

CORPORATE MISSION

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

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CORPORATE INFORMATION

Directors	Christine Dowuona-Hammond (Mrs) William O. Agbenyega Prof. A. Baah-Nuakoh Dr. J.K. Kwakye-Mafo Stella Williams (Mrs) K. Essel-Koomson Sampson A. Nuamah Gustav W.K. Siale	Chairperson Managing Director (Appointed – 1 January 2006) Member Member Member Member Managing Director (Resigned – 31 July 2005) Deputy Managing Director (Appointed – 1 January 2006)
Board Secretary	Gustav W.K. Siale	
Registered office	No. 4 Awudome Industrial Estate Ring Road West P.O. Box 7509 Accra-North	
Auditors	PricewaterhouseCoopers Chartered Accountants No. 12 Aviation Road Una Home, 3rd Floor Airport City PMB CT42 Cantonments Accra	
Bankers	Ghana International Bank, London Ghana Commercial Bank Limited Merchant Bank (Ghana) Limited Ecobank Ghana Limited Standard Chartered Bank Ghana Limited The Trust Bank Limited	

BOARD OF DIRECTORS

CHRISTINE DOWUONA-HAMMOND (MRS)
CHAIRPERSON

W. O. AGBENYEGA
MANAGING DIRECTOR

GUSTAV SIALE
DEPUTY MANAGING DIRECTOR

DR. J. K. KWAKYE-MAAFO
MEMBER

PROF. A. BAAH-NUAKOH
MEMBER

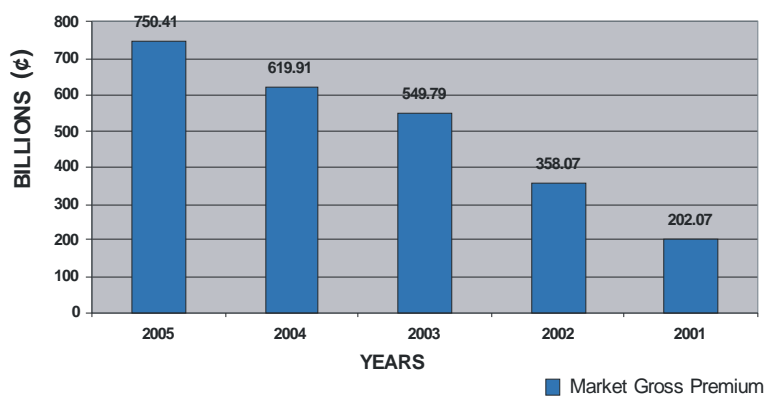
STELLA WILLIAMS (MRS)
MEMBER

K. ESSEL-KOOMSON
MEMBER

FINANCIAL HIGHLIGHTS (FIVE YEAR SUMMARY)
(General Business)

	2005 ¢'000	2004 ¢'000	2003 ¢'000	2002 ¢'000	2001 ¢'000
Gross premium Income	214,652,939	189,728,542	170,353,850	122,851,433	82,815,171
Net premium Income	173,165,676	137,158,301	127,931,681	81,572,159	63,075,758
Underwriting (loss)/profit	(713,901)	14,829,372	(1,305,690)	2,277,240	3,676,237
Investment income	18,990,941	20,364,310	21,810,624	17,304,269	17,708,986
Management expenses	46,102,727	47,142,140	35,004,570	24,513,727	15,911,317
Shareholder's funds	210,251,811	196,471,168	160,499,651	136,010,208	107,707,485
Management expense to gross premium ratio	21.48%	24.85%	20.55%	19.95%	19.21%
Earnings per share	¢435.61	¢839.43	¢601.17	¢635.05	¢497.08

Ghanaian Insurance Market Gross Premium
(2001-2005)



CHAIRPERSON'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2005

It gives me great pleasure to present the annual report and the financial statements of Ghana Reinsurance Company Limited for the year ended 31 December 2005.

The Board and Management are delighted to announce to you that our company Ghana Re is the first insurance company and one of few companies to be rated in Ghana. The company's rating status of AA+ and BB+ by Global Credit Rating Company for the local and international markets respectively has put Ghana Re on the pedestal of world-class reinsurers and re-echoed the quality and professionalism of the company. The rating status thus achieved will further boost the confidence of our international trading partners in the company.

Economic Review

In the midst of escalating crude oil prices and geopolitical tensions, global economic growth in 2005 was surprisingly strong at 3.2%, led by the robust performance of the economies of US and China, which grew at 3.5% and 9.2% respectively. Although African economies grew by 4%, its impact on world output was modest because of the smaller proportion that Africa's GDP represent in term of the World's GDP. The benign impact of the high crude oil prices on global inflation was due largely to the relatively low cost of production in China that has provided a strong anchor to low global inflation.

Surprisingly, the dollar appreciated by 12.3% against the Euro, and 10.1% and 13.4% against the Pound and the Yen respectively after three consecutive years of decline due to the stabilization of the nominal US trade deficit and the higher yields on US instruments that engineered significant inflows of petrodollars into the US.

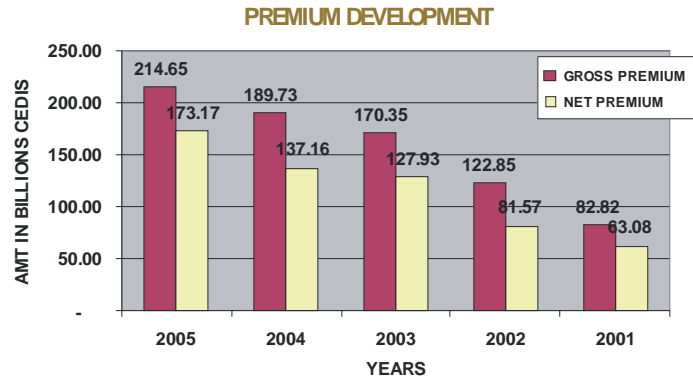
The performance of the Ghanaian economy in 2005 was largely underpinned by robust growth in export revenues and significant private and public sector investments. Broad policy objectives for 2005 was for the economy to grow at a minimum of 5.8%, with a year-end inflation of 13.5% and gross international reserves equivalent of 4 months of import cover, and to maintain a domestic primary surplus and overall budget deficit equivalent of 2.4% and 2.8% of GDP respectively. GDP grew at 5.8% and the domestic primary balance and fiscal deficit improved, reaching 2.9% and 2.4% of GDP respectively by December 2005. However, inflation peaked at 14.8% and gross international reserves approached \$1.874 billion, representing 3.7 months of import cover. Broadly, the performance of the economy in 2005 was satisfactory considering the high crude oil prices on the international markets, which necessitated an upward adjustment in the domestic pump prices of fuel by 57%.

On a nominal basis, the cedi gained strength against the pound and the euro whilst it depreciated by 0.6% against the dollar. Against the pound and the euro, the respective appreciations were 11.3% and 15.7% respectively. The Bank of Ghana prime rate fell from 21.5% at the beginning of the year to 15.5% by December 2005.

Operating results

General business

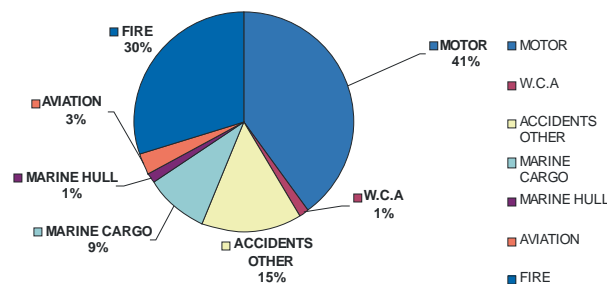
The Gross Premium produced by the Insurance Industry in Ghana and reported to Ghana Re increased from ₵619.91bn in 2004 to ₵750.41 billion in 2005 representing an increase of 21.05%. The market claims paid reduced slightly by 1.33% from ₵221.37 billion in 2004 to ₵218.43 billion in 2005. Consequently, the claims ratio was 29.11% compared to 35.71% in 2004.



The Gross Premium written by Ghana Re in 2005 increased by 13.13% compared to 11.37% in 2004. In absolute term, the gross premium written increased from ₵189.73 billion in 2004 to ₵214.65 billion in 2005. The drive for increased capitalisation of insurance companies in compliance with the requirements of the impending insurance law and subsequent increase in retention by the insurance companies are some of the reasons ascribed to the lower performance of Ghana Re compared to the Industry. The increase in demand for personal risk cover and the decrease in marine businesses are also contributory factors.

Non-marine businesses increased by 24.0% while the marine businesses decreased by 27.0%. The increase was in the main propelled by motor insurance, contributing 40% of the total gross premium written, followed by fire and accident contributing 29.91% and 14.7% respectively. Marine Hull and Cargo business contribution to the total premium written declined from 19.13% in 2004 to 13.91% in 2005. The decline was a reflection of the marine market in Ghana.

TOTAL GROSS PREMIUM BY CLASS OF INSURANCE-2005



Recently, statutory cession remains the lifeline of Ghana Re's survival contributing 70% to the total premium in 2005 followed by facultative 16%, treaty 14% compared to 59.22%, 26.19% and 14.58% respectively in 2004.

Retrocession to Gross Premium ratio declined from 27.71% in 2004 to 19.33% in 2005 mainly as a result of increase in the retention capacity of Ghana Re.

The ratio of claims incurred net of recovery to net premium increased substantially from 27.74% in 2004 to 39.94% in 2005. The paid loss was 31% and movement in provision for outstanding claims including IBNR was 8.94%. The increasing risks from natural hazards and human activities and the increased demand for risk protection has shown a worldwide rising trend. The major losses recorded in the year under review were the Skiida Complex claims of Algeria, the Indian Monsoons and Far East Tsunami as well as the increased frequency of motor accidents.

Commission to net premium ratio edged up slightly from 23.71% in 2004 to 24% in 2005 due to increase in brokerage.

Management expenses

Management expenses reduced from ₵47.14bn in 2004 to ₵46.10bn in 2005, a decrease of 2.08%. Consequently, the management expense ratio came down slightly from 24.84% in 2004 to 21.48% in 2005, in spite of the substantial provision made for depreciation of computers. The reduction in National Reconstruction Levy as well as the reduction in the contribution paid to National Insurance Commission are some of the reasons which underline the decline in the ratio.

Net profit

The net profit recorded in the year under review declined significantly by 48.11% from ₵41.97 billion in 2004 to ₵21.78 billion in 2005. Notable factors such as increase in provision for bad and doubtful debts and the increase in claims paid in the year accounted for the fall in the net profit.

Life business

The gross premium declined slightly from ₵5.57 billion in 2004 to ₵4.58 billion in 2005 mainly due to cancelled and lapsed policies. The combined ratio increased from 28.0% in 2004 to 52.0% in 2005 as a result of higher claims paid during the year. Consequently, the net profit declined by 34.96% from ₵3.64 billion in 2004 to ₵2.37 billion in 2005.

Sponsorship

During the year, the Company made donations to various educational, social and public institutions. The total amount spent in 2005 was ₵305 million compared with ₵254 million in 2004. Major beneficiary institutions included the following – College of Health Sciences, Ghana National Trust Fund, Ghana Heart Foundation, Ministry of Tourism and Ministry of Food and Agriculture.

Board of Directors

During the year under review, Mr Sampson Nuamah's service contract expired and was replaced by Mr William Agbenyega. On my own behalf and members of the Board, we wish to congratulate Mr. William Agbenyega on his appointment.

Outlook for 2006

The enactment of the impending insurance law, which seeks to usher the Ghanaian Insurance market to a more rigid regulated regime is yet to be laid before parliament. This law, when promulgated, will abolish the 20% legal cession as enshrined in Ghana Reinsurance Organisation Law 1984, PNDC Law 79, section 5a and increase the minimum capital requirements of all insurance companies.

Ghana Re should therefore brace itself strategically to reduce the dependency on the legal cession and encourage voluntary contributions from the cedants. Increase in minimum capital of companies will induce fierce competition not only from the local companies but other reinsurers from the African markets. Ceding companies' retention capacity will increase and less business would be ceded to Ghana Re following the boost in minimum capital requirements that the impending law seeks to enforce.

I am encouraged that the Board and Management have begun putting in place strategic structures with the aim of mitigating the effect that the passing into law of the impending bill will engender. We will continue to motivate and emphasise enhancement in the professional competence of staff through training.

The company should strive hard to achieve customer service excellence. It should also identify and permeate various profitable sub-regional markets in Africa and explore the possibility of forging strategic alliances and trade partnerships with them.

Appreciation

On behalf of the Board, I wish to thank all our cedants, retrocessionaires and other business partners for their loyalty, confidence and continuous support. I am certain that Ghana Re can lean on the support and confidence of our business partners even after the withdrawal of the 20% legal cession.

On my own behalf and the Board, I wish to commend our Shareholder for the deep understanding and immense support as well as the encouragement extended to Ghana Re during the year.

The valuable contribution, guidance and support from my colleagues on the Board, deserve special mentioning and I am sure these sterling qualities will underline our goal of seeing Ghana Re emerging as a prime reinsurer in Africa.

My special appreciation goes to the Management and the entire staff for working tirelessly to achieve this modest result.

Financial Statements
for the year ended 31 December 2005

The challenges ahead is not insurmountable and I am confident that we will continue to work hard as a team and take advantage of future opportunities for the successful growth of our company as a major local and choicest international reinsurer.

Chairperson:
Christine Dowuona-Hammond

REPORT OF THE DIRECTORS

The directors have the pleasure in submitting their annual report together with the audited financial statements of the company for the year ended 31 December 2005.

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the company and of the profit or loss and cash flows for that year. In preparing those financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed Ghana Accounting Standards.

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

Principal activity

The principal activity of the company during the year was the reinsurance of all classes of insurance business including life assurance business, both within and outside Ghana. There was no change in this activity during the year.

Financial results

The financial results for the year is set out as follows:

	2005 ¢000	2004 ¢000
Income surplus as at 1 January	1,007,419	182,230
To which is added profit for the year of	21,780,643	41,971,517
	22,788,062	42,153,747
From which is deducted:		
Transfer to statutory reserves in accordance with Section 15 and 16 of the repealed Ghana Reinsurance Organisation Law 1989 (PNDCL 79), as protected by Section 2 of Statutory Corporation Act (Act 461) and Section 23 of Insurance Law 1989 (PNDCL 227)	(12,538,168)	(20,146,328)
Transfer to stated capital	-	(15,000,000)
Proposed dividend	(8,000,000)	(6,000,000)

leaving a balance carried forward on income surplus account of 2,249,894 1,007,419

Dividend

The directors recommend the payment of dividend of ¢160 per share amounting to ¢8 billion (2004: ¢6 billion, ¢120 per share).

Auditors

The auditor, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with Section 134 (5) of the Ghana Companies Code, 1963 (Act 179).

ON BEHALF OF THE BOARD

Chairperson: Director:

Date: 22nd December, 2006

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDER OF GHANA
REINSURANCE COMPANY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Ghana Reinsurance Company Limited set out on pages 13 to 29. These financial statements comprise the balance sheet as of 31 December 2005, the profit and loss account, the general business reinsurance revenue account, life insurance revenue account, statement of changes in equity and general business cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 9, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with Ghana Accounting Standards and with requirements of the Ghana Companies code 1963 (Act 179). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 Company's financial affairs as of 31 December 2005, and of its profit and cash flows for the year then ended in

accordance with Ghana Accounting Standards and comply with the Ghana Reinsurance Organisation Law 1984 (PNDCL 79), the Insurance Law 1989 (PNDCL 227) and the Ghana Companies Code, 1963 (Act 179).

Report on other legal requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books;
- iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

Chartered Accountants
Accra
16 January 2007

PROFIT AND LOSS ACCOUNT
(ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF CEDIS)

	Notes	Year ended 31 December	
		2005	2004
Underwriting (loss)/profit transferred from revenue account	(713,901)	14,829,372	
Investment income	1	18,990,941	20,364,310
Net gain on exchange		3,116,416	6,068,130
Other income	2	387,187	709,705
Net profit before tax		21,780,643	41,971,517
Tax	3	-	-
Net profit after tax transferred to income surplus account		21,780,643	41,971,517

INCOME SURPLUS ACCOUNT

Balance at 1 January		1,007,419	182,230
Transfer from profit and loss account		21,780,643	41,971,517
		22,788,062	42,153,747
Transfer to stated capital		-	(15,000,000)
Transfer to statutory reserves	5	(12,538,168)	(20,146,328)
Dividend proposed		(8,000,000)	(6,000,000)
Balance at 31 December		2,249,894	1,007,419

The accounting policies and notes on pages 19 to 29 form an integral part of these financial statements.

GENERAL BUSINESS REINSURANCE REVENUE ACCOUNT
(ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF CEDIS)

		Fire and Accident	Marine and Aviation	2005	2004
	Notes				
Underwriting Income					
Gross premiums		184,785,518	29,867,421	214,652,939	189,728,542
Less retrocession premiums		28,226,802	13,260,461	41,487,263	52,570,241
Net premiums retained		156,558,716	16,606,960	173,165,676	137,158,301
Provision for unearned premiums	13	(15,385,393)	(1,363,210)	(16,748,603)	(4,524,468)
		141,173,323	15,243,750	156,417,073	132,633,833
Underwriting outgo					
Claims incurred less recoveries		62,414,492	6,739,817	69,154,309	38,046,758
Commissions		38,615,437	3,074,535	41,689,972	32,518,865
Foreign taxes		114,213	69,753	183,966	96,698
Management expenses	17	41,681,376	4,421,351	46,102,727	47,142,140
		142,825,518	14,305,456	157,130,974	117,804,461
Underwriting (loss)/profit transferred to profit and loss account		(1,652,195)	938,294	(713,901)	14,829,372

The accounting policies and notes on pages 19 to 29 form an integral part of these financial statements.

LIFE REASSURANCE REVENUE ACCOUNT
(ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF CEDIS)

	Notes	Year ended 31 December	
		2005	2004
Gross premium		4,583,365	5,570,475
Retrocessions		(553,830)	(455,268)
Net premium		4,029,535	5,115,207
Commission (net)	18	(1,076,912)	(1,186,742)
Claims incurred		(1,422,890)	(920,654)
Management expenses		(687,918)	(558,662)
Total expenses		3,187,720	2,666,058
Underwriting Profit		841,815	2,449,149
Investment income		1,524,812	1,187,730
Exchange (loss)/gain		(1,299)	-
		2,365,328	3,636,879
Transfer to contingency reserve fund	5	(45,834)	(55,705)
Increase in fund during the year		2,319,494	3,581,174
Life fund at start of year		9,781,395	6,200,221
Increase in fund		2,319,494	3,581,174
Life fund at end of year	16	12,100,889	9,781,395

The accounting policies and notes on pages 19 to 29 form an integral part of these financial statements.

BALANCE SHEET AS AT 31ST DECEMBER 2005
(ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF CEDIS)

	Notes	General Business	Life Business	Consolidated	
				2005	2004
Capital employed					
Stated capital	4	74,000,000	-	74,000,000	74,000,000
Capital surplus		7,835,000	-	7,835,000	7,835,000
Statutory reserves	5	126,166,917	158,917	126,325,834	113,741,832
Income surplus		2,249,894	-	2,249,894	1,007,419
Shareholder's funds		210,251,811	158,917	210,410,728	196,584,251
Life assurance fund		-	12,100,889	12,100,889	9,781,395
Total capital reserves and long term fund		210,251,811	12,259,806	222,511,617	206,365,646
Represented by:					
Assets					
Property and equipment	6	9,249,107	-	9,249,107	6,922,621
Investment property	7	13,682,860	-	13,682,860	10,737,000
Listed securities	8	14,244,697	4,850	14,249,547	7,184,822
Unlisted securities	9	7,819,406	-	7,819,406	6,231,604
Amount due from ceding and retroceding companies	10	190,443,421	2,602,360	193,045,781	165,534,449
Accounts receivable	11	11,164,112	680,989	11,845,101	10,271,353
Government securities	12	79,805,393	11,702,725	91,508,118	54,719,645
Deposits with financial institutions		112,827,155	-	112,827,155	116,927,762
Cash and bank balances		21,732,551	458,089	22,190,640	29,390,588
Total assets		460,968,702	15,449,013	476,417,715	407,919,844
Liabilities					
Technical provisions					
Unearned premiums	13	82,906,642	-	82,906,642	66,158,039
Outstanding claims		41,511,222	1,273,898	42,785,120	32,006,054
		124,417,864	1,273,898	125,691,762	98,164,093
Other liabilities					
Amount due to ceding and retroceding companies	14	109,929,563	987,907	110,917,470	87,993,906
Sundry creditors and accruals	15	11,369,464	927,402	12,296,866	9,396,199
Dividend payable		5,000,000	-	5,000,000	6,000,000
Total liabilities		250,716,891	3,189,207	253,906,098	201,554,198
Net assets		210,251,811	12,259,806	222,511,617	206,365,646

Financial Statements
for the year ended 31 December 2005

The financial statements on pages 13 to 29 were approved by the Board of Directors on 22nd December, 2006 and were signed on its behalf by:

Director:

Director:

The accounting policies and notes on pages 19 to 29 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
(ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF CEDIS)

	Stated capital	Statutory reserves	Capital surplus	Income surplus	Total
Year ended 31 December 2005					
At start of year	74,000,000	113,628,749	7,835,000	1,007,419	196,471,168
Net profit	-	-	-	21,780,643	21,780,643
Proposed dividend	-	-	-	(8,000,000)	(8,000,000)
Transfers	-	12,538,168	-	(12,538,168)	-
At end of year	74,000,000	126,166,917	7,835,000	2,249,894	210,251,811
Year ended 31 December 2004					
At start of year	59,000,000	93,482,421	7,835,000	182,230	160,499,651
Net profit	-	-	-	41,971,517	41,971,517
Proposed dividend	-	-	-	(6,000,000)	(6,000,000)
Transfers	15,000,000	20,146,328	-	(35,146,328)	-
At end of year	74,000,000	113,628,749	7,835,000	1,007,419	196,471,168

The accounting policies and notes on pages 19 to 29 form an integral part of these financial statements.

GENERAL BUSINESS CASH FLOW STATEMENT
(ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF CEDIS)

		Year ended 31 December	
	Notes	2005	2004
Operating activities			
Cash generated from operations	19	31,632,664	12,261,033
Interest received		13,752,195	16,239,661
Net cash from operating activities		45,384,859	28,500,694
Investing activities			
Purchase of investments		(8,652,527)	(2,842,375)
Sale of investments		-	2,310,000
Purchase of property and equipment	6 & 7	(8,902,476)	(4,460,394)
Proceeds from the sale of property and equipment	6	220,371	5,680
Dividend received	1	2,689,544	2,452,192
Net cash used in investing activities		(14,645,088)	(2,534,897)
Financing activities			
Dividend paid		(9,000,000)	(5,000,000)
Net cash used in financing activities		(9,000,000)	(5,000,000)
Increase in cash and cash equivalents		21,739,771	20,965,797
Movement in cash and cash equivalents			
At start of year	20	192,625,328	171,659,531
Increase		21,739,771	20,965,797
At end of year	20	214,365,099	192,625,328

The accounting policies and notes on pages 19 to 29 form an integral part of these financial statements.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements are prepared in accordance with Ghana Accounting Standards. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain properties.

(b) Accounting period

Local inward business in respect of fire, motor, Workmen's Compensation Act, other accident and aviation comprises statutory and facultative cessions. These classes of business are underwritten on an individual basis and the results for the year are recognised in period the business is underwritten.

The profit and loss for each underwriting year in respect of local and overseas inward business for marine cargo and hull is determined at the end of three years including the year of account of which that business relates, after allowing for the estimated cost of all outstanding claims as well as those still to be reported. Premiums underwritten less claims paid and expenses relating to the two open underwriting years are carried forward in the insurance fund.

The basis of accounting for overseas inward business in respect of fire, motor and other accident is the twelve-month period covered by the company's contracts with ceding companies.

(c) Underwriting results

General insurance business

The underwriting results for general business are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

- (i) Premiums written relates to business incepted during the year, and includes estimates of premiums due but not yet received, less an allowance for cancellations.
- (ii) 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 balance sheet date. In accordance with Section 23(2) of Insurance Law, 1989 (PNDCL 227) these are calculated on the basis of not less than 75% of the total net premiums in respect of marine business and 45% of other business.

- (iii) Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the balance sheet date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported (“IBNR”). IBNR claims are computed at 20% of the total outstanding claims of the previous year in accordance with Section 23 of the Insurance Law, 1989 (PNDCL 227).
- (iv) Expenses and commission are allocated to the relevant revenue accounts as incurred in the management of each class of business. Commission is shown net of commission received in respect of reinsurance business ceded.

Long term insurance business

- (v) Premiums written relates to business incepted during the year, and includes estimates of premiums due but not yet received, less an allowance for estimated lapses.
- (vi) Claims arising on maturity are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.
- (vii) Expenses and commissions are allocated to the life fund as incurred in the management of the long term business.
- (viii) The life fund is assessed triennially by the company's consulting actuaries. Surpluses arising are allocated by the directors on the advice of the actuaries to policyholders' bonuses and the profit and loss account. Any balance remaining is carried forward in the life fund (Note 16).

(d) Property and equipment

All property and equipment is initially recorded at cost. Land and buildings are subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation. All other property and equipment is stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account.

Depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Leasehold & Freehold Properties	3%
Motor vehicles	25%
Machinery and equipment	15%
Furniture and fittings	20%
Computers	331/3%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the capital surplus account relating to that asset are transferred to income surplus account.

(e) Investment property

Investment properties are treated as long term investments and carried at market value determined periodically based on valuations by the directors of the company. Investment properties are not subject to depreciation. Increases in their carrying amount are credited to capital surplus account in shareholders' equity in respect of general business and the life assurance fund in respect of life business. Decreases that offset previous increases of the same asset are charged against capital surplus account; all other decreases are charged to the profit and loss account.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account; any amounts in revaluation and other surplus relating to that investment property are transferred to income surplus account.

(f) Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

Investment securities are initially recognised at cost (which includes transaction costs). Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

All regular way purchases and sales of investment securities are recognised at trade date, which is the date that the company commits to purchase or sell the asset.

(g) Management expenses

Management expenses for existing underwriting departments are apportioned to the classes of business in the Revenue Account on a premium basis but wholly charged to the underwriting year in which they are incurred.

The management expenses of a new underwriting department or class of business are carried forward as deferred expenses during the first three operational years of the department and subsequently written off to the revenue account over five underwriting years in equal instalments.

(h) Investment income

Investment income, which comprises interest and rent is accounted for on an accrual basis and is stated net of investment expenses. Dividends are recognised in the period in which they are declared.

Income arising on life investments is taken up in the long term revenue account whilst income derived from investments held by the general business is credited to the profit and loss account.

(i) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into cedis at rates ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into cedis at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

(j) Receivables

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off in the year in which they are identified.

(k) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments and government securities net of bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

(ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF CEDIS UNLESS OTHERWISE STATED)

1. Investment income	2005	2004
Interests	13,752,195	16,239,661
Dividends	2,689,544	2,452,192
Rent	2,549,202	1,672,457
	18,990,941	20,364,310
 2. Other income		
Interest on Loans	116,929	324,012
Interest on Deposit Released	269,396	213,213
Miscellaneous	862	172,480
	387,187	709,705

3. Tax

Under Section 20(2) of the repealed Ghana Reinsurance Organisation (GRO) Law 1984, PNDCL 79, the organisation was not liable to tax in so far as its general reserve fund was not equal to twice the amount of its issued capital. With the conversion of the Organisation to a limited liability company by virtue of the Statutory Corporation (Conversion to Companies) Act 461 1993, it appears the taxation status of the company as provided for under the repealed GRO Law PNDCL 79, has been protected by Section 2, of the Statutory Corporation Act (Act 461).

4. Stated capital

The number of authorised and issued shares of the company is 50,000,000 ordinary shares (2003: 50,000,000) of no par value as follows:

	No. of shares		Amount	
	2005	2004	2005	2004
Issued for cash consideration	50,000,000	50,000,000	53,000	53,000
Transfer from income surplus account	-	-	73,947,000	73,947,000
	50,000,000	50,000,000	74,000,000	74,000,000

There is no unpaid liability on any shares. There are no calls or installments unpaid.
There are no treasury shares.

5. Statutory reserves

General business

	General	Contingency	Staff welfare	Total 2005	2004
At 1 January	65,961,077	41,975,171	5,692,501	113,628,749	93,482,421
Transfer from income surplus account	5,445,161	6,439,588	653,419	12,538,168	20,146,328
At 31 December	71,406,238	48,414,759	6,345,920	126,166,917	113,628,749

Life business

	2005	2004
Balance at 1 January	113,083	57,378
Transfer from revenue account	45,834	55,705
Balance at 31 December	158,917	113,083

General and staff welfare reserve represent appropriations made by the directors in accordance with Sections 15 and 16 of the Ghana Reinsurance Organisation Law, 1984 (PNDCL 79) as protected by Section 2 of Statutory Corporation Act (Act 461) and Section 23 of the Insurance Law 1989 (PNDCL 227).

Contingency reserve represents amount set aside from the revenue account to cover fluctuations in securities and variations in statistical estimates in accordance with Section 23(3) (b) of the Insurance Law, 1989 (PNDCL 227).

6. Property and equipment

	Freehold and leasehold properties	Motor vehicles	Machinery, equipment, furniture and fittings	Computers	Capital work-in- progress	Total
Cost						
At 1 January 2005	1,658,064	2,188,909	3,834,853	1,665,495	2,226,616	11,573,937
Additions	1,157,966	466,650	113,443	5,205,673	1,786,246	8,729,978
Transfers	7,728	-	1	16,330	(2,797,422)	(2,773,363)
Disposals	-	(118,648)	(264,826)	(166,400)	(523,675)	(1,073,549)
At 31 December 2005	2,823,758	2,536,911	3,683,471	6,721,098	691,765	16,457,003
Depreciation						
At 1 January 2005	329,591	1,264,369	1,519,351	1,538,005	-	4,651,316
Charge for the year	84,481	537,912	584,739	1,797,363	-	3,004,495
Disposals	-	(116,762)	(164,753)	(166,400)	-	(447,915)
At 31 December 2005	414,072	1,685,519	1,939,337	3,168,968	-	7,207,896
Net book value At 31 December 2005	2,409,686	851,392	1,744,134	3,552,130	691,765	9,249,107
At 31 December 2004	1,328,473	924,541	2,315,502	127,490	2,226,615	6,922,621

The remaining balance of €2.773 billion on transfers from capital work in progress represents the cost of the Roman Ridge building transferred to Investment property during the year.

	2005	2004
Profit on disposal		
Cost	1,073,549	35,974
Accumulated depreciation	(447,915)	35,974
Net book value	625,634	-
Less: proceeds from sale	220,371	5,680
(Loss)/profit on disposal	(405,263)	5,680

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for the year ended 31 December 2005

7. Investment property		2005	2004
At 1 January		10,737,000	10,737,000
Additions		172,497	-
Transfer from capital work in progress		2,773,363	-
At 31 December		13,682,860	10,737,000

Investment properties were revalued at 31 December 2001 by the directors. The revaluation was at open market values.

8. Listed securities				
	General business	Life business	2005	2004
At 1 January	7,179,972	4,850	7,184,822	6,188,822
Additions	7,064,725	-	7,064,725	1,806,000
Disposal	-	-	-	(810,000)
At 31 December	14,244,697	4,850	14,249,547	7,184,822

9. Unlisted securities				
At 1 January	6,284,625	-	6,284,625	5,248,251
Additions	1,587,802	-	1,587,802	1,036,274
Provision	(53,021)	-	(53,021)	(53,021)
At 31 December	7,819,406	-	7,819,406	6,231,604

Unlisted securities are held by general business.

10. Amount due from ceding and retroceding companies

	General business	Life business	2005	2004
Deposits retained by ceding companies	4,570,996	-	4,570,996	4,570,996
Amount due from ceding companies	172,059,252	2,602,360	174,661,612	141,533,020
Amount due from retroceding companies	13,813,173	-	13,813,173	19,430,433
	190,443,421	2,602,360	193,045,781	165,534,449

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for the year ended 31 December 2005

11. Sundry debtors

	General business	Life business	2005	2004
Staff debtors	5,714,981	-	5,714,981	5,479,791
Subvention to life business	912,185	-	912,185	796,859
Other debtors and prepayments	4,536,946	680,989	5,217,935	3,994,703
	11,164,112	680,989	11,845,101	10,271,353

The maximum amount of staff indebtedness during the year did not exceed ¢5,715 million (2004: ¢5,480 million).

12. Government securities

	General business	Life business	2005	2004
Treasury bills	79,805,393	11,702,725	91,508,118	54,719,645

Treasury bills are debt securities issued by the Bank of Ghana for a term of three months, six months or a year and are classified as available for-sale investments. Bills are carried at their face value less unearned interest.

13. Unearned premiums

Unearned premiums represents proportions of the premiums set aside to provide for periods of risk extending beyond the end of the financial year in accordance with Section 23 of the Insurance Law 1989 (PNDCL 227).

	Fire and accident	Marine and aviation	2005	2004
At 1 January	55,066,029	11,092,010	66,158,039	61,633,571
Increase in provision	15,385,393	1,363,210	16,748,603	4,524,468
At 31 December	70,451,422	12,455,220	82,906,642	66,158,039

14. Amount due to ceding and retroceding companies

	General business	Life business	2005	2004
Deposits retained from retroceding companies	2,133,959	-	2,133,959	976,729
Amount due to ceding companies	37,302,624	-	37,302,624	34,687,764
Amount due to retroceding companies	70,492,980	987,907	71,480,887	52,329,413

Financial Statements
for the year ended 31 December 2005

109,929,563 987,907 110,917,470 87,993,906

15. Sundry creditors and accruals

	General business	Life business	2005	2004
Subvention from general business	-	912,185	912,185	796,859
Other creditors	11,369,464	15,217	11,384,681	8,599,340
	11,369,464	927,402	12,296,866	9,396,199

16. Life fund

It is the policy of the company to carry out an external actuarial valuation of the life fund triennially. The last valuation was carried out by HR Nigeria Limited at 31 December 2005, using the unexpired premium method. According to the valuation, the long term liability of the fund stood at ₦2,360 million resulting in a surplus of assets over liability of ₦9,740 million.

17. Management expenses

Management expenses include:	2005	2004
Staff cost	6,562,764	6,344,262
Depreciation	3,004,495	1,148,028
Auditors' remuneration	200,355	180,600
Directors' emoluments	428,778	347,717
Provision for bad debts	19,818,671	20,989,399
National Reconstruction levy	891,222	1,702,342
Donations	305,353	254,121

The National Reconstruction Levy is assessed under the National Reconstruction Levy Act, 2002 (Act 579), as amended, on profit before tax.

18. Commissions (Life)

	2005	2004
Commissions from acceptances	1,104,507	1,229,426
Less: Retroceding companies	27,595	42,684
	1,076,912	1,186,742

19. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations.

	2005	2004
Profit before tax	21,780,643	41,971,517
Depreciation	3,004,495	1,148,028
Impairment in value of investment	-	53,021
Profit from sale of assets	405,263	(5,680)
Changes in:		
Unearned premium	16,748,603	4,524,468
Outstanding claims	9,846,698	2,281,146
Accounts payable	25,182,673	19,639,199
Accounts receivable	(28,893,972)	(38,658,813)
Dividend received	(2,689,544)	(2,452,192)
Interest income	(13,752,195)	(16,239,661)
Cash generated from operations	31,632,664	12,261,033

20. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise:

	2005	2004
Deposits with financial institutions	112,827,155	116,927,762
Cash and bank balances	21,732,551	28,571,515
Treasury bills (Note 12)	79,805,393	47,126,051
	214,365,099	192,625,328

21. Capital commitments

There were €60 million capital commitments as at 31 December 2005 (2004: €100 million).

22. Contingent liabilities

At 31 December 2005 the company had no contingent liabilities in respect of pending legal suits (2004: Nil).

Financial Statements
for the year ended 31 December 2005

GENERAL BUSINESS REINSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts are expressed in thousand of cedis)

FIRE ¢	MOTOR ¢	W.C.A. ¢	OTHER ACCIDENTS ¢	MARINE CARGO ¢	MARINE HULL ¢	AVIATION ¢	TOTAL ¢	TOTAL ¢
PREMIUMS: -	64,202,186	85,872,039	3,156,673	31,554,620	20,022,155	2,813,184	7,032,082	211,651,477
LESS RETROCESSION	27,945,151	185,891	-	95,760	6,440,389	1,244,338	5,575,734	41,307,863
PREMIUM Less Retrocession	36,257,035	85,686,148	3,156,673	31,458,860	13,581,766	1,568,846	1,456,348	170,343,614
Increase In Reserve for Unexp. Risk								
Reserve for Unexpired Risk c/fwd	16,315,666	38,558,766	1,420,503	14,156,487	10,186,324	1,176,634	1,092,261	82,860,427
Reserve for Unexpired Risk b/fwd	(13,737,970)	(29,710,843)	(1,041,599)	(10,575,617)	(8,408,387)	(2,024,035)	(659,587)	(56,138,048)
2,577,696	8,847,923	378,904	3,580,870	1,777,937	(847,401)	432,674	16,748,603	27,722,379
PREMIUM EARNED	33,679,339	76,838,225	2,777,769	27,877,990	11,803,829	2,416,247	1,023,674	155,415,765
Claims Incurred less Recoveries								
Claims Paid	20,799,180	25,707,535	1,103,225	7,261,353	6,857,633	4,012,949	929,072	66,670,947
Less Recoveries	(2,795,966)	(161,794)	-	-	(1,440,206)	(2,361,228)	(604,142)	(4,763,336)
18,003,214	25,545,741	1,103,225	7,261,353	5,417,427	1,651,721	324,930	59,307,611	61,907,611
Commission (NET)								
Commission Paid	17,485,775	20,404,716	776,717	8,727,332	4,669,468	561,259	951,440	53,576,707
Commission Received	(8,752,769)	-	-	(26,334)	(2,046,350)	(250,384)	(810,898)	(11,886,341)
8,733,006	20,404,716	776,717	8,700,998	2,623,118	310,875	140,542	41,689,972	41,689,972
Increase/Decrease in Provision of Claims								
Provision for o/s claims c/fwd	11,133,105	15,742,362	641,361	11,542,185	937,929	1,514,280	-	41,511,222
Provision for o/s claims b/fwd	(8,552,655)	(13,179,180)	(921,602)	(5,904,617)	(948,089)	(2,158,380)	-	(31,664,483)
2,580,450	2,563,182	(280,241)	5,637,568	(10,160)	(644,100)	-	9,846,698	9,846,698
Foreign Taxes & Brokerages	84,910	-	-	29,303	19,446	643	49,664	183,966
Management Expenses	9,652,884	22,812,634	840,416	8,375,443	3,615,938	417,681	387,731	46,102,727
Underwriting Profit Transferred To								
PROFIT & LOSS ACCOUNT	(5,375,125)	5,511,952	337,652	(2,126,675)	138,060	679,427	120,808	(71,270,006)
33,679,339	76,838,225	2,777,769	27,877,990	11,803,829	2,416,247	1,023,674	156,417,073	156,417,073

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for the year ended 31 December 2005