premium Income
- Annual Premium Equivalent
- Value of New Business
- Operating Surplus
- Profit Before Tax

*C.C. Bruce Jnr.,*
*Executive Director, Enterprise Life*

Through our disciplined approach to strategy and operational management, we have shown consistent above market growth in our key corporate performance measures covering the past five (5) years.

## Year Financial Review (Performance)

The objective of sustaining past financial performance was achieved in the year 2013. The year saw marked improvements in all key performance areas.

### Premium Income

Enterprise Life achieved Net Premium Income of GH¢123.3m in 2013, an increase of 40.8% on 2012. This growth was dominated by the performance of the Individual Life policies which now contribute 96% of total premium with Group policies contributing 4% of premiums and Gambia doing just under 1%.

### Average Premium Equivalent (APE)

APE measures the annualized premiums for new business. It determines the future growth of the business. APE grew by 24.3% in 2013 from GH¢45.7m in 2012 to GH¢56.8m in 2013. This resulted in a Compound Annual Growth Rate (CAGR) for the past five years of 40% from GH¢14.9m in 2009 to GH¢56.8m in 2013

### Value of New Business (VNB)

This measures the profitability of new business over a twelve month period. VNB for 2012 was GH¢20.0m while that of 2013 was GH¢29.0m, a 45% increase for 2013 and a compound annual growth rate (CAGR) of 44% for the period 2009 to 2013.

### Operating Surplus

Operating surplus, which defines results from core operations and returns from policyholders investments was GH¢30.4m in 2013 compared to GH¢18.6m in 2012. This was a 63% growth during the year, driven by premium income growth, controlled expenditure and high return on policyholder investments.

### Profit before Tax

Profit before tax also improved significantly from GH¢22.7m in 2012 to GH¢38.3m in 2013, a 68.7% increase. The increase in the level of profit was due to operating surplus improvement and investment income from shareholders' funds driven mainly by the performance on the Ghana stock exchange.

### Others

Efficiencies in our operational spend continued to improve as Management expenses increased by 22.4% compared with a growth of 25.1% in 2012. This improved our expense ratio from 18.9% in 2012 to 16.6% in 2013.

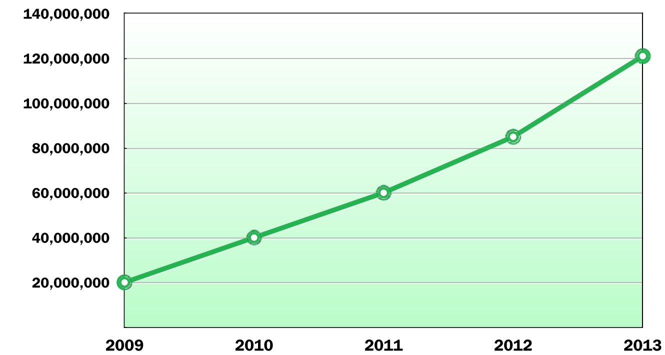
The improved operational result was also reflected in positive operational cash flows. Net Cash flow improved from GH¢4.4m in 2012 to GH¢8.6m in 2013 resulting from a significant improvement in Net Cash generated which moved from GH¢14.4m in 2012 to GH¢25.9m.

The Asset base of Enterprise Life increased by GH¢96.2m to GH¢226.6m. This increase is primarily due to appreciation in values for Equities, and other Investment assets.

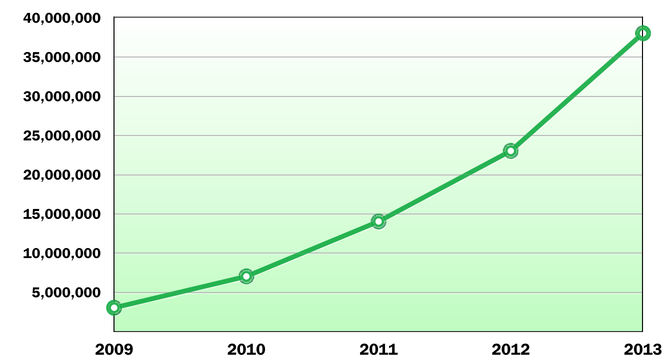
With a significant improvement in profitability of new business and our asset base, the embedded value improved from GH¢116.5m in 2012 to GH¢172.6m. Embedded value is the adjusted net worth of the company plus the value of future profits.

In summary, Enterprise Life has continued to demonstrate improvement in financial results year after year.

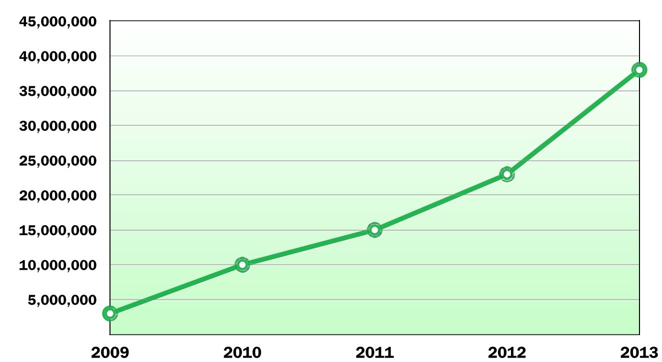
**Premium Income (Net)**




**Operating Surplus**




**Profit Before Tax**



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

## Individual Life Operations

### Products

During the year we introduced a new product "The Ladycare Plan" which is a Term Assurance Plan with Critical Illness benefits designed for women. The objective of the Plan is to provide a comprehensive cover that will cater for the complete needs of the woman. The plan covers Death, Permanent/ Temporal Disability, Critical Illness, Hospitalisation Benefits, Medical Complications and other female related illness.

We have a balance of risk plans (funeral finance plan, family income protection plan and ladycare plan) and savings plans (educare plan and lifetime needs plan) to meet the varied needs of our policyholders.

Our focus, however, is still on risk policies with the funeral finance plan being our highest selling individual product.

### Reaching the Market

Our new business growth strategy is based on our structured distribution channels, with the objective of growing our new business incepted cases.

Our agency channel is directly managed by us and is the dominant channel. The channel's share of incepted cases increased by 25% over prior year.

During the year we opened one more branch at the North Industrial Area. This gives us a presence in the East of Accra and moves us closer to the policyholders we have in that part of the city. We also increased our sales teams in Cape Coast and Takoradi to exploit the growth opportunities in these cities.

Our Broker Channels continue to make significant contributions to our new business growth. We signed on two new brokers; Cardinal Brokers and Ceris International Brokers bringing our total number of broker contracts to thirteen.

The total broker manpower grew by 32% and their productivity also grew by an impressive 40% leading to new business incepted growth of 27%.

However, their contribution to our total new business incepted dipped marginally from 19% in 2012 to 18% in 2013.

The year was challenging for our Bancassurance channel. Due to the strict regulatory and governance requirements, our reviewed SCB Educare plan could not be rolled out as originally planned.

This affected New Business sales which ended the year at 86% of prior year.

The channel however contributed 12.7% of our New Business incepted cases.

We find the Bancassurance partnership with both Standard Chartered Bank and Barclays Bank as very valuable with long term benefits.

## Group Operations

Group Operations had a mixed year in 2013. Gross premium income was 56% of prior year and APE increased by 5% over 2012.

Credit life continues to be the highest source of income growth for group operations. We deepened our presence in both the universal banks and the non-bank financial institutions.

Corporate Risk business also had some growth with the signing on of new schemes while retaining the current schemes.

We expanded the scope of our church funeral scheme to include other social associations. During the year, we grew the number of schemes leading to 33% growth in premium income.

A distribution agreement signed in 2013 with MicroEnsure, a specialist in the micro finance space with a wealth of knowledge and capacity in addressing peculiar challenges of the micro informal market. We have signed a Credit Life Scheme with the Micro Finance Institutions (MFIs) and looking to design schemes for the informal and semi-urban markets.

Through MicroEnsure, we have managed to sign our first mobile phone insurance scheme with Airtel. This provides funeral cover for their subscribers on a voluntary basis.

## Providing Service Delivery

Life Insurance, being a volume driven industry involves a lot of data management, processing and retrieval. The bedrock of service delivery is to manage data in an effective and cost-efficient way.

Service delivery remains our key strategic pillar and we look forward to applying best practice and technology in this regard.

We had our first independent policyholder survey towards the end of the year and it revealed some insights into our policyholder expectation and concerns.

During the year, the Group website was launched. This has a link to the Enterprise Life website and offers us an opportunity to improve our interaction with policyholders.

Our benefit payment for the year increased by 208% over prior year. This is to be expected as our file size grows and also indicates the increasing benefits and satisfaction we bring to our policyholders.

## Developing our Human Resources

We approached our human resource development through management and leadership training. Our General Manager, Operations – Mrs. Jackie Benyi participated under the Sanlam Management Development Programme and the Head of Bancassurance, Mr. Bernard Mensah, also participated under the Sanlam Business Management Programme. We arranged quarterly leadership and management clinics for our Heads of Departments to improve their capacity to deliver results through their team members.

## Starting Funeral Services Operations

Our entry into the funeral service industry is based on having a strategic partner with proven business model and extensive experience in the funeral service industry.

Last year, we successfully signed a consultancy agreement with Doves Group of South Africa which have had over 120years experience in the funeral industry. The broad objective of the agreement was to strategically provide consultations in initial planning, set up and monitoring of the entire development of all business functions departments of Enterprise Funeral.

Subsequently, project developmental set-up activities have been commenced with some significant tasks finalised.
We look set to start operation in the 2nd half of year 2014 after acquiring the statutory permits and approvals

## Operation in the Gambia

The year 2013 was the first full year of our operations in the Gambia.

Our focus for the year was to build our Agency Structure and

we have taken on four energetic and enthusiastic young men as the pioneer Sales Managers. New Business growth has been good and serves as a foundation for growth. However, the key challenge is premium collections especially through employers which is new on the market.

We currently have a staff of nine headed by Mr. Ben Birch-Mensah who was seconded from Ghana. The rest of the staff are Gambians who we are hopeful will build a great company.

## Looking Forward to 2014

We have over the past three years embarked on a strategic intent to shift from an aggressive new business growth posture to a service delivery led strategy. The focus has been on applying best practice and technology in our service delivery.

This will continue to be our focus in 2014. We will review our 5 pillar strategy to adopt 4 key objectives based on Service Delivery, Technology Application, People Development and Quality and Profitable Growth.

We expect our Gambia Operations to grow steadily to contribute to our profits and we expect our Funeral Services subsidiary to start operations.

## Conclusion

The year 2013 turned out to be a good year for us.

It is the year we were ranked by the Ghana Investment Promotion Council (GIPC) for the third consecutive year as the Number One in Financial Services and Number Three overall. We also won the Sanlam League of nation awards as well as the Ghana Reinsurance Company Cedant of the Year (Life) award.

These awards and achievements are dedicated to our many policyholders and patrons who keep our business going.

We also owe these achievements to the Enterprise Group

and Sanlam for their active support and participation in the operational management of the company. The Management, Staff and Sales Reps of Enterprise Life have forged such a strong cohesive team which is able to churn out such strong performance from one year to another. It is a team to be appreciated and we look forward to more productive years, God being our helper.

C.C. Bruce Jnr.,
*Executive Director, Enterprise Life*

# Enterprise Trustees Limited Report

''Our advantage in delivering an online web portal, the first in the pensions industry, which enables members track the performance of their contributions 24/7, anywhere in the world, keeps the team constantly engaged to go the extra mile and deliver value to our cherished clients''

## Introduction

The year 2013 marked our first full year of receiving and managing contributions from signed up participating employers on our various pension schemes. The earlier vigorous marketing campaigns conducted in 2012 paid off early dividends. A market survey in May, 2013 placed Enterprise Trustees as market leader, controlling about 32% of the market with Assets Under Management then of GHS 50m. According to the survey the total assets under management by all Corporate Trustees as at the end of the first quarter was in excess of GHS150m.

The hugely successful rebranding exercise of Enterprise Group in June 2013 also contributed significantly to the growth of Enterprise Trustees in the second half of the year. Potential clients easily identified with the strong Enterprise brand and thereby signed up confident that there was a tried and tested institutional support behind Enterprise Trustees to enable them deliver on the Pension Advantage.

## The Industry

The year 2013 saw the National Pensions Regulatory Authority (NPRA) issue additional provisional licenses to five Corporate Trustees and nine Fund Managers to operate in the Tiers two and three of the Pension Act, 2008, Act 766. The competition within the industry was very keen as companies demanded presentations from various players before electing one out of the many providers. Pricing did have some significant role within certain employer segments. the manufacturing and service sectors, whereas the institutional capacity played a large role in the financial services sector.


By the close of 2013 the Pensions Industry had the following players:

| PLAYERS | NO |
|---|---|
| Corporate Trustees | 21 |
| Fund Managers | 45 |
| Custodians (Banks) | 15 |

*Joseph Ampofo*
*General Manager, Enterprise Trustees*

## Enterprise Trustees Limited Report *(continued)*

The NPRA also licensed a number of Individuals as Trustees. A major development at the NPRA saw the leadership again change hands, as a new Acting Chief Executive Officer was appointed. Also a new Board of Directors was inaugurated in December 2013. The NPRA is yet to resolve the release of the Temporary Pension Fund to Corporate Trustees to manage on behalf of employees. This has been a great source of concern for both employers and corporate Trustees. No date for the release has been announced yet.

### Branch Operations

Currently we have presence in Takoradi, Kumasi and Tamale. Clients are constantly being engaged to route their monthly schedules via email and where this is not possible they visit these branches to transact such operations. A major role for the branch operations is to assist clients as well as deepen education on pensions to staff in the region amongst others.

### Operational Results

Enterprise Trustees currently manages thirty (30) fully operational Pensions Schemes registered by the Regulator in the Tier 2 and Tier 3 segments of the market. Out of these, seven (7) are Master Trust Schemes (MTS), and Twenty-Three are Employer Sponsored Schemes (ESS). The MTS forms 97% of total employers enrolled whilst, ESS contribute the remaining 3%. On employees, ESS controls 14% whilst MTS has the majority of 86%.

Assets Under Management (AUM) stood at Ghs153m with ESS contributing 39% whilst MTS contributes 61%. The current portfolio under management is cross industry in nature as all sectors are represented from manufacturing, telecommunications through to financial services

### Staff Changes

In December of 2013, the Executive Director, resigned his position to pursue other interests. We wish to thank him on behalf of the entire team at Enterprise Trustees for his pioneering role and wish him every success in his future endeavors.

### Outlook for 2014

We shall continue to pursue the financial strategy aimed at growing the assets under management and effectively containing cost of operations for 2014. Management is determined to ensure that we operate efficiently at all levels of the business to realize the strong foundation needed for sustainable profitable growth.

We will continue to invest in our people through training as well as look to drive innovative technological processes that deliver real value to our cherished clients.

We intend to deploy strategies at minimal cost to be able to attract some valued clients who are yet to register under the Tier 2 segment to experience the Enterprise Brand. The competition in 2014 is likely to be intense as more players are to receive licenses. The Tier 3 pension segment for both the Formal and Informal sectors would be pursued strategically with Third party engagements in a bid to manage the high acquisition cost in those segments.

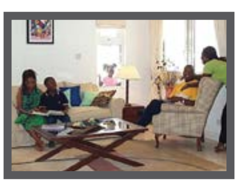
Joseph Ampofo
*General Manager, Enterprise Trustees*

*A multi-purpose Office Complex in Ridge, Accra. - Another development by Enterprise Properties*


*Philip Godson-Amamoo*
*General Manager, Enterprise Properties*

# *Enterprise Properties Limited Report*

"We are committed to building strategic alliances to support our real estate development and are currently exploring different options at creating maximum value through strategic partnerships"



## Industry Analysis

The real estate development in Ghana has been rapidly growing over the past decade. Contrary to the apparent neglect in mainstream macroeconomic analyses in the past, the housing market has become important and strategic to policy makers in recent times due to its impact on output fluctuations and inflation. Generally, activities in the housing industry may affect the well being of a people in terms of size and composition of household wealth, accessibility to credit, labour productivity, employment and other macroeconomic variables. When house prices rise, the expectation of further appreciation builds into market sentiments, and this expectation boosts demand for homes, which in turn stimulates new construction and aggregate demand.

Most real estate development has albeit been predominantly conducted in Accra, the capital of Ghana. In 2013 however, the industry witnessed a gradual dispersion across the country with respect to developmental financing. This is both encouraging and rewarding due largely in part to governmental agenda to promote spatial developmental across Ghana. Notably, Tamale in the Northern region is fast gaining ground as a destination for developmental projects.

The industry is broadly split into five (5) in terms of offering; of which commercial, residential and retail are the key. Nonetheless, all sub-sectors of real estate investment return a very attractive yield with high occupancy levels and attractive rents guaranteed if high quality is maintained.
As a part of the general trend towards privatization, the liberation and decentralization of public tasks, real estate delivery systems are also in transition.

Embedded in this is the high level of costs due to factors such as interest rates, land litigation, inefficient technology, access to land, access to credit and cost of inputs etc. all of which have led to rapid increases in prices for both commercial and residential spaces.

Interestingly, with the increased interest in real estate sector, options for developing the industry have gradually begun to take root and gain credence. The mortgage industry has progressively witnessed new participants into this sub sector of the industry to augment the financing side of the equation.

Policy omissions still plague the industry.

1. There is still the need to establish sustainable sources of long term financing for the industry. Options may include REITS, introduction of a bond market and/or secondary mortgage market.
2. The industry desperately needs a strong legal and regulatory framework that is holistic in the area of property rights, collateral, foreclosures, etc.
3. Alternative strategies to enhance access to mortgage financing especially for middle income bracket, who drive the deficit market in the country.
4. Finally, the creation of land banks with major infrastructure facilities like roads, electricity and water.

## Business Analysis

Enterprise Properties completed its first development construction of sixteen (16) Block luxury town houses located in the serene environs of Roman Ridge, with proximity to the CBD and the Kotoka International Airport, making it an ideal choice of abode for the higher income bracket.

In December 2013, Construction commenced on a 14 storey iconic office complex in the Ridge financial corridor of Accra, specifically on 7th Avenue next to Ecobank Head office and represents our first subsidiary holding. This project is scheduled to take 30 months, to complete at a total development cost of $27.5M.

Other major pipeline projects include:

- Mixed bed residential block of apartments on our Alema Avenue in the Airport Residential Area due to commence in the second half of 2014.
- Office Development in Takoradi

Additionally, we continue to provide facilities management services for Enterprise Group Limited, Enterprise Insurance Company, Enterprise Life Assurance Company and Enterprise Trustees Limited. We have been at the forefront of lease negotiations, property acquisitions, refurbishment and renovations and the standardization of office space for all these companies and maintenance of our regional offices.

We are also committed to building strategic alliances to support our real estate development and are currently exploring different options at creating maximum value through strategic partnerships

## Financial Analysis

2013 has been a key building foundation block in terms of future profitability and growth of the company.
We have implemented a new accounting software package, that streamlines our operations with that of the Group, thus allowing for improved project management accounting. We anticipate that this investment will be a cornerstone in the proper management of our financial operations, and also play a key role in the management of our Stock Condition Database.

Revenue sources in respect of rentals remain unchanged over 2012 albeit improved in 2013 due wholly to depreciation of the cedi to the dollar and its effect on our revenues which are indexed to the dollar. This resulted in a 13% increase over 2012 to GH¢440,000.00

Other sources of income, predominantly from our services, improved significantly, registering 86% over 2012. Costs remained under budget with inflation being the main driver of cost in 2013. Key cost lines in 2013 was pre-contract expenses in respect of our 7th Avenue project. Eliminating the effect of fair value gains in properties held, the company posted a healthy profit before tax of GH¢1.oM; 50% better than 2012. Values of our real estate assets continue to appreciate and over 2012 to 2013 grew at 38% in value to GH¢30.4M

## Outlook

2014 will mark a springboard for our company. The company is committed to ensuring the successful outcome of every project it undertakes without compromise. With end-to-end skills capability ranging from land identification and acquisition, financing, planning and construction, resource management, successful brand marketing and efficient property management.

We believe however, that we have the capabilities to mitigate the impact of identified risks.

Philip Godson-Amamoo
*General Manager, Enterprise Properties*

# 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 reside with 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 a Strategy and Investment Committee.

## Audit Committee

The Audit Committee reviews and reports to the Board of Directors on the compliance, integrity and major judgemental 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 three times in the year under review.

Some notable recommendations of the Committee approved by the Board in 2013 were:

- Group Finance & Accounting Policy
- Fraud Policy
- Standards of Employee Behaviour

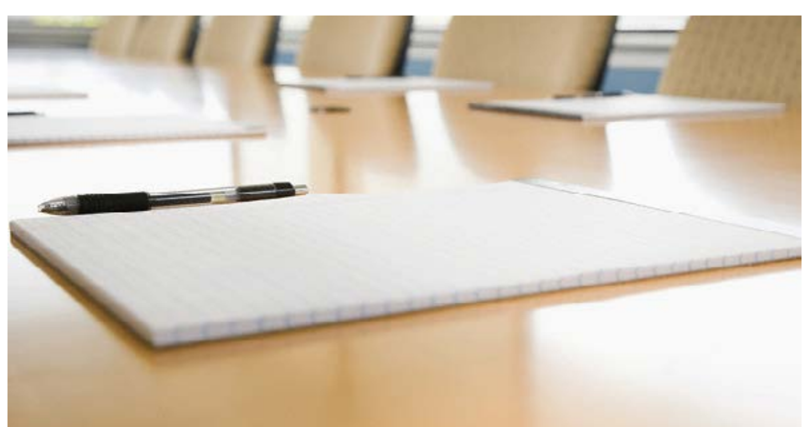
## Human Resource Committee

The Human Resource Committee assists the Board in fulfilling its governance responsibilities with respect to human resources matters for the Group. It determines Executive and Board remuneration after appropriate surveys and reviews performance agreements annually. In addition it is responsible for reviewing the Human Resource Policy to ensure that its implementation is in line with what it sets out to do, succession plans and the recruitment of Executives.

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 four times in the year under review.



# Corporate Governance Statement *(continued)*

Some notable recommendations of the committee approved by the Board were:

1. Initiatives to strengthen the Group's strategic agenda of achieving a "One- Enterprise" culture
2. Employee Engagement Survey to ascertain feedback on engagement levels to enhance productivity.
3. Remuneration survey to ascertain company's position vis a vis the market for competitive advantage and survival.
4. Capacity building programmes through learning and development.
5. Implementation plans to embed the corporate values amongst employees following the Group's re-branding exercise.

### Strategy and Investment Committee

The Committee charts the broad strategic and investment direction for the Group. Progress against these benchmarks are then monitored and evaluated at quarterly review meetings

The Membership of the Strategy and Investment Committee is as follows:

| | | |
|---|---|---|
| Ken Ofori-Atta | - | Chairman |
| George Otoo | - | Member |
| Keli Gadzekpo | - | Member |
| Trevor Trefgarne | - | Member |
| Emmanuel Idun | - | Member |

The Committee met four times in the year under review.

### The Group's subsidiaries - Enterprise Group Limited and 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' businesses, their Boards have four main committees, Audit Committee, Human Resource Committee, Investment Committee and Strategy and Operations Committee.

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

Enterprise Life Gambia, a subsidiary of Enterprise Life has begun operations in Gambia and also benefits from the Group Policies rolled out.

Enterprise Funeral Services, a subsidiary of Enterprise Life is yet to start operations.

*Launch of The New Enterprise*


## Corporate Social  Responsibilities - 2013

Enterprise Group's corporate social responsibility depicts the Group's philosophy of providing an "advantage' through the delivery of services in our various spheres of business. It is indeed a fundamental part of the way we do our business and an essential element of our success.

With the view of making a difference in our societies, the Group believes that these activities both benefit the society and communities in which we operate as well as enhance our corporate image. Focusing on health and education, in excess of GH¢150,000.00 was used in undertaking impactful initiatives that benefitted the Ghanaian community in 2013.

In the area of health, support was given to the following organisations:

- Child health foundation, for children with cardio-vascular conditions.
- Cardio Thoracic Centre at Korle Bu Teaching Hospital.
- Operation Smile project for reconstructive surgery for children with cleft pallets and facial deformities.
- "Save them young" needy project
- Accra Psychiatric Hospital Christmas donation

In the area of education, the following organisations and programmes were supported:

- University of Ghana Medical School students exchange programme
- University of Ghana Medical School research by the department of Psychiatry on the integration of psychotropic medications into the care of people with mental disorders.
- Central University College to set up a chair for a visiting professor in the area of economic governance
- Ghana Library Board to enhance the library facility
- Ghana Military Academy

To enhance journalism in Ghana, the Life business sponsored a journalist to participate in a Summer School for Financial Journalists organised by our corporate partner Sanlam in South Africa.

Looking into the future, we hope to get our employees directly involved in our CSR intiatives through employee volunteering programmes.

Generally, Enterprise Group pursues the highest standards of social responsibility throughout our subsidiaries, from how we support and empower employees, to how we work with our clients as well as engaging our communities.


enterprise
GROUP


Nine Lessons & Carols

# 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 2013, 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 2013 report as follows:

| | The Company GH¢'000 | The Group GH¢'000 |
|---|---|---|
| Profit for the year before income tax and non-controlling interest of | 24,250 | 46,283 |
| to which is added/(deducted) an income tax credit/(expense) of | 126 | (6,610) |
| from which is deducted non-controlling interest of | - | (8,444) |
| giving a profit for the year attributable to owners of the Company/Group of | 24,376 | 31,229 |
| to which is added balance on the income surplus account brought forward of | 21,993 | 35,270 |
| from which is made a transfer to contingency reserves of | - | (2,518) |
| giving a total of | 46,369 | 63,981 |
| out of which is deducted a final dividend paid for 2012 of | (2,099) | (2,099) |
| out of which is deducted an interim dividend paid for 2013 of | (2,625) | (2,625) |
| leaving a surplus carried forward on income surplus account of | 41,645 | 59,257 |

# 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).

GROUP CHIEF EXECUTIVE OFFICER

DIRECTOR

# Financial Statements

# *Report of the Independent Auditor to the Members of Enterprise Group Limited*

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Enterprise Group Limited (the "Company") and its subsidiaries (together, the "Group"), as set out on pages 39 to 91. These financial statements comprise the statement of financial position of the Group as at 31 December 2013, 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 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the company standing alone 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 2013 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 the group's profit and loss account (group's income statement) are in agreement with the books of account.

Pricewaterhouse Coopers

Signed by: Oseini Amui (ICAG/P/1139)
For and on behalf of:
PricewaterhouseCoopers (ICAG/F/028)
Chartered Accountants
Accra, Ghana
21 April, 2014

pwc

enterprise GROUP
Your Advantage

# Statement of Financial Position

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

| | | At 31 December | | | |
|---|---|---|---|---|---|
| | | The Company | | The Group | |
| | Note | **2013** | 2012 | **2013** | 2012 |
| **Assets** | | | | | |
| Property and equipment | 5 | **546** | 142 | **17,546** | 19,758 |
| Intangible assets | 6 | **-** | - | **23** | 27 |
| Investment properties | 7 | **-** | - | **25,743** | 13,006 |
| Investments in subsidiaries | 8 | **34,010** | 34,005 | **-** | - |
| Investment securities | 9 | **23,367** | 15,584 | **221,111** | 148,610 |
| Loans and receivables | 10 | **1,614** | 205 | **22,782** | 8,899 |
| Due from related parties | 22 | **2,164** | 2,536 | **-** | - |
| Due from re-insurers | 11 | **-** | - | **3,014** | 3,971 |
| Deferred income tax asset | 20 | **2,790** | 2,664 | **3,308** | 2,836 |
| Cash and cash equivalents | 12 | **11,477** | 934 | **52,470** | 26,519 |
| **Total assets** | | **75,968** | 56,070 | **345,997** | 223,626 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserve** | | | | | |
| Stated capital | 13 | **31,599** | 31,599 | **31,599** | 31,599 |
| Contingency reserve | 14 | **-** | - | **13,687** | 11,169 |
| Other reserves | 15 | **545** | 545 | **9,869** | 8,362 |
| Income surplus account | 16 | **41,645** | 21,993 | **59,257** | 35,270 |
| Non-controlling interest | | **-** | - | **20,740** | 20,135 |
| **Total equity** | | **73,789** | 54,137 | **135,152** | 106,535 |
| **Liabilities** | | | | | |
| Life fund – insurance contract liabilities | 17 | **-** | - | **148,644** | 82,734 |
| Unearned premiums and unexpired risk provision | 18 | **-** | - | **17,497** | 12,079 |
| Outstanding claims | 19 | **-** | - | **2,294** | 862 |
| Deferred income tax liability | 20 | **-** | - | **9,696** | 5,370 |
| Trade and other payables | 21 | **2,174** | 1,932 | **21,204** | 9,849 |
| Due to re-insurers | 11 | **-** | - | **5,852** | 4,528 |
| Due to related parties | 22 | **5** | 1 | **4,344** | 1,490 |
| Current income tax liability | 27 | **-** | - | **1,314** | 179 |
| **Total liabilities** | | **2,179** | **1,933** | **210,845** | **117,091** |
| **Total equity and liabilities** | | **75,968** | **56,070** | **345,997** | **223,626** |

The notes on pages 46 to 91 are an integral part of these financial statements.
The financial statements on pages 39 to 91 were approved for issue by the board of directors on 21 April 2014 and signed on its behalf by:

GROUP CHIEF EXECUTIVE OFFICER

DIRECTOR

# Income Statement

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

| | | Year ended 31 December | | | |
|---|---|---|---|---|---|
| | | The Company | | The Group | |
| | Note | **2013** | 2012 | **2013** | 2012 |
| Investment income | 23 | **29,403** | 18,708 | **64,841** | 27,467 |
| Fair value gains on investment property | 7 | **-** | - | **3,160** | 4,038 |
| **Net investment income** | | **29,403** | 18,708 | **68,001** | 31,505 |
| Gross insurance premium revenue | | **-** | - | **186,166** | 132,288 |
| Insurance premium ceded to reinsurers | | **-** | - | **(22,965)** | (17,290) |
| Net premium written | | **-** | - | **163,201** | 114,998 |
| Unearned premium | 18 | **-** | - | **(5,418)** | (3,070) |
| **Net insurance premium revenue** | | **-** | - | **157,783** | 111,928 |
| Other income | 24 | **3** | 3 | **5,184** | 2,261 |
| **Net income** | | **29,406** | 18,711 | **230,968** | 145,694 |
| Insurance claims incurred | | **-** | - | **(52,034)** | (31,996) |
| Insurance claims recoveries from reinsurers | | **-** | - | **3,218** | 3,740 |
| Change in insurance contract liabilities – life fund | 17 | **-** | - | **(65,910)** | (32,742) |
| **Net benefits and claims** | | | - | **(114,726)** | (60,998) |
| Operating expenses | 25 | **(5,156)** | (4,048) | **(41,393)** | (31,349) |
| Commission expense | | **-** | - | **(27,085)** | (20,685) |
| **Net expenses** | | **(5,156)** | (4,048) | **(183,204)** | (113,032) |
| **Profit before national fiscal stabilisation levy and income tax** | | **24,250** | 14,663 | **47,764** | 32,662 |
| National fiscal stabilisation levy | 26 | **-** | - | **(1,481)** | - |
| Income tax credit/(expense) | 27 | **126** | (774) | **(6,610)** | (2,767) |
| **Profit for the year** | | **24,376** | 13,889 | **39,673** | 29,895 |
| **Attributable to:** | | | | | |
| Owners of the parent | | **24,376** | 13,889 | **31,229** | 19,377 |
| Non-controlling interest | | **-** | - | **8,444** | 10,518 |
| **Earnings per share for profit attributable to the equity holders of the Company during the year** | | | | | |
| Basic and diluted (GH¢ per share) | 31 | 0.186 | 0.106 | 0.238 | 0.148 |

*The notes on pages 46 to 91 are an integral part of these financial statements*

# Statement of Comprehensive Income

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

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | The Company | | The Group | |
| | **2013** | 2012 | **2013** | 2012 |
| Profit for the year | **24,376** | 13,889 | **39,673** | 29,895 |
| **Other comprehensive income:** | | | | |
| Items that may be subsequently reclassified to profit or loss: | | | | |
| Currency translation differences | **-** | - | **3** | 158 |
| Items that will not be reclassified to profit or loss: | | | | |
| Gains on revaluation of land and building (Note 5) | **-** | - | **2,007** | 7,371 |
| Deferred tax charge | **-** | - | **(502)** | (971) |
| **Total comprehensive income for the year** | **24,376** | 13,889 | **41,181** | 36,453 |
| **Attributable to:** | | | | |
| Owners of the parent | **24,376** | 13,889 | **32,737** | 25,935 |
| Non – controlling interest | **-** | - | **8,444** | 10,518 |
| **Total comprehensive income for the year** | **24,376** | 13,889 | **41,181** | 36,453 |

*The notes on pages 46 to 91 are an integral part of these financial statements.*

# Statement of Changes in Equity

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

| The Company | Stated capital | Income surplus account | Share option scheme | Total |
|---|---|---|---|---|
| **Year ended 31 December 2013** | | | | |
| At start of year | **31,599** | **21,993** | **545** | **54,137** |
| Profit and total comprehensive income for the year | - | 24,376 | - | 24,376 |
| **Transactions with owners recognised directly in equity** | | | | |
| Final dividends paid for 2012 | - | (2,099) | - | (2,099) |
| Interim dividends paid for 2013 | - | (2,625) | - | (2,625) |
| **Total transactions with owners recognised directly in equity** | **-** | **(4,724)** | **-** | **(4,724)** |
| **At end of year** | **31,599** | **41,645** | **545** | **73,789** |
| Year ended 31 December 2012 | | | | |
| 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 recognised directly in equity | | | | |
| Interim dividends paid for 2012 | - | (2,100) | - | (2,100) |
| Employee share option scheme<br>- Value of employee services | - | - | 545 | 545 |
| Total transactions with owners recognised directly in equity | - | (2,100) | 545 | (1,555) |
| At end of year | 31,599 | 21,993 | 545 | 54,137 |

*The notes on pages 46 to 91 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 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Other reserve | | | | | |
| | Stated capital | Income surplus account | Revaluation reserve | Currency translation reserve | Share option scheme | Contingency reserve | Non controlling interest | Total equity |
| **Year ended 31 December 2013** | | | | | | | | |
| At 1 January 2013 | **31,599** | **35,270** | **7,736** | **81** | **545** | **11,169** | **20,135** | **106,535** |
| Profit for the year | - | 31,229 | - | - | - | - | 8,444 | 39,673 |
| **Other comprehensive income:** | | | | | | | | |
| Foreign currency translation difference | - | - | - | 2 | - | - | 1 | 3 |
| Gains on revaluation of properties (Note 5) | - | - | 2,007 | - | - | - | - | **2,007** |
| Deferred tax charge (Note 20) | - | - | (502) | - | - | - | - | **(502)** |
| **Total comprehensive income** | - | 31,229 | 1,505 | 2 | - | - | 8,445 | **41,181** |
| **Transactions with owners** | | | | | | | | |
| Final dividend for 2012 | - | (2,099) | - | - | - | - | (3,920) | **(6,019)** |
| Interim dividend for 2013 | - | (2,625) | - | | - | - | (3,920) | **(6,545)** |
| Transfer to contingency reserve | - | (2,518) | - | - | - | 2,518 | - | - |
| **Total transactions with owners recognised directly in equity** | - | (7,242) | - | - | - | 2,518 | (7,840) | **(12,564)** |
| **At 31 December 2013** | **31,599** | **59,257** | **9,241** | **83** | **545** | **13,687** | **20,740** | **135,152** |

*The notes on pages 46 to 91 are an integral part of these financial statements.*

# Statement of Changes in Equity – The Group

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

| The Group | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Other reserve | | | | | |
| | Stated capital | Income surplus account | Revaluation reserve | Currency translation reserve | Share option scheme | Contingency reserve | Non controlling interest | Total equity |
| Year ended 31 December 2012 | | | | | | | | |
| 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 | - | - | - | - | 7,371 |
| 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 | - | - | - | - | - | - | 745 | 745 |
| Transfer to contingency reserve | - | (1,292) | - | - | - | 1,292 | - | - |
| Total transactions with owners recognised directly in equity | - | (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 46 to 91 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** | **2013** | 2012 | **2013** | 2012 |
| **Cash flows from operating activities** | | | | | |
| Cash (used in)/generated from operations | 29 | **(11,863)** | (5,388) | **10,321** | (1,724) |
| Investment income received | | **27,721** | 14,869 | **34,212** | 16,297 |
| National Fiscal Stabilisation Levy paid | 26 | **-** | - | **(834)** | - |
| Income tax paid | 27 | **-** | - | **(2,123)** | (406) |
| Net cash generated from operating activities | | **15,858** | 9,481 | **41,576** | 14,167 |
| **Cash flows from investing activities** | | | | | |
| Capital contribution in subsidiaries | | **-** | (9,354) | **-** | - |
| Purchases of property and equipment | 5 | **(591)** | (112) | **(3,085)** | (2,114) |
| Proceeds from sale of property and equipment | 5 | **-** | - | **24** | 118 |
| Net cash used in investing activities | | **(591)** | (9,466) | **(3,061)** | (1,996) |
| **Cash flow from financing activities** | | | | | |
| Dividends paid | 28 | **(4,724)** | (2,100) | **(12,564)** | (6,510) |
| Proceeds from issue of ordinary shares | | **-** | - | **-** | 745 |
| **Net cash used in financing activities** | | **(4,724)** | (2,100) | **(12,564)** | (5,765) |
| Net increase/(decrease) in cash and cash equivalents | | **10,543** | (2,085) | **25,951** | 6,406 |
| Cash and cash equivalents at beginning of year | 12 | **934** | 3,019 | **26,519** | 20,113 |
| **Cash and cash equivalents at end of year** | 12 | **11,477** | 934 | **52,470** | 26,519 |

*The notes on pages 46 to 91 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 a 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 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

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2013 and have a material impact on the Company and the Group:

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 amendment only affects presentation on the face of the statement of comprehensive income.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The impact has been increased disclosure in the financial statements.

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. See note 39for the impact on the financial 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)*

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

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The impact of adopting of IFRS 12 has been increased disclosures in the financial statements.

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.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. There are no other new or revised standards or interpretations issued and effective that would be expected to have a material impact on the Group

(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 2013, 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 Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. 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 profit or loss, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Annual improvements 2010-2012 and 2011-2013 cycles – These are collections of 7 and 4 amendments to standards respectively as part of the IASB's programme to annual improvements. The amendments are all effective for annual periods beginning on or after 1 July 2014 and the directors are currently assessing the impact of these improvements on their financial statements.

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.

# Notes *(continued)*

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

### 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.

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.

# Notes *(continued)*

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

### 2.2 Consolidation *(continued)*

### 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.

### 2.2.4 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.

# Notes *(continued)*

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

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

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.

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.

# Notes *(continued)*

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

### 2.6 Investment property *(continued)*

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.

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.

# Notes *(continued)*

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

### 2.7 Leases *(continued)*

### 2.7.2 Finance lease

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 assets and financial liabilities

**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 assets and financial liabilities *(continued)*

### 2.8.1 Financial assets *(continued)*

**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.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables 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.

### 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.

# Notes *(continued)*

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

### 2.8 Financial assets and financial liabilities *(continued)*

### 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.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and
(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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.

### 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.

# Notes *(continued)*

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

### 2.9 Insurance contract *(continued)*

### 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

Short term insurance 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.

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.

# Notes *(continued)*

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

### 2.9 Insurance contract *(continued)*

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

### 2.9.1.2 Long-term insurance contracts *(continued)*

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.

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.

# Notes *(continued)*

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

### 2.9 Insurance contract *(continued)*

### 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.

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.

# Notes *(continued)*

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

### 2.10 Current and deferred income tax *(continued)*

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.

### 2.13 Other payables

Other 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.

Other 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.

# Notes *(continued)*

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

### 2.16 Revenue recognition

Revenue comprises the fair value for services rendered. 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. 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.

# Notes *(continued)*

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

**2.20 Employee benefits**

**2.20.1 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 Group and the Company has a provident fund scheme for staff under which the Group and 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.

**2.20.2 Share option**

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.

**2.21 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.

# Notes *(continued)*

## 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.

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.

# Notes *(continued)*

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

### 3.1 Insurance risk *(continued)*

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

**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.

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 estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims.

In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

### 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 2013, if the Ghana cedi had weakened/strengthened by 10% (2012: 10%) against the US dollar with all other variables held constant, post tax profit for the year would have been GH¢1,058,000 (2012: GH¢791,000) higher/ lower, mainly as a result of US dollar receivables and bank balances.

At 31 December 2013, if the Ghana cedi had weakened/strengthened by 10% (2012: 10%) against the Euro with all other variables held constant, post tax profit for the year would have been GH¢78,000 (2012: GH¢182,000) lower/higher, mainly as a result of Euro denominated amounts payable and bank balances.

At 31 December 2013, if the Ghana cedi had weakened/strengthened by 10% (2012: 10%) against the Pound with all other variables held constant, post tax profit for the year would have been GH¢210,000 (2012: GH¢376,000) 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 2013, if the interest rates of government securities and fixed deposits had been 50 basis points (2012: 50 basis points) higher/lower, with all other variables held constant, post-tax profit for the year would have been GH¢829,000 (2012: GH¢467,000) 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 (GSE).

At 31 December 2013, if the GSE index had increased/decreased by 15% (2012: 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¢530,000 (2012: GH¢571,000) 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.

Except for amount due from insurance agents and brokers, all other exposure to credit risk are neither past due nor impaired.

Amount due from insurance brokers and agents is analysed as follows:

| | **2013** | 2012 |
|---|---|---|
| Neither past due or impaired | | |
| - 0 to 90 days | **6,965** | 933 |
| Past due but not impaired | | |
| - by 90 to 180 days | **1,841** | 1,375 |
| Impaired | **2,030** | 1,830 |
| Gross insurance receivables | **10,836** | 4,138 |
| Less allowance for impairment | **(2,030)** | (1,830) |
| | **8,806** | 2,308 |

### 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)*

## 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**

**Year ended 31 December 2013**

| | Carrying amount | Contractual cash flows (undiscounted) | |
|---|---|---|---|
| | | up to 1 year | Over 1 year |
| Contractual liabilities: | | | |
| Due to related parties | 5 | 5 | - |
| Trade and other payables | 2,174 | 2,174 | - |
| | 2,179 | 2,179 | - |
| Year ended 31 December 2012 | | | |
| Contractual liabilities: | | | |
| Due to related parties | 1 | 1 | - |
| Trade and other payables | 1,932 | 1,932 | - |
| | 1,933 | 1,933 | - |

**The Group**

**Year ended 31 December 2013**

| | Carrying amount | Contractual cash flows (undiscounted) | | |
|---|---|---|---|---|
| | | up to 1 year | Over 1 year | Total |
| **Contractual liabilities:** | | | | |
| Due to re-insurers | 5,852 | 5,852 | - | 5,852 |
| Due to related parties | 4,344 | 4,344 | - | 4,344 |
| Outstanding claims | 2,294 | 2,294 | - | 2,294 |
| Life fund | 148,644 | 90,673 | 57,971 | 148,644 |
| Trade and other payables | 21,204 | 21,204 | - | 21,204 |
| | 182,338 | 124,367 | 57,971 | 182,338 |

# Notes *(continued)*

## 3. Management of insurance and financial risk *(continued)*
### 3.2 Financial risk *(continued)*
### 3.2.3 Liquidity *(continued)*

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

Year ended 31 December 2012

| | Carrying amount | Contractual cash flows (undiscounted) | | |
|---|---|---|---|---|
| | | up to 1 year | Over 1 year | Total |
| **Contractual liabilities:** | | | | |
| Due to re-insurers | 4,528 | 4,528 | - | 4,528 |
| Due to related parties | 1,490 | 1,490 | - | 1,490 |
| Outstanding claims | 862 | 862 | - | 862 |
| Life fund | 82,734 | 32,266 | 50,468 | 82,734 |
| Trade and other payables | 9,849 | 9,849 | - | 9,849 |
| | 99,463 | 48,995 | 50,468 | 99,463 |

### 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.

**Year ended 31 December 2013**

| 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 | 947 | 843 |
| Enterprise Trustees Limited | Pension | 3,463 | 1,000 |

# Notes *(continued)*

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

### 3.3 Capital management *(continued)*

| Year ended 31 December 2012 | 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 | 947 | 843 |
| Enterprise Trustees Limited | Pension | 3,463 | 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.

### 3.4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company and the Group's financial assets and liabilities that are measured at fair value at 31 December 2013 and 31 December 2013. See note 7 for disclosures of the land and buildings that are measured at fair value.

**The Company**

**At 31 December 2013**

| | (Level 1) | (Level 2) | Total |
|---|---|---|---|
| Financial assets measured at fair value: | | | |
| Equity securities | 4,052 | - | 4,052 |
| Treasury bills | - | 19,315 | 19,315 |
| Total | 4,052 | 19,315 | 23,367 |
| Financial liabilities measured at fair value: | - | - | - |
| At 31 December 2012 | | | |
| Financial assets measured at fair value: | | | |
| Equity securities | 12,323 | - | 12,323 |
| Financial liabilities measured at fair value: | - | - | - |

# Notes *(continued)*

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

### 3.4 Fair value estimation *(continued)*

**The Group**

| **At 31 December 2013** | (Level 1) | (Level 2) | (Level 3) | Total |
|---|---|---|---|---|
| Financial assets measured at fair value: | | | | |
| Equity securities | 52,293 | - | - | **52,293** |
| Unlisted equity securities | - | - | 12 | **12** |
| Bonds | - | 13,118 | - | **13,118** |
| Fixed deposits and treasury bills | - | 155,688 | - | **155,688** |
| **Total** | 52,293 | 168,806 | 12 | **221,111** |
| Financial liabilities measured at fair value: | | | | |
| Life fund | - | 148,644 | - | **148,644** |
| At 31 December 2012 | | | | |
| Financial assets measured at fair value: | | | | |
| Equity securities | 50,708 | - | - | 50,708 |
| Unlisted equity securities | - | - | 12 | 12 |
| Bonds | - | 7,435 | - | 7,435 |
| Fixed deposits and treasury bills | - | 90,455 | - | 90,455 |
| **Total** | 50,708 | 97,890 | 12 | 148,610 |
| Financial liabilities measured at fair value: | | | | |
| Life fund | - | 82,734 | - | 82,734 |

### 3.5 Financial instruments by category

**The Company**

| | **2013** | 2012 |
|---|---|---|
| **Assets per statement of financial position** | | |
| Fair value through profit or loss | | |
| – Listed equity investments | **4,052** | 12,323 |
| – Treasury bills | **19,315** | 3,261 |
| Loans and receivables | | |
| – Other receivables | **1,614** | 205 |
| – Amount due from related parties- | **2,164** | 2,536 |
| -- Cash and cash equivalents | **11,477** | 934 |
| Total | **38,622** | 19,259 |

# Notes *(continued)*

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

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

**The Company** *(continued)*

| **Liabilities per statement of financial position** | **2013** | 2012 |
|---|---|---|
| Other financial liabilities at amortised cost | | |
| – Trade and other payables | **2,174** | 1,932 |
| – Due to related parties | **5** | 1 |
| Total | **2,179** | 1,933 |

**The Group**

| | **2013** | 2012 |
|---|---|---|
| **Assets per statement of financial position** | | |
| Fair value through profit or loss | | |
| – Equity securities | **52,305** | 50,720 |
| – Treasury bills and fixed deposits | **155,688** | 90,455 |
| – Government bonds | **13,130** | 7,435 |
| Loans and receivables | | |
| – Due from insurance agents and brokers | **8,806** | 2,308 |
| – Due from re-insurers | **3,014** | 3,971 |
| – Other receivables | **13,976** | 6,591 |
| – Cash and cash equivalents | **52,470** | 26,519 |
| **Total** | **299,389** | 187,999 |
| **Liabilities per statement of financial position** | | |
| Fair value through profit or loss | | |
| – Life fund | **148,644** | 82,734 |
| Other financial liabilities at amortised cost | | |
| – Outstanding claims | **2,294** | 862 |
| – Trade and other payables | **21,204** | 9,849 |
| – Due to re-insurers | **5,852** | 4,528 |
| – Due to related parties | **4,344** | 1,490 |
| **Total** | **182,338** | 99,463 |

# Notes *(continued)*

## 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.

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.

**(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.

**(iv) Expenses**

The budgeted expense for 2013 is taken as an appropriate expense base. Provision for future renewal expenses starts at a level consistent with the budgeted experience for the 2013 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.

# Notes *(continued)*

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

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

**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 | |
|---|---|---|---|
| | | **2013** | 2012 |
| Worsening in mortality | +1%p.a | **39** | 1,071 |
| Worsening of expense inflation | +1%p.a | **637** | 506 |
| Worsening of lapse rate | +20% | **1,879** | 649 |

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.

# Notes *(continued)*

## 5. Property and equipment

### The Company

### Year ended 31 December 2013

| | Motor vehicles | Equipment | Office furniture | Work in progress | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January | 70 | 136 | 22 | - | 228 |
| Additions | 495 | 18 | 8 | 70 | 591 |
| At 31 December | 565 | 154 | 30 | 70 | 819 |
| **Accumulated Depreciation** | | | | | |
| At 1 January | 34 | 44 | 8 | - | 86 |
| Charge for the year | 141 | 40 | 6 | - | 187 |
| At 31 December | 175 | 84 | 14 | - | 273 |
| **Net book amount** | | | | | |
| At 31 December | 390 | 70 | 16 | 70 | 546 |
| Year ended 31 December 2012 | | | | | |
| Cost | | | | | |
| At 1 January | 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 amount | | | | | |
| At 31 December | 36 | 92 | 14 | | 142 |

# Notes *(continued)*

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

### The Group

### Year ended 31 December 2013

| | Leasehold property | Motor vehicles | Equipment, fittings and furniture | Capital work in progress | Total |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January | 17,470 | 2,351 | 4,102 | 402 | **24,325** |
| Additions | - | 1,421 | 1,446 | 218 | **3,085** |
| Revaluation surplus | 2,007 | - | - | - | **2,007** |
| Transfer to investment properties | (6,445) | - | - | - | **(6,445)** |
| Disposals | - | (55) | (211) | - | **(266)** |
| At 31 December | 13,032 | 3,717 | 5,337 | 620 | **22,706** |
| **Depreciation** | | | | | |
| At 1 January | 969 | 1,368 | 1,368 | - | **4,567** |
| Charge for the year | 36 | 703 | 703 | - | **1,604** |
| Transfer to investment properties | (748) | - | - | - | **(748)** |
| Disposal | - | (55) | (55) | - | **(263)** |
| At 31 December | 257 | 2,016 | 2,016 | - | **5,160** |
| **Net book amount** | | | | | |
| At 31 December 2013 | 12,775 | 1,701 | 2,450 | 620 | **17,546** |

The Group's leasehold properties were last revalued at 31 December 2013 by independent valuers. Valuations were made on the basis of the open market value. The valuation surplus 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:

| | **2013** | 2012 |
|---|---|---|
| Cost | 1,366 | 1,366 |
| Accumulated depreciation | (70) | (65) |
| Net book value | 1,296 | 1,301 |

# Notes *(continued)*

## 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 | 10,083 | 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** |

Profit on disposal of property and equipment is as follows:

### The Group

| | **2013** | 2012 |
|---|---|---|
| Carrying amount | **266** | 449 |
| Less accumulated depreciation | **(263)** | (382) |
| Net book amount | **3** | 67 |
| Less proceeds on disposal | **(24)** | (118) |
| Profit on disposal | **21** | 51 |

## 6. Intangible asset

| The Group | **2013** | 2012 |
|---|---|---|
| Cost at 1 January and at 31 December | **55** | 55 |
| Accumulated amortisation at 1 January | **(28)** | (24) |
| Amortisation charge for the year | **(4)** | (4) |
| At 31 December | **23** | 27 |

# Notes *(continued)*

## 7. Investment properties

**The Group**

| | **2013** | 2012 |
|---|---|---|
| At 1 January | **13,006** | 8,911 |
| Fair value gains | **3,160** | 4,038 |
| Subsequent expenditure to investment properties | **3,879** | 57 |
| Transfer from property and equipment (Note 5) | **5,698** | - |
| At 31 December | **25,743** | 13,006 |

The properties were valued by an independent valuer at 31 December 2013 and 2012 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

| | **2013** | 2012 |
|---|---|---|
| Enterprise Insurance Company Limited | **29,526** | 29,526 |
| Enterprise Life Assurance Company Limited | **383** | 383 |
| Enterprise Trustees Limited | **2,087** | 2,087 |
| Enterprise Properties Limited | **2,009** | 2,009 |
| Enterprise Funeral Services Ghana Limited | **5** | - |
| | **34,010** | 34,005 |

| **Name of subsidiary** | **Nature of Activity** | **Percentage interest held** | **Percentage interest held** | **Country of incorporation** |
|---|---|---|---|---|
| | | **2013** | 2012 | |
| Enterprise Insurance Company Limited. | General Insurance | **100** | 100 | Ghana |
| Enterprise Life Assurance Company Limited | Life Assurance | **51** | 51 | Ghana |
| Enterprise Properties Limited | Real Estates | **75** | 75 | Ghana |
| Enterprise Trustees Limited | Pension | **60** | 60 | Ghana |
| Enterprise Funeral Services Ghana Limited | Funeral services | **100** | - | Ghana |

## 9. Investment securities

| | The Company | | The Group | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| **Financial assets at fair value through profit or loss** | | | | |
| - Equity securities - Listed | **4,052** | 12,323 | **52,293** | 50,708 |
| - Equity securities | **-** | - | **12** | 12 |
| - Unlisted debt securities | **19,315** | 3,261 | **168,806** | 97,890 |
| | **23,367** | 15,584 | **221,111** | 148,610 |

# Notes *(continued)*

## 9. Investment securities *(continued)*

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 | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| At beginning of year | **12,323** | 14,083 | **50,708** | 32,148 |
| Purchases of equity securities | **-** | - | **8,146** | 12,826 |
| Sale of equity securities | **(9,587)** | (5,599) | **(25,813)** | (5,643) |
| Net gains on equity securities | **1,316** | 3,839 | **19,252** | 11,377 |
| At end of year | **4,052** | 12,323 | **52,293** | 50,708 |

**Unlisted equity securities**

There was no movement in unlisted equity securities during the year (2012: Nil).

**Unlisted debt securities**

| | The Company | | The Group | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| At beginning of year | **3,261** | - | **97,890** | 60,454 |
| Additions | **15,689** | 3,261 | **60,387** | 30,020 |
| Accrued interest | **365** | - | **10,992** | 7,667 |
| Net fair value loss | **-** | - | **(463)** | (251) |
| At end of year | **19,315** | 3,261 | **168,806** | 97,890 |

## 10. Loans and receivables

| | | | | |
|---|---|---|---|---|
| Staff loans | **172** | 205 | **198** | 187 |
| Due from insurance agents and brokers | **-** | - | **8,806** | 2,308 |
| Other receivables | **1,442** | - | **13,778** | 6,404 |
| | **1,614** | 205 | **22,782** | 8,899 |

The maximum amount of staff loans during the year did not exceed GH¢200,000 (2012: GH¢230,000).

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

# Notes *(continued)*

## 11. Reinsurance assets and liabilities

**The Group**

| | **2013** | 2012 |
|---|---|---|
| **Due from reinsurers** | **3,014** | 3,971 |

Due from reinsurers are receivable within twelve months. The carrying value of amount due from reinsurers **Listed equity securities**

| | | |
|---|---|---|
| **Due to reinsurers** | **5,852** | 4,528 |

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 | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Cash | **2** | - | **10** | - |
| Bank balances | **11,475** | 934 | **52,460** | 26,519 |
| | **11,477** | 934 | **52,470** | 26,519 |

## 13. Stated capital

The authorised shares of the Company are 200,000,000 (2012: 200,000,000) ordinary shares of no par value. The issued ordinary shares at 31 December 2012 and 31 December 2013 is as follows:

| | No of Shares | GH¢'000 |
|---|---|---|
| Cash | 1 | 1 |
| Consideration other than cash | 131,210,824 | 31,598 |
| | 131,210,825 | 31,599 |

## 14. Contingency reserves

**The Group**

| | **2013** | 2012 |
|---|---|---|
| **At 1 January** | **11,169** | 9,877 |
| **Transfer from income surplus** | **2,518** | 1,292 |
| **At 31 December** | **13,687** | 11,169 |

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).

# Notes *(continued)*

## 15. Other reserves

Other reserves represents share option scheme, foreign currency translations and revaluation of properties reserves. Movement of these reserves are shown in the statements of changes in equity on page 42 and are not available for distribution.

## 16. Income surplus account

Other reserves represents share option scheme, foreign currency translations and revaluation of properties reserves. Movement of these reserves are shown in the statements of changes in equity on page 42 and are not available for distribution.

## 17. Insurance contract liabilities

**The Group**

| | 2013 | 2012 |
|---|---|---|
| At 1 January | 82,734 | 49,992 |
| Transfer from profit or loss | 65,910 | 32,742 |
| At 31 December | 148,644 | 82,734 |

The actuarial valuation of the Life Fund as at 31 December 2013 and 31 December 2012 were carried out by an independent actuary.

## 18. Provision for unearned premium

**The Group**

| | 2013 | 2012 |
|---|---|---|
| At 1 January | 12,079 | 9,009 |
| Increase in provision | 5,418 | 3,070 |
| At 31 December | 17,497 | 12,079 |

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 2013.

## 19. Outstanding claims

**The Group**

| | 2013 | 2012 |
|---|---|---|
| At 1 January | 862 | 1,014 |
| Claims incurred | 51,988 | 32,032 |
| Change in claims incurred but not reported | 46 | (36) |
| | (3,218) | (3,740) |
| Reinsurance recoveries | | |
| Net claims for the year | 48,816 | 28,256 |
| Claims settled during the year | (47,384) | (28,408) |
| At 31 December | 2,294 | 862 |

# Notes *(continued)*

## 19. Outstanding claims *(continued)*

### The Group *(continued)*

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 | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Deferred tax assets | **2,790** | 2,664 | **3,308** | 2,836 |
| Deferred tax liability | **-** | - | **9,696** | 5,370 |

Deferred income tax is calculated using the enacted income tax rate of 25% (2012: 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:

| | At 1 January | Charge/(credit) to profit or loss | At 31 December |
|---|---|---|---|
| **Year ended 31 December 2013** | | | |
| Accelerated depreciation | (21) | (36) | (57) |
| Other deductible temporary difference | (2,643) | (90) | (2,733) |
| | (2,664) | (126) | (2,790) |
| Year ended 31 December 2012 | | | |
| Accelerated depreciation | (7) | (14) | (21) |
| Other deductible temporary difference | (3,431) | 788 | (2,643) |
| | (3,438) | 774 | (2,664) |

# Notes *(continued)*

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

**The Group**

| **Year ended 31 December 2013** | At 1 January | Charge/(credit) to profit or loss | Charged/(credit) to equity | At 31 December |
|---|---|---|---|---|
| **Deferred tax assets arising from:** | | | | |
| Accelerated depreciation | 45 | (7) | - | 38 |
| Other deductible temporary difference | (2,881) | (465) | - | (3,346) |
| | (2,836) | (472) | - | (3,308) |
| Deferred tax liabilities arising from: | | | | |
| Accelerated depreciation | (203) | (194) | - | (397) |
| Other deductible temporary difference | 4,602 | 4,018 | - | 8,620 |
| Revaluation surplus on properties | 971 | - | 502 | 1,473 |
| | 5,370 | 3,824 | 502 | 9,696 |

| Year ended 31 December 2012 | At 1 January | Charge/(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 |

## 21. Trade and other payables

| | The Company | | The Group | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Trade payables | **14** | 168 | **10,173** | 5,118 |
| National Fiscal Stabilisation Levy (Note 26) | **-** | - | **647** | - |
| Accrued expenses | **2,160** | 1,764 | **10,384** | 4,731 |
| | **2,174** | 1,932 | **21,204** | 9,849 |

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

## 22 Related Parties

The Group is controlled by Enterprise Group Limited, which is also the ultimate parent. Enterprise Group Limited's shareholding 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. The Group is also related to Databank Financial Services through common directorship.

# Notes *(continued)*

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

The following transactions were carried out with related parties:

The Company

| | **2013** | 2012 |
|---|---|---|
| *Expenses settled by:* | | |
| - Enterprise Group Limited on behalf of Enterprise Insurance Company Limited | **486** | 5 |
| - Enterprise Group Limited on behalf of Enterprise Life Assurance Company Limited | **74** | - |
| - Enterprise Group Limited on behalf of Enterprise Properties Limited | **1,320** | 2,280 |
| *Issue of shares by*: | | |
| - Enterprise Funeral Services to Enterprise Group Limited | **5** | - |
| *Dividend paid by:* | | |
| - Enterprise Insurance Company Limited to Enterprise Group Limited | **9,000** | 7,045 |
| - Enterprise Life Assurance Company Limited to Enterprise Group Limited | **8,160** | 4,590 |

The Group

| | **2013** | 2012 |
|---|---|---|
| *Expenses settled by:* | | |
| - Sanlam Emerging Market Limited for Enterprise Life Assurance Company Limited | **600** | 889 |
| *Asset management services provided by:* | | |
| - Data Bank Financial Services to Enterprise Life Assurance Company Limited | **421** | 271 |
| *Dividend* | | |
| - Enterprise Life Assurance Company Limited to Sanlam Emerging Market Limited | **7,840** | 4,410 |

*Other transactions*
Investment securities held for trading include equity securities of the Company held by Enterprise Life Assurance Company Limited amounting to GH¢5,167,000. Dividend paid in 2013 in respect of these securities amounted to GH¢358,581.

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

**Amount due to related parties**

| | The Company | | The Group | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **-** | 1 | **-** | - |
| Enterprise Insurance Company Limited | **5** | - | **-** | - |
| Enterprise Funeral Services | **-** | - | **4,344** | 1,490 |
| Sanlam Emerging Market Limited | **5** | 1 | **4,344** | 1,490 |

# Notes *(continued)*

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

### Amount due from related parties

| | The Company | | The Group | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Enterprise Insurance | **280** | - | **-** | - |
| Enterprise Properties Limited | **1,319** | 2,536 | **-** | - |
| Enterprise Life Assurance | **74** | - | **-** | - |
| Enterprise Trustees | **491** | - | **-** | - |
| | **2,164** | 2,536 | **-** | - |

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 | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Salaries and other short-term benefits | **2,514** | 1,914 | **6,157** | 4,276 |
| Share option | **-** | 265 | **-** | 545 |
| Employer's social security contribution | **134** | 139 | **514** | 352 |
| Employer's provident fund contribution | **189** | 177 | **767** | 397 |
| | **2,837** | 2,495 | **7,438** | 5,570 |

## 23. Investment income

| | The Company | | The Group | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Fair value through profit or loss: | | | | |
| - Dividend income | **946** | 332 | **3,322** | 997 |
| - Interest on unlisted debt securities | **2,454** | 98 | **24,783** | 12,443 |
| - Net fair value gain in equity securities | **1,316** | 3,839 | **1,316** | 11,377 |
| - Net gain on disposal of equity securities | **7,126** | 2,624 | **30,990** | 2,620 |
| - Net fair value loss on unlisted debt securities | **-** | - | **(460)** | (251) |
| Dividend from subsidiary | **17,160** | 11,636 | **-** | - |
| Bank interest | **401** | 179 | **4,890** | 281 |
| | **29,403** | 18,708 | **64,841** | 27,467 |

# Notes *(continued)*

## 24. Other income

| | The Company 2013 | 2012 | The Group 2013 | 2012 |
|---|---|---|---|---|
| Exchange gains | - | - | 3,469 | 1,306 |
| Profit on disposal of property and equipment (Note 5) | - | - | 21 | 51 |
| Rental income | - | - | 58 | 654 |
| Sundry income | 3 | 3 | 1,636 | 250 |
| | 3 | 3 | 5,184 | 2,261 |

## 25. Operating expenses

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

| | The Company 2013 | 2012 | The Group 2013 | 2012 |
|---|---|---|---|---|
| Directors' emoluments | 2,446 | 1,660 | 4,335 | 3,121 |
| Auditor's remuneration | 44 | 21 | 397 | 224 |
| Depreciation and amortisation | 187 | 57 | 1,607 | 1,144 |
| Staff cost | 2,098 | 1,993 | 20,825 | 16,691 |
| | | | | |
| Staff cost include: | 1,728 | 1,412 | 18,274 | 14,047 |
| Salaries and other short-term employment benefit | - | 265 | - | 497 |
| Employee share option | 208 | 177 | 1,176 | 956 |
| Employer's provident fund contribution | 162 | 139 | 1,375 | 1,191 |
| Employer's social security contribution | 2,098 | 1,993 | 20,825 | 16,691 |

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

| | The Company 2013 | 2012 | The Group 2013 | 2012 |
|---|---|---|---|---|
| Staff numbers | 13 | 13 | 311 | 286 |

## 26. National Fiscal Stabilisation Levy

**The Group**

**Year ended 31 December 2013**

| | At 1 January | Charged to profit or loss | Payments | At 31 December |
|---|---|---|---|---|
| **Up to 2013** | - | 1,481 | (834) | 647 |

The National Fiscal Stabilisation Levy (NFSL) is a levy of 5% applied on profit before tax introduced in July 2013. Companies in the Group to which this levy applies are Enterprise Insurance Company Limited and Enterprise Life Assurance Company Limited.

# Notes *(continued)*

## 27. Income tax expense

| | The Company | | The Group | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Current income tax | **-** | - | **3,258** | 797 |
| Deferred income tax (credit)/charge | **(126)** | 774 | **3,352** | 1,970 |
| | **(126)** | 774 | **6,610** | 2,767 |

### Current income tax

**The Company**

There was no chargeable income for tax purposes for the year ended 31 December 2013 and 31 December 2012. There was no outstanding corporate tax liability at 31 December 2013 and 31 December 2012.

**The Group**

**Year ended 31 December 2013**

| | At 1 January | Payments | Charged to profit and loss | At 31 December |
|---|---|---|---|---|
| Up to 2012 | 315 | (340) | - | **(25)** |
| 2013 | - | (1,687) | 3,258 | **1,571** |
| Tax credit | (136) | (96) | - | **(232)** |
| | **179** | **(2,123)** | **3,258** | **1,314** |

Year ended 31 December 2012

| | At 1 January | Payments | Charged to profit and loss | At 31 December |
|---|---|---|---|---|
| Up to 2011 | (100) | - | - | (100) |
| 2012 | - | (382) | 797 | 415 |
| Tax credit | (112) | (24) | - | (136) |
| | (212) | (406) | 797 | 179 |

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

| | The Company | | The Group | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Profit before income tax | **24,250** | 14,663 | **46,283** | 32,662 |
| Tax rate of 25% (2012: 25%) | **6,063** | 3,666 | **11,571** | 8,165 |
| Tax effect of: | | | | |
| Income not subject to tax | **(6,637)** | (4,608) | **(55,043)** | (28,942) |
| Expenses not deductible for tax purposes | **448** | 1,716 | **50,082** | 23,544 |
| | **(126)** | 774 | **6,610** | 2,767 |

# Notes *(continued)*

## 28. Dividend

| | The Company 2013 | 2012 | The Group 2013 | 2012 |
|---|---|---|---|---|
| At 1 January | | - | | - |
| Amount declared during the year | **4,724** | 2,100 | **12,564** | 6,510 |
| Amount paid | **(4,724)** | (2,100) | **(12,564)** | (6,510) |
| At 31 December | **-** | - | **-** | - |

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

| | The Company 2013 | 2012 | The Group 2013 | 2012 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit before income tax | **24,250** | 14,663 | **47,764** | 32,662 |
| Adjustments for: | | | | |
| Depreciation | **187** | 57 | **1,604** | 1,140 |
| Amortisation | **-** | - | **4** | 4 |
| Impairment of loans and receivable | **-** | - | **200** | - |
| Employee share option | **-** | 265 | **-** | 545 |
| Fair value gain on investment property | | - | **(3,160)** | (4,038) |
| Investment income | **(29,403)** | (18,708) | **(64,841)** | (27,467) |
| Profit on sale of property and equipment | **-** | - | **(21)** | (51) |
| Transfer to life fund | **-** | - | **65,910** | 32,742 |
| Foreign exchange effect on consolidation | **-** | - | **3** | 158 |
| **Changes in working capital** | | | | |
| Change in insurance contract liabilities | | | | |
| Unearned premium | **-** | - | **5,418** | 3,070 |
| Outstanding claims | **-** | - | **1,432** | (152) |
| Amount due to re-insurers | **-** | - | **1,324** | 2,880 |
| Increase/(decrease) in amount due to related parties | **-** | (3,440) | **2,854** | (509) |
| Increase in loans and receivables | **(1,409)** | (127) | **(13,883)** | (2,135) |
| Decrease/(increase) in amount due from related parties | **372** | (2,256) | **-** | - |
| Increase/(decrease) in trade and other payables | **242** | 1,820 | **11,355** | (4,095) |
| Decrease in amounts due from re-insurers | | - | **957** | 782 |
| Net purchase of operating assets: | | | | |
| Equity securities | **9,587** | 5,599 | **17,667** | (7,183) |
| Unlisted debt securities | **(15,689)** | (3,261) | **(60,387)** | (30,020) |
| Investment properties | **-** | - | **(3,879)** | (57) |
| Cash (used in)/generated from operations | **(11,863)** | (5,388) | **10,321** | (1,724) |

## 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)*

## 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 2013**

| | Non-life insurance | Life Assurance | Pension Administration | Real estate | Funeral services | Investments | Total |
|---|---|---|---|---|---|---|---|
| Net premium earned | 34,462 | 123,321 | - | - | - | - | **157,783** |
| Net investment and other income | 11,496 | 42,762 | 984 | 5,697 | - | 12,246 | **73,185** |
| **Net income** | **45,958** | **166,083** | **984** | **5,697** | **-** | **12,246** | **230,968** |
| Increase in Life fund | - | (65,910) | - | - | - | - | (65,910) |
| Net claim incurred | (16,572) | (32,244) | - | - | - | - | (48,816) |
| Commission | (3,012) | (24,073) | - | - | - | - | (27,085) |
| Operating expenses | (9,977) | (20,681) | (3,049) | (1,890) | (640) | (5,156) | (41,393) |
| **Profit before tax** | **16,397** | **23,175** | **(2,065)** | **3,807** | **(640)** | **7,090** | **47,764** |
| National Fiscal Stabilisation Levy | **(400)** | **(1,081)** | **-** | **-** | **-** | **-** | **(1,481)** |
| Income tax expense | **(2,996)** | **(3,183)** | **85** | **(642)** | **-** | **126** | **(6,610)** |
| **Profit after tax** | **13,001** | **18,911** | **(1,980)** | **3,165** | **(640)** | **7,216** | **39,673** |
| **Total assets** | **61,330** | **208,286** | **1,120** | **33,465** | **5** | **41,958** | **345,997** |
| **Total liabilities** | **31,497** | **167,003** | **1,508** | **8,018** | **640** | **2,179** | **210,845** |

## 30. Segment Reporting *(continued)*

Year ended 31 December 2012

| | Non-life insurance | Life Assurance | Pension Administration | Real estate | Funeral services | Investments | Total |
|---|---|---|---|---|---|---|---|
| Net premium earned | 24,349 | 87,579 | - | - | - | - | 111,928 |
| Net investment and other income | 2,481 | 18,914 | 92 | 5,203 | - | 7,076 | 33,766 |
| Net income | 26,830 | 106,493 | 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) | (16,890) | (1,427) | (979) | - | (4,048) | (31,349) |
| Profit before tax | 4,069 | 22,676 | (1,335) | 4,224 | - | 3,028 | 32,662 |
| Income tax expense | (1,061) | (122) | 2 | (812) | - | (774) | (2,767) |
| Profit after tax | 3,008 | 22,554 | (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)*

## 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 | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Profit attributable to equity holders of the company (GH¢ 000) | **24,376** | 13,889 | **31,229** | 19,377 |
| Weighted average number of ordinary shares in issue | **131,210,825** | 131,210,825 | **131,210,825** | 131,210,825 |
| Basic earnings per share | **0.186** | 0.106 | **0.238** | 0.148 |

There were no potentially dilutive shares outstanding at 31 December 2013 or 2012. 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:

| | **2013** | | 2012 | |
|---|---|---|---|---|
| **The Company** | **Average exercise price per share** | **Options (thousands)** | Average exercise price per share | Options (thousands) |
| At 1 January | 0.28 | 2,730 | - | - |
| Granted | - | - | 0.28 | 2,730 |
| Forfeited | - | - | - | - |
| Exercised | - | - | - | - |
| Expired | - | - | - | - |
| At 31 December | 0.28 | 2,730 | 0.28 | 2,730 |

Share options outstanding at 31 December 2013 and 31 December 2012 will expire on 30 September 2015.

The fair value of options granted during the period determined was GH¢0.48 per option. See note 25 for the total expense recognised in the income statement for share options granted to directors and employees.

# Notes *(continued)*

## 33. Contingencies

There were no contingent liabilities at the reporting date (2012: Nil).

## 34. Capital commitments

There were no capital commitments at the reporting date (2012: Nil).

# Shareholders' Information

## i. Directors shareholding at 31 December 2013

| Name of director | Number of Shares Held |
|---|---|
| George Otoo | 500,000 |
| Trevor Trefgarne & Caroline France | 114,865 |
| 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 2013

| | Number of Shareholders | Number of Shares | Percentage Holdings |
|---|---|---|---|
| 1–1,000 | 1,545 | 606,148 | 0.46 |
| 1,001–5,000 | 1,048 | 2,738,759 | 2.09 |
| 5,001–10,000 | 372 | 2,639,055 | 2.01 |
| 10,001 and over | 510 | 125,266,038 | 95.44 |

## iii. List of Twenty Largest Shareholders at 31 December 2013

| Name of Share holder | Number of Shares | Percentage Holdings |
|---|---|---|
| VENTURES AND ACQUISITIONS LIMITED | 52,524,340 | 40.02 |
| STD NOMS TVL PTY/CREDIT SUISSE SEC (USA) LLC/AFRICA OPPORTUNITY FUND L.P | 12,418,237 | 9.46 |
| SCBN/ELAC POLICYHOLDERS FUND | 10,225,990 | 7.79 |
| SOCIAL SECURITY AND NATIONAL INSURANCE TRUST | 7,831,250 | 5.97 |
| SCGN/EPACK INVESTMENT FUND LTD - TRANSACTIONS A/C | 4,801,755 | 3.66 |
| SCGN/BB MAURITIUS RE UBS AG LDN. NUBUKE AFR MULTI STR MASTER | 4,063,375 | 3.1 |
| STD NOMS TVL PTY/CREDIT SUISSE SEC (USA) LLC/AFRICA OPPORTUNITY CAYMAN LIMITED | 3,099,884 | 2.36 |
| MAXWELL JANET SNOWDEN | 2,967,500 | 2.26 |
| BBGN/EPACK INVESTMENT FUND LIMITED | 2,082,300 | 1.59 |
| NTHC LIMITED | 819,915 | 0.62 |
| SCGN/UNIL GH MANAGERS PENSION FUND | 725,000 | 0.55 |
| SCGN/UNIL GH PROVIDENT FUND | 700,000 | 0.53 |
| UNIVERSAL INSURANCE CONSULTANTS LIMITED | 650,000 | 0.5 |
| ESTATE OF DR. P.K ANIM-ADDO | 625,000 | 0.48 |
| GHANA INTERNATIONAL SCHOOL STAFF P.F | 600,000 | 0.46 |
| SCGN/GHANA MEDICAL ASSOCIATION PENSION FUND | 512,500 | 0.39 |
| NUBUKE INVESTMENTS-MULTI STRATEGY FUND | 500,000 | 0.38 |
| OTOO GEORGE BANASCO MR | 500,000 | 0.38 |
| DODOO FRANCIS & TACKIE EMMA | 493,360 | 0.38 |
| SSNIT SOS FUND | 461,000 | 0.35 |
| **TOTAL** | **106,601,406** | **81.23** |

# Certificate of Solvency in Respect of Life Policies *(Regulation 12A)*

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 2013 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 (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¢56.1 million over the past year to date, as shown in the table below:

| | 2013<br>GH¢'000 | 2012<br>GH¢'000 |
|---|---|---|
| Net Asset Value | **61,090** | 39,988 |
| Value of in-force business | **117,749** | 80,755 |
| Cost of Capital | **(6,242)** | (4,262) |
| **Embedded Value** | **172,598** | 116,481 |

## Embedded Value Earnings

The embedded value earnings are shown in the table below:

| | 2013<br>GH¢'000 |
|---|---|
| Change in EV (excluding dividends) | **56,117** |
| Dividends declared | **16,000** |
| Change in Capital | **-** |
| **Embedded Value Earnings** | **72,117** |

# Certificate of Solvency in Respect of Life Policies *(Regulation 12A) (continued)*

## Analysis of Embedded Value Earnings

The analysis of embedded value earnings 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 GH¢'000 | CoC GH¢'000 | NAV GH¢'000 | EV GH¢'000 |
|---|---|---|---|---|
| Roll forward to year end | 18,117 | (980) | 7,237 | 24,375 |
| Transfers to net worth | (21,665) | - | 21,665 | - |
| VNB | 26,909 | (846) | 2,945 | 29,008 |
| Experience profits | 5,536 | - | 5,198 | 10,734 |
| Actuarial basis changes | 8,096 | (154) | 57 | 7,999 |
| **Embedded Value earnings** | **36,994** | **(1,980)** | **37,102** | **72,117** |

## 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.

G T Waugh MA FASSA

Statutory Actuary
10 March 2014

# 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 2013 Accounts

The Board will be proposing for acceptance by shareholders the audited Financial Statements for 2013, together with the Reports of the Auditors and the Directors thereon in respect of the year ended 31st December, 2013

### To declare a final Dividend

The Directors recommend the payment of a final dividend of GHS0.025per share for the year ended 31st December 2013. This would bring the total dividend for the year 2013 to GHS0.045per share.

### To re-elect retiring Directors

The following Directors of the Board, Mr. Keli Gadzekpo and Mr. Emmanuel Idun 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. Keli Gadzekpo**

Keli is co-founder and Group Chief Executive of the Databank Group. He is responsible for the overall financial and administrative management of the firm; and garnered a solid reputation of having in-depth knowledge and understanding of domestic and international capital markets.

Keli is the Chairman of the Databank Foundation which is the Corporate Social Responsibility arm of the Databank Group. He serves on the boards of Enterprise Group Limited, a financial services company, Enterprise Properties Limited, Enterprise Insurance Company - Ghana's largest private sector insurance company; sits on the Academic Board of The Roman Ridge School; and serves on the board of Nature Conservation Research Centre (NCRC).

Keli went to Achimota School; holds a BSc in Accounting from the Brigham Young University and is a CPA from the USA. He is also a Mason Fellow of the John F. Kennedy School of Government, Harvard University where he earned a Master's degree in Public Administration – Class of 2006. He is married with two children.

**Mr. Emmanuel Idun**

Mr. Emmanuel Idun, Executive Director Finance, joined the Enterprise Group in November 2010,from Expresso Telecom, where he was Chief Commercial Officer between 2007 and 2010. Prior to joining Expresso, he had a 27 year international career in Finance; IT and Logistics with Unilever, holding senior management positions in the United Kingdom1996-1999; Democratic Republic of Congo 1990-1992; Nigeria, 1992; and in Ghana as Finance Director, between 1999-2007. Mr. Idun has previously held executive board positions with Unilever Ghana Limited; Benso Oil Palm Plantations Limited; Twifo Oil Palm Plantations Ltd, and non-executive positions with Enterprise Life Assurance Company Limited Empretec Foundation and the Ghana Stock Exchange. He is a Chartered Accountant, a Fellow of the Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants, Ghana. He 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 2014.

### 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
Your Advantage

# 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 Thursday, May 22, 2014 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. Keli Gadzekpo<br>b. Emmanuel Idun | | |
| 4. To authorise the Directors to fix the remuneration of the Auditors | | |
| 5. To approve Directors' Remuneration | | |

Dated this ............................day of ........................................2014

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

Cut Here　　　　Cut Here

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

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Enterprise House
No. 11 High Street, PMB 150, GPO
Accra.

**www.enterprisegroup.net.gh**