# GOLDLINK INSURANCE PLC

# FINANCIAL STATEMENTS TOGETHER WITH DIRECTORS' AND AUDITOR'S REPORT

## 31 DECEMBER 2014

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**Corporate Information**

| | |
|---|---|
| Certificate of incorporation number | RC192814 |
| Date of incorporation | 15 April, 1992 |
| Registrars | Sterling Registrars Limited |
| NAICOM license number | RIC -033 |

**Interim board of directors and management**

| | |
|---|---|
| Mr James O. Ayo | Chairman |
| Mr Gbolahan Olutayo | Managing Director |
| Mr Adeyinka Olutungase | Executive Director, Chief Financial Officer |
| Professor Chioma Kanu Agomo | Director |
| Alhaji Sashe Ibrahim Dabana | Director |
| Malam Abubakar Sadiq Mijinyawa | Director |
| Ambassador Umaru Ilya Damagum | Director |

**Bankers and other professional advisors**

| | |
|---|---|
| Bankers: | |
| | Sterling Bank PLC<br>Ecobank PLC<br>Zenith Bank PLC<br>Guaranty Trust Bank PLC<br>Access Bank PLC<br>First Bank PLC |
| Company Secretary / Head Legal: | Tobi Olaleye |
| Registered Office: | 6, Emmanuel Street Maryland Lagos |
| Auditor: | KPMG Professional Services<br>KPMG Tower<br>Bishop Aboyade Cole Street<br>Victoria Island, Lagos |
| Reinsurers: | African Reinsurance Corporation<br>Continental Reinsurance Plc<br>Munich Reinsurance of Africa Limited<br>WAICA Reinsurance Corporation<br>Nigeria Reinsurance Corporation<br>Kenya Reinsurance<br>CICA Reinsurance Company Limited<br>Aveni Reinsurance Corporation |
| Actuary: | HR Nigeria Limited<br>FRC/NAS/00000000738 |
| Estate Surveyor and Valuer: | Foluke Ismail & Associates (Estate Surveyors and Valuers)<br>FRC/2013/NIESV/00000000001701 |

**Directors' Report**
***For the year ended 31 December 2014***

The directors have pleasure in presenting their annual report on the affairs of Goldlink Insurance PLC ("the Company") together with the audited financial statements and the auditor's report for the year ended 31 December 2014.

**Legal form and principal activity**

The Company was incorporated on 15 April 1992 as a private limited liability company. The Company obtained an insurance license from the National Insurance Commission on 8 September 1993 and commenced business on 1 January 1994. Following the recapitalization exercise, the Company converted to a Public Liability Company on 11 May 2007 and was listed on the Nigerian Stock Exchange by way of introduction on 12 February 2008.

The Company's principal activity continues to be the provision of risk underwriting and related financial services to its customers. Such services include provision of life and general insurance services to both corporate and individual customers.

**Operating results**

The following is a summary of the Company's operating results for the year ended 31 December 2014:

| *In thousands of Naira* | **Company 2014** | **Company 2013** |
|---|---|---|
| Gross premium written | 3,113,179 | 4,352,511 |
| (Loss)/profit before income tax | (414,652) | 180,094 |
| Taxation | (114,555) | (111,586) |
| (Loss)/profit after taxation | (529,207) | 68,508 |
| (Loss)/profit attributable to equity holders | (529,207) | 68,508 |
| Transfer to statutory contingency reserve | (78,547) | (115,631) |
| Transfer to retained earnings | (607,754) | (47,123) |
| Shareholders' deficit | (3,901,836) | (3,426,486) |
| Earnings per share (k) – Basic | (12) | 2 |
| Earnings per share (k) – Diluted | (12) | 2 |

**Dividends**

**Proposed dividends**

No dividend was proposed for the year ended 31 December 2014.

**Directors and their interest**

The directors of the Company who held office during the year had no direct or indirect interest in the share capital of the Company as at 31 December 2014 (2013: Nil)

**Retirement and appointment of Directors**

There were no changes to the Interim board of directors during the financial year ended 31 December 2014.

**Contracts**

In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, none of the directors has notified the Company of any declarable interest in contracts during the year.

**Significant shareholding**

According to the Register of Members, no shareholder other than the under-mentioned held more than 5% of the issued share capital of the Company as at 31 December 2014:

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct Interest | | Indirect Interest | | Direct Interest | | Indirect Interest | |
| | No. of Shares | % Holding | No. of Shares | % Holding | No. of Shares | % Holding | No. of Shares | % Holding |
| Unity Kapital Assurance Plc | 1,254,073,219 | 27.56% | - | - | 1,254,073,219 | 27.56% | - | - |
| Osayameh R.K.O* | 100,000,001 | 2.20% | 350,771,884 | 7.71% | 100,000,001 | 2.20% | 350,771,884 | 7.71% |
| Mr Gbenga Afolayan* | 284,486,025 | 6.25% | 313,276,372 | 6.89% | 284,486,025 | 6.25% | 313,276,372 | 6.89% |
| Mr Femi Okunniyi* | 274,335,882 | 6.03% | 438,535,183 | 9.64% | 274,335,882 | 6.03% | 438,535,183 | 9.64% |

*The shareholders surrendered a portion of their shareholdings subsequent to year end (please see note 40) .

**Directors' Report**
***For the year ended 31 December 2014***

**Analysis of shareholding**
The analysis of the distribution of the shares of the Company is as follows:

| | 2014 | |
|---|---|---|
| **Share range** | **No of holdings** | **Percentage of holdings** |
| 001-1000 | 147,579 | 0.003% |
| 1001-10000 | 9,997,653 | 0.2% |
| 10001-50000 | 401,167 | 0.01% |
| 50001-100000 | 36,117,347 | 1% |
| 100001-500000 | 140,555,695 | 3% |
| 500001-1000000 | 94,781,707 | 2% |
| 1000001 & Above | 4,267,945,852 | 94% |
| Total | 4,549,947,000 | 100% |

| | 2013 | |
|---|---|---|
| **Share range** | **No of holdings** | **Percentage of holdings** |
| 001-1000 | 147,579 | 0.003% |
| 1001-10000 | 9,997,653 | 0.2% |
| 10001-50000 | 401,167 | 0.01% |
| 50001-100000 | 36,117,347 | 1% |
| 100001-500000 | 140,555,695 | 3% |
| 500001-1000000 | 94,781,707 | 2% |
| 1000001 & Above | 4,267,945,852 | 94% |
| Total | 4,549,947,000 | 100% |

**Property and equipment**
Information relating to changes in property and equipment during the year is given in Note 12 to the financial statements.

**Donations and charitable gifts**
The Company identifies with the aspirations of the community as well as the environment within which it operates and made charitable donations to the under-listed organizations amounting to ₦1,321,000 (2013:₦4,589,506) during the year as follows:

| **Organisation:** | **2014** |
|---|---|
| | **₦** |
| Bethesda Home for the Blind | 341,000 |
| Onigbongbo Community Day | 230,000 |
| Heart of Gold Children's Hospice | 150,000 |
| Veterans in Management Practice & Development | 100,000 |
| Nigeria Association of the Blind | 100,000 |
| Community Junior High School, Wasimi, Maryland | 50,000 |
| Redeemer's University Actuarial Science & Insurance Association | 50,000 |
| Jegede Paul Foundation - Slum Invasion Project | 50,000 |
| Children Emergency Relief Foundation (CERF) | 50,000 |
| National Association of Insurance Correspondents (NAICO) | 50,000 |
| Nigerian Council of Registered Insurance Brokers (NCRIB) | 50,000 |
| Christian Coalition Against Corruption Project (Fight Corruption) | 50,000 |
| Renewed Life Foundation | 25,000 |
| Special Persons Association of Nigeria | 25,000 |
| | **1,321,000** |

**Employment of disabled persons**

The Company is committed to providing equal opportunities and does not discriminate in considering applications from suitably qualified person, including disabled persons. However, as at 31 December 2014 (31 December 2013: Nil), no disabled persons were in the employment of the Company.

**Health, safety and welfare of employees**

The Company maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Health, safety and fire drills are regularly organized to keep employees alert at all times. Employees are adequately insured against occupational hazards. In addition, the Company provides medical facilities to its employees and their immediate families at its expense.

**Employee involvement and training**

The Company encourages participation of employees in arriving at decisions in respect of matters affecting their well being. Towards this end, the Company provides opportunities for employees to deliberate on issues affecting the Company and employees' interests, with a view to making inputs to decisions thereon. The Company places a high premium on the development of its manpower. Consequently, the Company sponsored its employees for various training courses in the year under review.

**Acquisition of own shares**

The Company acquired its own shares as at year end. The carrying amount of the treasury shares as at year end was ₦47,350,000 (2013: ₦47,350,000).

**Events after the reporting date**

There were no subsequent events which could have had material effect on the financial position of the Company as at 31 December 2014, which have not been adequately provided for or disclosed. See note 40.

**Auditors**

KPMG Professional Services have indicated their willingness to continue in office as auditors. In accordance with Section 357 (2) of the Companies and Allied Matters Act of Nigeria, a resolution will be proposed at the Annual General Meeting to authorise the directors to determine their remuneration.

BY ORDER OF THE BOARD
Tobi Olaleye
FRC/2014/NBA/000000008450
Company Secretary
6, Emmanuel Street Maryland Lagos
24 August 2015

**Statement of Directors' Responsibilities in relation to the financial statements for the year ended 31 December 2014**

The directors accept responsibility for the preparation of the annual financial statements and other financial information set out on pages 14 to 92 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act of Nigeria and National Insurance Commission (NAICOM) circulars.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria, 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.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reasons to believe that the Company will not remain a going concern in the year ahead other than as disclosed in Note 41 to the financial statements.

**SIGNED ON BEHALF OF THE DIRECTORS BY:**

Mr. James Olatunde Ayo - Chairman
FRC/2014/CIIN/000000008352
24 August 2015

Mr. Gbolahan Olutayo - Managing Director
FRC/2014/IMN/00000007106
24 August 2015

**Corporate Governance Report**

**Introduction**

Goldlink Insurance PLC has in place, corporate policies and standards to encourage good and transparent corporate governance framework in order to avoid potential conflicts of interest between all stakeholders whilst promoting ethical business practices.

The Company strives to carry out its business operations on the principles of integrity and professionalism whilst enhancing shareholders value through transparent conduct with the adoption of applicable regulatory standards as well as international best practices in corporate governance, service delivery and value creation for all.

In order to ensure consistency in its practice of good corporate governance, the Company continuously reviews its practice to align with NAICOM's Code of Corporate Governance with particular reference to compliance, disclosures and structure.

NAICOM's Code of Corporate Governance also requires that an annual board appraisal be conducted by an Independent consultant appointed by the Company. The annual board appraisal should be submitted to NAICOM and presented to shareholders at the Annual General Meeting of the Company. The board approval has not been presented to the shareholders as the Annual General Meeting has not been held.

**Governance Structure**

The governance of the Company resides with the Board of Directors who are accountable to shareholders for creating and delivering sustainable value by managing the Company's businesses. The Board is responsible for the efficient operations of the Company and ensures that the Company fully discharges its legal, financial and regulatory responsibilities.

The Board also reviews corporate performance, monitors the implementation of corporate strategy and sets the Company's performance objectives. The Board monitors the effectiveness of its governance practices, manages potential conflict and provides general direction to management. These oversight functions of the Board of Directors are exercised through its various Committees. In the course of the period under review, the Board had four (4) Committees focused on ensuring the proper management and direction of the Company via interactive dialogue on a regular basis.

The Interim Board comprises seven (7) members, including the Chairman, two (2) Executive Directors, and four (4) Non-Executive Directors. They are made up of seasoned professionals, who have excelled in their various professions and possess the requisite integrity, skills and experience to bring to bear independent judgment on the deliberations of the Board. The effectiveness of the Interim Board and Management derives from the appropriate balance and mix of skills and experience of the Directors. The interim board met 7 times during the year.

**Responsibilities of the Board**

The Board determines the strategic objectives of the Company in delivering long-term growth and short-term goals. In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between conforming with governance principles and economic performance.

The powers reserved for the Board include the following;

- determination of Company's structure, size and composition, including appointment, succession planning for the senior management and Board Committee membership;
- approval of mergers and acquisitions, branch expansion, approval of remuneration policy and packages of the Board members
- approval of policy documents on significant issues including Enterprise-wide Risk Management, Human Resources, Corporate governance and anti-money laundering.
- approval of resolutions and corresponding documentation for shareholders in general meeting(s), shareholders circulars prospectus and principal regulatory filings with the regulators.
- approval of major change to the Company's corporate structure (excluding internal reorganizations) and changes relating to the Company's capital structure or its status as a public limited company
- approval of quarterly, half-yearly and full year financial statements (whether audited or unaudited) and any significant change in accounting policies and/or practices
- approval of the Company's strategy, medium and short term plans and its annual operating and capital expenditure budget; and
- recommendation to shareholders on the appointment or removal of auditors and the remuneration of auditors.

**Roles of Key Members of the Board**

The position of the Chairman of the Board and the Chief Executive Officer are separate and held by different persons. The Chairman and the Chief Executive Officer are not members of the same extended family.

**The Chairman**

The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities.
The Chairman is responsible for ensuring that Directors receive accurate, timely and clear information to enable the Board take informed decisions, monitor effectively and provide advice to promote the success of the Company.
The Chairman is also responsible for promoting effective relationships and open communication, between Executive and Non- executive Directors. The Chairman strives to ensure that any disagreements on the Board are resolved amicably.

**The Chief Executive Officer**

The Board has delegated the responsibility for the day-to-day management of the Company to the Chief Executive Officer (CEO), who is responsible for leading management and for making and implementing operational decisions. The CEO is responsible to the Board of Directors and in ensuring that the Company complies strictly with regulations and policies of both the Board and Regulatory authorities.
The CEO has the overall responsibility for the optimization of the Company's resources and for the Company's financial performance.

**The Chief Finance Officer**
The Chief finance officer is responsible for presenting and reporting timely financial information of the Company. He is also responsible for financial planning and manging the financial risks of the Company. He is also a director of the interim mangement board and he reports directly to the CEO and the Board on all strategic financial matters.

**Company Secretary**

The Company Secretary is a point of reference and support for all Directors who updates the Directors with all requisite information promptly and regularly.
The Board may through the Company Secretary obtain information from external sources, such as consultants and other advisers, if there is a need for outside expertise, via the Company Secretary or directly.
The Company Secretary is further responsible to assist the Chairman and Chief Executive Officer to formulate an annual Board Plan and with the administration of other strategic issues at the Board level; organize Board meetings and ensure that the Board's discussions and decisions are documented in the minutes of meetings.

**Induction and Continuous Training of Board Members**

On appointment, Board members receive a formal induction tailored to meet their individual requirements. Management further strives to acquaint the Directors with the operations of the Company via trainings and seminars to the extent desired by Directors to enable them function in their position.
The training and education of Directors on issues pertaining to their oversight functions is a continuous process, in order to update their knowledge and skills and keep them informed of new developments in the insurance industry and operating environment.

**Remuneration of Non Executive Directors**

The Company's policy on remuneration of Non-Executive Directors is guided by the provisions of the NAICOM Code of corporate governance which stipulate that Executive Directors' remuneration should be limited to Directors' fees and reimbursable travel and hotel expenses. Director's fees and sitting allowances were paid to only Non-executive directors as recommended by the Board Governance, Remuneration, and Establishment & General Purpose Committee.

**Dealings in Issuer's shares**
The Company is yet to adopt a code of conduct regarding securities transactions by its Directors as it is still an interim Board constituted by the National Insurance Commission (NAICOM). The Board is making efforts to adopt a code of conduct regarding securities transactions by its Directors, however we wish to confirm that none of the Directors transacted or dealt in the Company's shares during the period under consideration.

**Board Committees**

The Board carries out its responsibilities through its Committees, which have clearly defined terms of reference, setting out their roles, responsibilities, functions and scope of authority. The Board has four (5) Committees, namely; Board Audit & Compliance Committee, Board Investment & Finance Committee, Board Enterprise Management and Technical Committee, Board Governance, Remuneration & Establishment Committee and Life Operation Committee. Through these Committees, the Board is able to more effectively deal with complex and specialized issues and fully utilize its expertise to formulate strategies for the Company.

A summary of the roles, responsibilities, composition and frequency of meetings of each of the Committees are as stated below:

**(i) Board Audit and Compliance Committee.**

The Committee shall be responsible for the review of the integrity of the data and information provided in the Audit and/or Financial Reports.

The Committee shall provide oversight functions over the Company's financial statements, its internal control and risk management functions. The Committee is responsible for ensuring compliance with legal and other regulatory requirements, assessment of qualifications and independence of external auditor; and performance of the Company's internal audit function as well as that of external auditors.

The Committee chairman reports formally to the Board on its proceedings after each meeting on all matters within its functions and responsibilities. The Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. The Board Audit & Compliance Committee comprised the following members during the period under review:

| | | |
|---|---|---|
| 1 | Mallam Abubkar Sadiq Mijinyawa | Chairman (Director) |
| 2 | Ambassador Ilya Umar Damagum | Member (Director) |
| 3 | Alhaji Sashe Ibrahim Dabana | Member (Director) |

**(ii) Board Investment & Finance Committee**

The Board Investment and Finance Committee is responsible for the approval of investment decisions made by management of the Company and the related portfolio limits by Management of the Company. This Committee shall have supervisory functions over investment and other finance-related issues such as capital & funding requirements.

The main functions of the Committee shall be to approve all investments above the limit of the management. Where it is not expedient for the members of the Committee to meet, an investment approval can be obtained through circularization of the approval. The Committee is also responsible for the review and approval of the investment manual on a periodic basis and to further identify specific areas for review as approved by the Board, in particular the financial implications of new and major investment strategies/initiatives.

The Committee shall make recommendations of investment policies for consideration and adoption by the Board, including proposed ethical positions with respect to appropriate investments and shall conduct a review of the performance of the major assets in the company's investment portfolios on a quarterly basis.

The Board Investment & Finance Committee comprised the following members during the period under review:

| | | |
|---|---|---|
| 1 | Alhaji Sashe Dabana | Chairman (Director) |
| 2 | Professor Chioma Agomo | Member (Director) |
| 3 | Mr. Adeyinka Olutungase | Member (Director) |

**(iii) Enterprise Risk Management Committee**

This Committee will have supervisory functions over the entity wide risk management including management of business risks relating to underwriting as well as the Company's risk reward strategy.

The main functions of the Committee shall be to assist in the oversight of the review and approval of the Company's risk management policy including risk appetite and risk strategy; to oversee management's process for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms.

The Committee is also charged with the review of large underwritten risks for adequacy of reinsurance and other risk management techniques including environmental & social management system.

The Board Risk Management and Technical Committee comprised the following members during the period under review:

| | | |
|---|---|---|
| 1 | Alhaji Abubakar Mijinyawa | Chairman (Non – Executive Director) |
| 2 | Mr Gbolahan Olutayo | Member (Managing Director) |
| 3 | Mr. Adeyinka Olutungase | Member (Executive Director) |

**(iv) Board Governance, Remuneration and Establishment Committee**

The Committee shall have supervisory functions over the whole Company, recruitment and ensuring corporate governance compliance. The main functions of the Committee shall be to establish the criteria for Board committee memberships, review candidates qualifications and any potential conflict of interest and make recommendations to the Board.

The Board Governance, Remuneration, Establishment & General Purpose Committee comprised the following members:

| | | |
|---|---|---|
| 1 | Professor Chioma Agomo | Chairperson (Director) |
| 2 | Mr. Gbolahan Olutayo | Member (Executive Director) |
| 3 | Ambassador Ilya Umar Damagum | Member (Director) |

**(v) Life Operation Committee**

The Committee shall oversee the operations of the Life division of the Company. This includes overseeing the financial and investment activities, overseeing the formulation and implementation of an effective management policy of the Life division of the Company.

The Life Operation Committee comprised the following memebers:

| | | |
|---|---|---|
| 1 | Ambassador Ilya Umar Damagum | Chairman (Director) |
| 2 | Professor Chioma Agomo | Member (Director) |
| 3 | Mrs Funke Moore | Member (Director) |

**Attendance of Board and Board Committee Meeting**

The table below shows the frequency of meetings of the Board of Directors, the statutory audit committee, Board committees as well as Members' attendance for the year ended December 31, 2014.

**The Interim Board of Directors and Management**

| S/N | NAME OF DIRECTOR | TITLE | NUMBER OF BOARD MEETINGS ATTENDED | 12/2/2014 | 16/04/2014 | 18/6/2014 | 27/08/2014 | 10/10/2014 | 4/11/2014 | 22/12/2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Mr. James Ayo | Chairman | 7 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2 | Mr. Gbolahan Olutayo | Managing Director | 6 | ✓ | ✓ | x | ✓ | ✓ | ✓ | ✓ |
| 3 | Mr. Adeyinka Olutungase | Finance Director | 7 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4 | Alh. Sashe Dabana | Director | 7 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 5 | Professor Chioma Agomo | Director | 6 | ✓ | ✓ | ✓ | ✓ | x | ✓ | ✓ |
| 6 | Alhaji Abubakar Mijinyawa | Director | 7 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 7 | Amb. Ilya Umar Damagum | Director | 7 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

**Details of Board Committee Meetings and Attendance**:

**Statutory Audit Committee**
The Committee met 3 times during the period under review:

| NAME OF DIRECTOR | TITLE | NUMBER OF COMMITTEE MEETINGS ATTENDED | 17/6/2014 | 9/10/2014 | 9/12/2014 |
|---|---|---|---|---|---|
| Elder (Dr.) A. K. Oniwinde | Chairman | 3 | ✓ | ✓ | ✓ |
| Prince M. O. Oyedele | Member | 3 | ✓ | ✓ | ✓ |
| Mr Francis Okoro | Member | 3 | ✓ | ✓ | ✓ |
| Mallam Abubakar .S. Mijinyawa | Member | 3 | ✓ | ✓ | ✓ |
| Ambassador Ilya Umar Damagum | Member | 3 | ✓ | ✓ | ✓ |
| Professor Chioma Kanu Agomo | Member | 3 | ✓ | ✓ | ✓ |

**Board Audit & Compliance Committee**
The Committee met 3 times during the period under review:

| NAME OF DIRECTOR | TITLE | NUMBER OF COMMITTEE MEETINGS ATTENDED | 11/2/2014 | 21/5/2014 | 8/12/2014 |
|---|---|---|---|---|---|
| Mallam Abubkar Sadiq Mijinyawa | Chairman | 3 | ✓ | ✓ | ✓ |
| Ambassador Ilya Umar Damagum | Member | 3 | ✓ | ✓ | ✓ |
| Alhaji Sashe Ibrahim Dabana | Member | 3 | ✓ | ✓ | ✓ |

**Board Investment & Finance Committee:**

The Committee met 2 times during the period under review:

| NAME OF DIRECTOR | TITLE | NUMBER OF COMMITTEE MEETINGS ATTENDED | 7/2/2014 | 6/6/2014 |
|---|---|---|---|---|
| Alhaji Sashe Ibrahim Dabana | Chairman | 2 | ✓ | ✓ |
| Professor Chioma Agomo | Member | 2 | ✓ | ✓ |
| Mr Adeyinka Olutungase | Member | 1 | ✓ | x |

**Board Risk Management & Technical Committee**

The Committee met once during the period under review:

| NAME OF DIRECTOR | TITLE | NUMBER OF COMMITTEE MEETINGS ATTENDED | 21/05/2014 |
|---|---|---|---|
| Malam Abubakar Sadiq Mijinyawa | Chairman | 1 | ✓ |
| Mr Gbolahan Olutayo | Member | 1 | ✓ |
| Mr Adeyinka Olutungase | Member | - | x |

**Board Governance, Remuneration, Establishment & General Purpose Committee**

The Committee met 3 times during the period under review:

| NAME OF DIRECTOR | TITLE | NUMBER OF COMMITTEE MEETINGS ATTENDED | 11/2/2014 | 22/05/2014 | 10/12/2014 |
|---|---|---|---|---|---|
| Professor Chioma Agomo | Chairman | 3 | ✓ | ✓ | ✓ |
| Mr Gbolahan Olutayo | Member | 3 | ✓ | ✓ | ✓ |
| Ambassador Umaru Ilya Damagum | Member | 3 | ✓ | ✓ | ✓ |

**Life Operations Committee**

The Committee met once during the period under review:

| NAME OF DIRECTOR | TITLE | NUMBER OF COMMITTEE MEETINGS ATTENDED | 22/5/2014 |
|---|---|---|---|
| Ambassador Umaru Ilya Damagum | Chairman | 1 | ✓ |
| Professor Chioma Agomo | Member | 1 | ✓ |
| Mrs Funke Moore | Member | 1 | ✓ |

**Statutory Audit Committee**

The Committee met 3 times during the period under review:

| NAME OF DIRECTOR | TITLE | NUMBER OF COMMITTEE MEETINGS ATTENDED | 17/6/2014 | 9/10/2014 | 9/12/2014 |
|---|---|---|---|---|---|
| Elder (Dr.) A. K. Oniwinde | Chairman | 3 | ✓ | ✓ | ✓ |
| Prince M. O. Oyedele | Member | 2 | ✓ | ✓ | x |
| Mr Francis Okoro | Member | 3 | ✓ | ✓ | ✓ |
| Mallam Abubakar .S. Mijinyawa | Member | 2 | ✓ | ✓ | x |
| Ambassador Ilya Umar Damagum | Member | 3 | ✓ | ✓ | ✓ |
| Professor Chioma Kanu Agomo | Member | 3 | ✓ | ✓ | ✓ |

**Annual Board Appraisal**

The annual Board appraisal was not performed during the year under review.

**Shareholders**

The General Meeting of the Company is the highest decision making body of the Company. The Company is driven by its desire to deliver significant returns on its shareholders investment. The shareholders have an opportunity to express their concerns (if any) and opinion on the Company's financial results and all other issues at the Annual General Meeting of the Company.

**Protection of Shareholders Rights**

The Board ensures the protection of the statutory and general rights of shareholders at all times, particularly their right to attend and vote at general meetings. All shareholders are treated equally, regardless of volume of shareholding or social status.

**Communication Policy**

It is the responsibility of Executive Management under the direction of the Board, to ensure that the Board receives adequate information on a timely basis, about the Company's businesses and operations at appropriate intervals and in an appropriate manner, to enable the Board to carry out its responsibilities.
Furthermore, the Board and Management of the Company ensures that communication and dissemination of information regarding the operations and management of the Company to shareholders, stakeholders and the general public is timely, accurate and continuous, to give a balanced and fair view of the Company's financial and non-financial matters.
In order to reach its overall goal on information dissemination, the Company is guided by the following principles, legislation and codes of corporate governance of the jurisdictions within which it operates. These include the Insurance Act, the NAICOM Operational Guidelines, the Companies and Allied Matters Act (CAMA) and the codes of Corporate Governance issued by NAICOM.

The principles that guide the Company's information dissemination include the following:

**Efficiency:** The Company uses modern communication technologies in a timely manner to convey its messages to its target groups. The Company responds without unnecessary delay to information requests by the media and the public.

**Transparency:** The Company strives in its communication to be as transparent and open as possible while taking into account the concept of confidentiality between the Company and its customers, and company secretary.

**Clarity:** The Company aims at clarity, i.e. to send uniform and clear messages on key issues.

**Cultural awareness:** The Company operates in a multicultural environment and accordingly recognizes the need to be sensitive to the cultural peculiarities of its operating environment.

**Feedback:** The Company actively and regularly seeks feedback on its image and communication activities both from the media as well as from its key target groups. This feedback is used in future activities.

**Independent Advice**

The Board of Directors are at their own discretion and at the Company's expense required to seek Independent professional advice when required to enable a Member of the Board effectively perform certain responsibilities.

**Management Committees**

The Company has six (6) Management Committees which meet once in a month to review the performance of the previous month and as well plan for the coming one.

1) Management Committee, comprising the executive management and other senior staff. The Committee meets on the first working day of each month. The Management Committee (MC) is set up to identify and make recommendations on strategies that will aid the achievement of the long term objectives of the Company.

2) Enlarged Management Committee, comprising the management committee and head of departments including Lagos branches and selected upcountry branches. The meeting date is the same first working day of the month.

3) Accounts, Finance and Admin Committee including IT department.
4) Technical Committee
5) Marketing Technical Committee
6) Life Company Committee.

**Monitoring Compliance with Corporate Governance**

**Chief Compliance Officer**

The Chief Compliance Officer monitors compliance with money laundering requirements and the implementation of the Corporate Governance Code of the Company. The Chief Compliance Officer together with the Chief Executive Officer certifies each year to NAICOM that they are not aware of any other violation of the Corporate Governance Code, other than as disclosed during the course of the year.
**Internal Management Structure:** The Company operates an internal management structure where all officers are accountable for duties and responsibilities attached to their respective offices and there are clearly defined and acceptable lines of authority and responsibility. An annual appraisal of the duties assigned and dedicated to each person is done by the first quarter of the preceding year.

**Report of the Audit Committee**
***For the year ended 31 December 2014***

To the Members of **Goldlink Insurance PLC**

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act of Nigeria 1990, the members of the Audit Committee of Goldlink Insurance Plc hereby report as follows:

- We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act of Nigeria and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We are of the opinion that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2014 were satisfactory and reinforce the Company's internal control system.
- We have deliberated with the external auditors, who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses thereon and with the effectiveness of the Company's system of accounting and internal control.

Elder (Dr) A. K. Oniwinde
Chairman, Audit Committee
FRC/2013/CIIN/00000002850
21 August 2015

Members of the Audit Committee are:

| | | |
|---|---|---|
| 1 | Elder (Dr.) A. K. Oniwinde | Chairman |
| 2 | Prince M. O. Oyedele | Member |
| 3 | Mr Francis Okoro | Member |
| 4 | Mallam Abubakar .S. Mijinyawa | Member |
| 5 | Ambassador Ilya Umar Damagum | Member |
| 6 | Professor Chioma Kanu Agomo | Member |

In attendance:

| | |
|---|---|
| Tobi Olaleye<br>FRC/2014/NBA/000000008450<br>21 August 2015 | Company Secretary |

## INDEPENDENT AUDITOR'S  REPORT

To the Members of **Goldlink Insurance PLC**

**Report on the financial statements**

We have audited the accompanying financial statements of **Goldlink Insurance PLC (“the Company")**, which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies as set out on pages 15 to 83.

*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 in the manner required by the Companies and Allied Matters Act of Nigeria, 1990, the Insurance Act of Nigeria, 2003, and relevant National Insurance Commission (NAICOM) guidelines and circulars 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 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 of the 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 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, these financial statements give a true and fair view of the financial position of Goldlink Insurance Plc ("the Company") as at 31 December 2014, and of its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, 1990, the Insurance Act of Nigeria, 2003, relevant National Insurance Commission (NAICOM) guidelines and circulars and the Financial Reporting Council of Nigeria Act, 2011.

*Emphasis of matter*

Without qualifying  our opinion, we draw attention to Note 41 to these financial statements which indicates that the Company recorded a loss after taxation of ₦529,207,000 for the year ended 31 December 2014 and as of that date, the Company's total liabilities exceeded its total assets by ₦3,901,836,000. The Company also had a negative shareholders' fund of ₦3,901,836,000 as at 31 December 2014 which was significantly below the minimum regulatory capital of ₦5,000,000,000 required for composite insurance business and a shortfall in solvency margin of ₦6,125,119,000 as at 31 December 2014 for the general insurance business. The total admissible assets of the Company less the net insurance contract liabilities and investment contract liabilities was in deficit of ₦4,403,944,000 as at 31 December 2014 for the general and life insurance businesses. These conditions, along with other matters as set forth in Note 41, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

*Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria*

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of accounts.

Signed:

Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
9 September 2015
Lagos, Nigeria

**1.1 CORPORATE INFORMATION**

The Company was incorporated on 15 April 1992 as a private limited liability Company. The address of its registered office is 6 Emmanuel Street, Maryland, Lagos State, Nigeria. The Company obtained an insurance license from the National Insurance Commission on 8 September 1993 and commenced business operation on 1 January 1994. Following the recapitalisation exercise, the Company converted to a Public Limited Liability Company on 11 May 2007 and was listed on the NSE by way of introduction on 12 February 2008.

The Company's principal activities are provision of risk underwriting and related financial services to its customers. Such services include provision of life and general insurance services to both corporate and individual customers.
The financial statements for the year ended 31 December 2014 were approved for issue by the Board of Directors on 24 August 2015.

**1.2** Basis of presentation

(a) *Statement of compliance*
The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act of Nigeria, and relevant National Insurance Commission (NAICOM) guidelines and circulars, to the extent that they do not conflict with the requirements of IFRS.

(b) *Basis of measurement*

These financial statements have been prepared on the historical cost basis except for the following:
- Available for sale financial instruments are measured at fair value;
- Retirement benefit obligations measured using the projected credit unit valuation method;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Land and buildings are measured using the revaluation model;
- Insurance liabilities are based on actuarial valuations;

The directors are of the opinion that the Company will continue as a going concern for the foreseeable future. See Note 41 to the financial statements.

(c) *Functional and presentation currency*
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the ‘functional currency’). The financial statements are presented in thousands of Naira (₦), which is the Company’s functional currency.

(d) *Use of estimates and judgement*
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.
Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3 to the financial statements.

(e) *Regulatory authority and financial reporting*
The Company is regulated by the National Insurance Commission of Nigeria (NAICOM) under the National Insurance Act of Nigeria. The Act specifies certain provisions which have impact on financial reporting as follows:

(i) Section 20 (1a) provides that provisions for unexpired risks shall be calculated on a time apportionment basis of the risks accepted in the year;

(ii) Section 20 (1b) requires provision for outstanding claims to be credited with an amount equal to the total estimated amount of all outstanding claims with a further amount representing 10 percent of the estimated figure for outstanding claims in respect of claims incurred but not reported at the end of the year under review;

(iii) Sections 21 (1a) and 22 (1b) require maintenance of contingency reserves for general and life businesses respectively at specified rates as set out under Note 2.2.17(b) to cover fluctuations in securities and variation in statistical estimates;

(iv) Section 22 (1a) requires the maintenance of a general reserve fund which shall be credited with an amount equal to the net liabilities on policies in force at the time of the actuarial valuation and an additional 25 percent of net premium for every year between valuation date;

(v) Section 24 requires the maintenance of a margin of solvency to be calculated in accordance with the Act.

(vi) Section 10(3) requires insurance companies in Nigeria to deposit 10 percent of the minimum paid up share capital with the Central Bank of Nigeria.

(vii) Section 25 (1) requires an insurance company operating in Nigeria to invest and hold invested in Nigeria assets equivalent to not less than the amount of policy holders' funds in such accounts of the insurer. See Note 46 for assets allocation that covers policy holders' funds.

However, section 59 of the Financial Reporting Council Act, 2011 (FRC Act) provides that in matters of financial reporting, if there is any inconsistency between the FRC Act and other Acts which are listed in section 59(1) of the FRC Act, the FRC Act shall prevail. The Financial Reporting Council of Nigeria acting under the provisions of the FRC Act has promulgated IFRS as the National financial reporting framework for Nigeria. Consequently, the following provision of the National Insurance Act, 2003 which conflict with the provisions of IFRS have not been adopted:

i) Section 20 (1b) which requires the provision of 10 percent for outstanding claims in respect of claims incurred but not reported at the end of the year under review. See note 2.2.12(a)(ii) on accounting policy for outstanding claims.

ii) Section 22(1a) which requires additional 25 percent of net premium to general reserve fund. See note 2.2.12(a)(i) on accounting for unearned premium and unexpired risk.

## 2 Accounting policies

### 2.1 Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies set out in Note 2.2 to all periods presented in these financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

a. Offsetting Financial Assets and Financial Liabilities (Ammendments to IAS 32).

b. Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36).

c. Levies - IFRIC 21.

The nature and effect of the changes are explained below:

***a. Offsetting financial assets and financial liabilities (Ammendments to IAS 32)***

Amendments to IAS 32 “Financial instruments: Presentation” clarify the meaning of ’currently has a legally enforceable right to set-off’ and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting.

The amendment does not have any material impact on the financial position of the Company.

***b. Recoverable amount disclosures for non-financial assets (Amendments to IAS 36)***

The amendments clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

In accordance with the amendment, the Company reassessed its conclusions on the amendments as of 1 January 2014 and this did not result in any change from the conclusion reached in prior years. The change in accounting policy did not have a material impact on the Company's financial statements.

***c. IFRIC 21 Levies***

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements.

The Company is subject to NAICOM, Industrial Training Fund (ITF) and National Information Technology Development Authority (NITDA) levies as imposed by the applicable regulations. The Company has always accrued for the levies as at the reporting date. Hence the amendment does not have any material impact on the financial position of the Company.

**2.2 Significant accounting policies**

Except for the changes explained in Note 2.1, the Company has consistently applied the following accounting policies to all periods presented in these financial statements.

**2.2.1 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and at bank, short term bank deposits and short term highly liquid financial assets with original maturities of three months or less from the acquisition date, which are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

**2.2.2 Foreign currency transactions**

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the financial position date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction as well as unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in profit or loss.

Unrealized exchange differences on finanacial assets are a component of the change in their entire fair value. For financial assets held for trading or a financial asset designated at fair value through profit or loss, unrealised exchange differences are recognized in profit or loss. For financial assets held as available for sale, unrealised exchange differences are recognized directly in equity until the asset is sold or becomes impaired.

**2.2.3 Financial instruments**

(a) *Classification*

The classification of financial assets depends on the purpose for which the investments were acquired or originated. The Company classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables, and
- available-for-sale financial assets

The Company’s financial assets include cash and cash equivalents, trade receivables, reinsurance assets, other receivables, quoted and unquoted equity instruments.

The Company’s financial liabilities are classified as other financial liabilities and it includes investment contract liabilities, borrowings, trade payables and other payables.

(b) *Initial recognition*

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they are originated.

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss. Financial assets and financial liabilities not at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(c) *Subsequent measurement*

Subsequent measurement of financial instruments depends on their classification. Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading or assets designated as such on initial recognition. Financial assets classified as held for trading are acquired principally for the purpose of selling in the short term. Financial assets designated at fair value through profit or loss are investments the Company manages and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy.

These investments are initially recorded at fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, they are remeasured at fair value, with gains and losses arising from changes in this value recognized in profit or loss in the period in which they arise. The fair values of quoted investments in active markets are based on current bid prices.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in investment income.

(ii) *Available-for-sale financial assets*

Available for sale financial investments include equity securities. The Company classifies as available-for-sale those financial assets that are generally not designated as another category of financial assets, and strategic capital investments 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.

Available-for-sale financial assets are carried at fair value, with the exception of investments in equity instruments where fair value cannot be reliably determined, which are carried at cost less impairment. Fair values are determined in the same manner as for investments at fair value through profit or loss. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income while the investment is held, and are subsequently transferred to profit or loss upon sale or de-recognition of the investment.

Dividends received on available-for-sale instruments are recognised in profit or loss when the Company's right to receive payment has been established.

Interest income on available for sale investments are recognised in investment income in profit and loss using effective interest rates

Other fair value changes, other than impairment losses, are recognised in OCI and presented in the fair value reserve within equity.

(iii) *Loans and receivables*

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as at fair value through profit or loss or available-for-sale.

Loans and receivables consist primarily of trade receivables and other receivables.

Loans and receivables are measured at amortised cost using the effective interest method, less any accumulated impairment losses. Trade receivables arising from insurance contracts are stated after deducting allowance made for specific debts considered doubtful of recovery. Trade receivables are reviewed at every reporting period for impairment.

(iv) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intention and ability to hold to maturity other than:

- Those that the Company designates as available for sale.
- Those that meet the definition of loans and receivables.

Such instruments include government bonds and are carried at amortised cost, using the effective interest rate method less any allowance for impairment.

(v) *Other financial liabilities*

Financial liabilities which include insurance contract liabilities, investment contract liabilities, borrowings, trade payable and other payables are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis. Trade payable comprise liabilities due to agents, brokers and re-insurance companies

(d) *Fair value measurement*

Fair value is a price that will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access as at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using a quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price-i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures the assets and long position at a bid price and the liability and the short position at an ask price.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(e) ***Amortised cost measurement***

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

(f) *Impairment of financial asset*

(i) *Financial assets carried at amortised cost*

The carrying amounts of these assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events that have occurred since the initial recognition of the asset have had a negative effect on the estimated future cash flows of that asset and 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 Company 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 cashflow 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 Company.

Trade receivables are initially recognised at fair value and subsequently measured at cost less provision for impairment. An allowance for impairment is made when there is an objective evidence (such as the probability of solvency or significant financial difficulties of the debtors) that the Company will not be able to collect all amount due under the original terms of invoice. Allowances are made based on an impairment model which considers the loss given default for each customer, probability of default and emergence period which serves as an impairment trigger based on the age of the debt. Impaired debts are derecognised when they are assessed as uncollectible. If in 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 impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reverse date. Any subsequent reversal of an impairment loss is recognised in the profit or loss.

For other financial assets measured at the amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying value and the present value of the estimated cash flows discounted at original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Company may measure impairment on the basis of the amount of the instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cashflows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated. 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 (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(ii) *Assets classified as available-for-sale*

Available-for-sale financial assets are considered impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 9 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

All impairment losses are recognized in profit or loss. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognized in equity is transferred to profit or loss and is recognized as part of the impairment loss. The amount of the loss recognized in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

Subsequent decreases in the amount relating to an impairment loss, that can be linked objectively to an event occurring after the impairment loss was recognized in profit or loss, is reversed through the profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through the profit or loss but accounted for directly in equity.

(g) *Offsetting financial instruments*

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

Income and expenses are presented on a net basis only when permitted under IFRSs, e.g. for gains and losses from arising from similar transactions such as the Company's trading activities.

(h) *Derecognition of financial instruments*

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial asset that is created or retained by the Company is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

*Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

**2.2.4 Reinsurance assets**

These are receivables that arise from reinsurance contracts. The details of recognition and measurement of reinsurance contracts have been set out under note 2.2.11(b)(iii).

**2.2.5 Deferred acquisition costs**

Deferred acquisition costs comprise insurance commissions, brokerage and other related expenses arising from the conclusion of insurance contracts and/or investment contracts. The proportion of acquisition costs that correspond to the unearned premiums are deferred and amortized on a pro rata basis over the contract term.

**2.2.6 Other receivables and prepayments**

Other receivables and prepayment are carried at cost less accumulated impairment losses. Prepayments are amortised on a straight line basis to the profit or loss account.

**2.2.7 Intangible assets**

Recognition of software acquired is only allowed if it is probable that future economic benefits to this intangible asset will flow to the Company.

Software acquired is initially measured at cost. The cost of acquired software comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. After initial recognition, software acquired is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Maintenance costs should not be included.

Internally developed software is capitalized when the Company has the intention and demonstrates the ability to complete the development and use of the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs include all costs directly attributable to the development of the software. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years subject to annual reassessment.

**2.2.8 Property and equipment**

*Recognition and measurement*

Property and equipment comprise land and buildings and other properties owned by the Company. Items of property and equipment are carried at cost less accumulated depreciation and impairment losses except land and building which is carried at revalued amount. Cost includes expenditure that is directly attributable to the acquisition of the asset.

*Subsequent cost*

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

Subsequent costs on replacement parts on an item of property are recognized in the carrying amount of the asset and the carrying amount of the replaced or renewed component is derecognized.

*Subsequent measurement*

All items of property and equipment except land and buildings are subsequently measured at cost less accumulated depreciation and impairment losses.

Land and buildings are subsequently carried at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses, if any.

When an individual property is revalued, any increase in its carrying amount (as a result of revaluation) shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

When the value of an individual property is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

*Depreciation*

Depreciation is calculated on property and equipment on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. Freehold land is not depreciated. Depreciation on land, other than freehold land is done using the straight line method over their useful lives.
Residual values, useful lives and depreciation methods of property and equipment are required to be reviewed annually.

The estimated useful lives for the current and comparative period are as follows:

*Leasehold Land - over the lease period*
*Building- 50 years*
*Furniture & fittings - 5 years*
*Office equipment - 5 years*
*Computer equipment- 5 years*
*Motor vehicles - 4 years*

*Fair value of land and buildings*

The fair value of land and buildings is the market value. The market value of a property is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This is the open market basis and is the basis by which a qualified property valuer carries out the valuation of land and building at specified reporting periods to determine the revalued amount.

*Derecognition*

Upon disposal of any item of property and equipment or when no future economic benefits are expected to flow from its use, such items are derecognized from the books. Gains and losses on disposal of assets are determined by comparing proceeds with their carrying amounts and are recognized in the income statement in the year of de-recognition.

### 2.2.9 Impairment of non-financial asset

The carrying amounts of the Company’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

### 2.2.10 Statutory deposit

Statutory deposit represents 10% of the paid up capital of the Company deposited with the Central Bank of Nigeria (CBN) in pursant to Section 10(3) of the Insurance Act 2003. Statutory deposit is measured at cost.

**2.2.11 Classification of insurance contracts**

The Company issues contracts that transfer insurance risk.

The Company enters into insurance contracts as its primary business activities. Insurance contracts are those that the Company accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder or other beneficiary, if a specified uncertain future event (the insured event) adversely affects the policy holder or the other beneficiary. The Company as a guide defines significant insurance risk as the possibility of having to pay benefit on the occurrence of an insured event that are at least 10% more than the benefit payable if the insured event did not occur.

The Company classifies financial guarantee contracts and account for these as insurance contracts in accordance with IFRS 4.

**(a) Types of insurance contracts**

The Company classify insurance contracts into life and non-life insurance contracts

**(i)** *Non life insurance contract*

These contracts are accident, casualty and property insurance contracts.

Accident and casualty insurance contracts protect the Company's customers 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 Company's customers for damage suffered to their properties or for the value of property lost. Customers 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.

Non-life insurance contracts protects the Company's customers 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 insured. There are no maturity or surrender benefits.

**(ii)** *Life insurance contract*

These contracts insure events associated with human life (for example, death or survival) over a long duration.

**(b) Insurance contracts- Recognition and measurement**

**(i)** *Premiums*

Gross premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. This is recognised gross of commission expense.

Premiums on reinsurance inward are included in gross written premiums and accounted for as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed.

The earned portion of premiums received is recognized as revenue. Premiums are earned from the date of attachment of risk, over the insurance period, based on the pattern of risk underwritten. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of risk reinsured.

The Company also enters into co-insurance; an arrangement whereby two or more insurance companies enter into a single contract with the insured to cover a risk in agreed proportions at an overall premium.

**(ii)** *Unearned premiums*

Unearned premiums are those proportions of premiums written in the year that relate to periods of risks after the reporting date. It is computed separately for each insurance contract using a time apportionment basis, or another suitable basis for uneven risk contracts. Provision for unexpired risk is made for unexpired risks arising where the expected value of claims and expenses attributable to the unexpired period of policies in force at the reporting date exceeds the unearned premium in relation to such policies after deduction of any deferred acquisition costs.

**(iii)** *Reinsurance*

The Company cedes out insurance risks in the normal course of business for the purpose of limiting its net loss on policies written. Premium ceded comprise written premiums ceded to reinsurers, adjusted for the reinsurers’ share of the movement in the provision for the unearned premiums. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Premium ceded, claims reimbursed and commission recovered are presented in the income statement and statement of financial position separately from the gross amounts.

Reinsurance assets represent balances due from reinsurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Reinsurance recoverables are estimated in manner consistent with the outstanding claims provision and claims incurred associated with the reinsurer's polices and are in accordance with the related insurance contract. They are measured at their carrying amount less any impairment charges. Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. If there is objective evidence of impairment, the Company reduces the carrying amount of its reinsurance assets to its recoverable amount and recognizes the impairment loss in the income statement as a result of an event that occurred after its initial recognition, for which the Company may not be able to recover all amounts due and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

**(iv)** *Commission income*

Commissions are recognized on ceding business to the reassurer, and are credited to the profit and loss.

**(v)** *Underwriting expenses*

Underwriting expenses are made up of acquisition and maintenance expenses.

Underwriting expenses for insurance contracts and investment contracts are recognized as expense when incurred, with the exception of acquisition costs which are recognized on a time apportionment basis in respect of risk.

**(vi)** *Claims incurred*

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. The provision for outstanding claims represent the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not. The provision includes an allowance for claims management and handling expenses.

The provision for outstanding claims for reported claims, is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provision for prior years are reflected in the income statement in the financial period in which adjustments are made, and disclosed separately if material.

Reinsurance recoverables are recognized when the Company records the liability for the claims and are not netted off claims expense but are presented separately in the income statement.

Claims incurred in respect of long-term insurance contracts especially pure life business and annuity contracts consist of claims arising during the year including provision for policyholders' liabilities. Outstanding claims on long-term insurance contracts that have occurred at the balance sheet date and have been notified by the insured are carried at the claim amounts advised.

**(vii)** *Deferred acquisition costs*

Acquisition costs comprise insurance commissions, brokerage and other related expenses arising from the generation and conclusion of insurance contracts. The proportion of acquisition costs that correspond to the unearned premiums are deferred as an asset and recognized in the subsequent period. They are recognised on a basis consistent with the related provisions for unearned premiums.

**(viii)** *Salvages*

Some non-life insurance contracts permit the Company to sell (usually damaged) property acquired in the process of settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs of damages to its client's property (i.e. subrogation right). Salvage recoveries are presented net of the claim expense.

**(ix)** *Subrogation*

Subrogation is the right for an insurer to pursue a third party that caused an insurance loss to the insured. This is done as a means of recovering the amount of the claim paid to the insured for the loss. A receivable for subrogation is recognized in other receivables when the liability is settled and the Company has the right to receive future cash flow from the third party.

**2.2.12 Insurance contract liabilities**

The recognition and measurement of insurance contracts have been set out under note 2.2.11(b) of the accounting policies. Insurance contract liabilities are determined as follows:

**(a) Non-life business**

**(i)** *Reserves for unearned premium and unexpired risk*

The reserve for unearned premium is calculated on a time apportionment basis in respect of risk accepted during the year. A provision for additional unexpired risk reserve is recognised for an underwriting year where it is determined that the estimated cost of claims and expenses would exceed the unearned premium reserve.

**(ii)** *Reserves for outstanding claims*

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred plus claims incurred but not reported ("IBNR") as at the reporting date.The IBNR is based on the liability adequacy test.

**(iii)** *Liabilities adequacy test*

The gross liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. Where a shortfall is identified, an additional provision is made and the Company recognizes the deficiency in the income statement for the year. The method of valuation and assumptions used, the cashflows considered and the discounting and aggregation practices adopted have been set out in the following notes.

- *Reserving methodology and assumptions*

  For non-life insurance risks, the Company uses different methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The three methods more commonly used are the Inflation-adjusted Chain Ladder, Basic Chain Ladder and the Expected Loss Ratio methods adjusted for assumed experience to date.

  Claims data was grouped into triangles by accident year or quarter and payment year or quarter. The choice between quarters or years was based on the volume of data in each segment. The claims paid data was sub–divided into large and attritional claims. Large claims were projected separately as they can significantly distort patterns. Where there was insufficient claim data, large and attritional claims were projected together as removing large claims would reduce the volume of data in the triangles and compromise the credibility.

- *Discounted inflation-adjusted basic chain ladder method*

  Historical claims paid were grouped into 8 years cohorts – representing when they were paid after their underwriting year. These cohorts are called claim development years and the patterns for 8 years was studied. The historical paid losses are projected to their ultimate values for each underwriting year by calculating the loss development factors for each development year. The ultimate claims are then derived using the loss development factors and the latest paid historical claims.

  The historical paid losses are inflated using the corresponding inflation index in each of the accident years to the year of valuation and then accumulated to their ultimate values for each accident year to obtain the projected outstanding claims. These projected outstanding claims are then further multiplied by the future inflation index from the year of valuation to the future year of payment of the outstanding claims.

  The resulting claims estimated is discounted to the valuation date using a discount rate of 10% to allow for a margin of prudence.

  The future claims (the ultimate claim amount less paid claims to date) are allocated to future payment periods in line with the development patterns. The outstanding claims reported to date are then subtracted from the total future claims to give the resulting IBNR figure per accident year or quarter. i.e. IBNR = Ultimate claim amount minus paid claims till date minus claims outstanding.

- *Assumptions underlying the Discounted Inflation-adjusted Basic Chain Ladder method*

  This method assumes the following:

  - The future claims follows a trend pattern from the historical data
  - Payment patterns will be broadly similar in each accident year. Thus the proportionate increases in the known cumulative payments from one development year to the next used to calculate the expected cumulative payments for the future development periods.
  - The run off period is eight (8) years and hence the method assumes no more claims will be paid subsequently.
  - That weighted past average inflation will remain unchanged into the future.

- *Expected loss ratio method*

  This method was adopted where the volume of data available is too small to be credible when using a statistical approach. Special Risk reserves were estimated based on this method. Under this method, the ultimate claims was obtained by assuming loss ratio of 30% for Oil and gas and aviation businesses, where loss ratio is defined as claims incurred divided by earned premiums. Outstanding claims is stated as amount estimated less paid claims.

**(b) Life business**

*General reserve fund*

This is made up of net liabilities in force as computed by the actuaries at the time of the actuarial valuation.

Actuarial valuation of the life fund is conducted annually to determine the net liabilities on the existing policies and the adequacy of the assets representing the insurance funds as at the date of the valuation. All deficits arising therefrom are charged to the profit and loss account while the surplus is appropriated to the shareholders and credited to the income statement.

The liability adequacy test was carried out by the Company's Actuary; HR Nigeria Limited (FRC/NAS/00000000738). The liability adequacy test is carried out at every financial reporting year end.

**2.2.13 Recognition and measurement of investment contracts**

Investment contracts and the related receipts and payments are accounted for in the statement of financial position in line with the accounting policies for financial instruments stated in note 2.2.3. The deposit liability recognized in the statement of financial position represents the amounts payable to the holders of the investment contracts gross of allocated investment income.

**2.2.14 Provisions, contingent assets and contingent liabilities**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Contingent assets are not recognised in the financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the Company, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Company's control.

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the annual financial statements unless they are remote. Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

**2.2.15 Income tax**

Income tax comprises current and deferred taxes. Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

**(a) Current tax**

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**(b) Deferred taxation**

Deferred taxation, which arises from temporary differences in the recognition of items for accounting and tax purposes, is calculated using the balance sheet liability method. Deferred taxation is provided fully on temporary differences, which are expected to reverse at the rate of tax likely to be in force at the time of reversal. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future and differences arising from investment property measured at fair value whose carrying amount will be recovered through use. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

### 2.2.16 Leases

**(a) Operating leases**

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

### 2.2.17 Share capital and reserves

**(a) Share capital and premium**

The Company classifies ordinary shares and share premium as equity. Incremental costs directly attributable to issue of shares are recognized as deductions from equity net of any tax effects.

*Dividend on ordinary shares*

Dividends on the Company's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Company's shareholders.

**(b) Contingency reserves**

The Company maintains contingency reserves in accordance with the provisions of the Insurance Act 2003 to cover fluctuations in securities and variations in statistical estimates at the rate equal to the higher of 3% of total premium or 20% of the total profit after taxation until the reserve reaches the greater of minimum paid up capital or 50% of net premium for general business. Contingency reserve for life business is credited with the higher of 1% of gross premiums and 10% of profit after taxation.

**(c) Revaluation reserves**

Assets revaluation reserves warehouses the fair value differences on the revaluation of items of property, plant and equipment as at the statement of financial position date. The revalaution surplus is recognised net of revaluation deficit for items of property, plant and equipment.

**(d) Available for sale reserves**

Available for sale reserves warehouses the fair value gains or losses on valuation of available for sale financial assets.

**(e) Treasury shares**

Where the Company purchases its own ordinary shares, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

**(f) Earnings per share**

The Company presents ordinary basic earnings per share (EPS) for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 2.2.18 Revenue recognition

**(a) Insurance contracts:**

See note 2.2.11(b)(i) & 2.2.11(b)(iv) for recognition of premium and commission on insurance contracts.

**(b) Investment and other operating income**

Investment income comprises interest income earned on cash equivalents, and income earned on trading securities including all realised and unrealised fair value changes, dividends and foreign exchange differences. Investment income is accounted for on an accrual basis.

Interest income and expenses for all interest-bearing financial instruments including financial instruments measured at fair value through profit or loss, are recognised within 'investment income' and 'finance costs' in the income statement using the effective interest rate method.

**(c) Dividend income**

Dividend income is recognised in profit and loss when the right to receive income is established. Dividend income from equity securities is recognised in profit or loss within "investment income".

### 2.2.19 Management expenses

Management expenses are expenses other than claims and underwriting expenses.They are accounted for on an accrual basis and comprise the following:

**(a) Employee benefits**

*(i) Short-term benefits*

Short-term employee benefit obligations include wages, salaries and other benefits which the Company has a present obligation to pay, as a result of employees' services provided up to the reporting date. The accrual is calculated on an undiscounted basis, using current salary rates.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*(ii) Post Employment Benefits*

(a) *Defined contribution pension scheme*

The Company operates a defined contributory retirement scheme as stipulated in the Pension Reform Act 2014. Under the defined contribution scheme, the Company pays fixed contributions of 10% to a separate entity – Pension Fund Administrators; employees also pay the same fixed percentage to the same entity. Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the Fund does not hold enough assets to finance benefits accruing under the retirement benefit plan. The Company's obligations are recognized in the profit or loss.

(b) *Defined benefit gratuity scheme*

The Company also operates an unfunded gratuity scheme. The employees' entitlements to retirement benefits under the gratuity scheme depend on the individuals' years of service and terminal salary. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method. All re-measurement gains and losses are recognised in other comprehensive income in the period in which they occur. The past service cost is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately following the introduction of, or changes to, a gratuity plan, the past service cost is recognised immediately.

The liability recognised in the statement of financial position in respect of the unfunded defined benefit gratuity scheme is the present value of defined benefit obligation at the reporting date.

*(iii) Termination Benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or to provide termination benefits as a result of an offer made to encourage voluntarily redundancy if it is probable that the offer will be accepted and the number of acceptances can be estimated. Benefits falling due more than 12 months after reporting date are discounted to present value.

**(b) Other operating expenses**

Other operating expenses are expenses other than employee benefits, claims and underwriting expenses. They include depreciation expenses and other operating expenses. They are recognised on an accrual basis.

### 2.2.20 Borrowings

Borrowings by way of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Borrowing costs comprise interest payable on loans and bank overdrafts. They are charged to profit or loss as incurred, except those that relate to qualifying assets. Arrangement fees in respect of financing arrangements are charged to borrowing costs over the life of the related facility.

### 2.2.21 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance and for which discrete financial information is available. Segment results include items directly attibutable to a segment as well as those that can be allocated on a reasonable basis.

### 2.2.22 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these financial statements. The Company intends to adopt the standards below when they become effective.

| New or amended standards | Summary of the requirements | Possible impact on financial statements |
|---|---|---|
| IFRS 9 Financial Instruments | IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirenements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. | This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised by the Company. |
| IFRS 15 Revenue from Contracts with Customers | IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. | This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and will provide more information in the year ending 31 December 2015 financial statements. |

The following new or amended standards are not expected to have a significant impact on the Company's financial statements;
***Effective date 1 July 2014:***
•• Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).
***Effective date 1 January 2016:***
•• IFRS 14 Regulatory Deferral Accounts.
•• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
•• Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
•• Equity Method in Separate Financial Statements (Amendments to IAS 27).
•• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
•• Investment entities - Applying the consolidation exception (Amendments to IFRS 10, IFRS 12, IAS 28)
•• Equity Method in Separate Financial Statements (Amendments to IAS 27).
•• Disclosure Initiative (Amendment to IAS 1)
•• Annual Improvements to IFRSs 2010 – 2012 Cycle.
•• Annual Improvements to IFRSs 2011 – 2013 Cycle.
The Company will assess the impact once these standards have been finalised and become effective.

## 3 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Depreciation and carrying value of property, plant and equipment**

The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of property, plant & equipment will have an impact on the carrying value. The carrying value of property, plant & equipment as at 31 December 2014 was ₦940,197,000 (2013: ₦976,349,000 ).

**Retirement benefits obligation**

The cost of defined benefit obligation and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**Valuation of Insurance and Investment contract liabilities**

For General insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, portion of premium and expected loss methods.

The liability for life insurance contracts and investment contract liabilities is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortised to profit or loss over time. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs to profit or loss.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates.

**Impairment of available-for-sale equity financial assets**

The Company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. In this respect, a decline of 20% or more is regarded as significant, and a period of 9 months or longer is considered to be prolonged. If any such qualitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

**Impairment on receivables**

In accordance with the accounting policy, the Company tests annually whether premium receivables have suffered any impairment. The recoverable amounts of the premium receivables have been determined based on the incurred loss model. These calculations requires the use of estimates based on passage of time and probability of recovery.

## Statement of Financial Position

***As at 31 December***

| *In thousands of Naira* | Note | 31-Dec-14 | 31-Dec-13 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 5 | 70,975 | 349,665 |
| Other financial assets | 6 | 55,008 | 62,982 |
| Trade receivables | 7 | 27,669 | 49,753 |
| Reinsurance assets | 8 | 376,180 | 446,172 |
| Deferred acquisition cost | 9 | 84,095 | 107,036 |
| Other receivables and prepayments | 10 | 95,279 | 116,930 |
| Intangible assets | 11 | - | 554 |
| Property, plant and equipment | 12 | 939,038 | 976,348 |
| Statutory deposits | 13 | 500,000 | 500,000 |
| **Total assets** | | 2,148,244 | 2,609,440 |
| **Liabilities** | | | |
| Insurance contract liabilities | 14 | 3,645,171 | 3,851,923 |
| Investment contract liabilities | 15 | 1,285,057 | 1,082,794 |
| Trade payables | 16 | 102,776 | 260,400 |
| Other payables and accruals | 17 | 256,509 | 155,844 |
| Retirement benefit obligation | 18 | 313,628 | 346,303 |
| Current tax liabilities | 19 | 290,901 | 291,146 |
| Deferred tax liabilities | 20 | 156,038 | 47,516 |
| **Total liabilities** | | 6,050,080 | 6,035,926 |
| **Capital and reserves** | | | |
| Issued and paid up share capital | 21 | 2,274,974 | 2,274,974 |
| Share premium | 21.2 | 2,663,798 | 2,663,798 |
| Contingency reserve | 21.3 | 1,482,547 | 1,404,000 |
| Retained earnings | 21.4 | (11,004,185) | (10,396,431) |
| Asset revaluation reserves | 21.5 | 686,754 | 675,823 |
| Available for sale reserve | 21.6 | 19,367 | 27,340 |
| Treasury shares | 21.7 | (47,350) | (47,350) |
| Actuarial reserves | 21.8 | 22,259 | (28,640) |
| **Shareholders deficit** | | (3,901,836) | (3,426,486) |
| **Total equity and liabilities** | | 2,148,244 | 2,609,440 |

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS ON 24 AUGUST 2015 BY:

Mr. James Olatunde Ayo ______________________ Chairman
FRC/2014/CIIN/000000008352

Mr. Gbolahan Olutayo ______________________ Managing Director
FRC/2014/IMN/00000007106

Additionally certified by:

Mr. Adeyinka Olutungase ______________________ Chief Financial Officer
FRC/2014/ICAN/00000006910

*The significant accounting policies on pages 15 to 29 and the notes on pages 35 to 83 are an integral part of these financial statements.*

## Statement of profit or loss and other comprehensive income

***For the year ended 31 December***

| *In thousands of Naira* | **Note** | **31-Dec-14** | **31-Dec-13** |
|---|---|---|---|
| **Gross premium written** | 22 | 3,113,179 | 4,352,511 |
| Gross premium income | 22 | 3,737,251 | 3,973,082 |
| Gross premium income | 22 | 3,737,251 | 3,973,082 |
| Reinsurance expense | 24 | (395,509) | (600,684) |
| Net premium income | | 3,341,742 | 3,372,398 |
| Fees and commission income | 25 | 82,215 | 85,586 |
| Net underwriting income | | 3,423,957 | 3,457,984 |
| Claims expense | 26 | (1,775,166) | (1,013,378) |
| Underwriting expenses | 27 | (668,738) | (1,075,128) |
| Underwriting profit | | 980,053 | 1,369,478 |
| Investment income | 28(a) | 48,781 | 59,461 |
| Other operating income | 29(a) | 22,922 | 7,160 |
| Net impairment (losses)/reversals | 32 | 4,048 | 102,274 |
| Management expenses | 30(b) | (1,396,451) | (1,296,601) |
| Loss on life investment contract | 15(b) | (74,005) | (61,677) |
| (Loss)/profit before tax | | (414,652) | 180,094 |
| Income taxes | 33 | (114,555) | (111,586) |
| (Loss)/profit after taxation | | (529,207) | 68,508 |
| **Other comprehensive income, net of tax** | | | |
| ***Items within other comprehensive income that may be reclassified to profit or loss*** | | | |
| Fair value changes on available for sale financial assets | 21.6 | (7,973) | 5,686 |
| Fair value changes on property & equipment | 12 | 15,616 | (779,704) |
| Income tax effect | 12(b) | (4,685) | 253,483 |
| ***Items within other comprehensive income that will not be reclassified to profit or loss*** | | | |
| Actuarial gains in defined benefit obligation liability | | | |
| -Due to assumption | 18(b) | 29,631 | 11,841 |
| -Due to experience | 18(b) | 21,268 | (52,756) |
| -Income tax effect | 18(b) | (15,270) | 12,275 |
| **Total other comprehensive income for the year** | | 38,587 | (549,175) |
| **Total comprehensive income for the year** | | (490,620) | (480,667) |
| **Earnings per share - Basic (Kobo)** | 34 | (12) | 2 |
| **Earnings per share - Diluted (Kobo)** | 34 | (12) | 2 |

*The significant accounting policies on pages 15 to 29 and the notes on pages 35 to 83 are an integral part of these financial statements.*

## Statement of changes in Equity
**For the year ended 31 December, 2014**

| *In thousands of Naira* | | Share capital | Share premium | Asset revaluation reserves | Available for sale reserve | Treasury shares | Contingency reserve | Actuarial reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at 1 January, 2014** | | 2,274,974 | 2,663,798 | 675,823 | 27,340 | (47,350) | 1,404,000 | (28,640) | (10,396,431) | (3,426,486) |
| Profit for the year | | - | - | - | - | - | - | - | (529,207) | (529,207) |
| **Other comprehensive income** | | | | | | | | | | |
| Fair value changes of available for sale financial assets | | - | - | - | (7,973) | - | - | - | - | (7,973) |
| Remeasurement of defined benefit liability | | - | - | - | - | - | - | 50,899 | - | 50,899 |
| Fair value changes on property & equipment | | - | - | 15,616 | - | - | - | | - | 15,616 |
| Income tax impact | | - | - | (4,685) | - | - | - | - | - | (4,685) |
| Total comprehensive income for the year | | 2,274,974 | 2,663,798 | 686,754 | 19,367 | (47,350) | 1,404,000 | 22,259 | (10,925,638) | (3,901,836) |
| **Transaction with owners:** | | | | | | | | | | |
| Transfer to statutory contingency reserve | 21.3 | - | - | - | - | | 78,547 | - | (78,547) | - |
| Total transactions with owners | | - | - | - | - | - | 78,547 | - | (78,547) | - |
| As at 31 December 2014 | | 2,274,974 | 2,663,798 | 686,754 | 19,367 | (47,350) | 1,482,547 | 22,259 | (11,004,185) | (3,901,836) |

| *In thousands of Naira* | | Share capital | Share premium | Asset revaluation reserves | Available for sale reserve | Treasury shares | Contingency reserve | Actuarial reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at 1 January, 2013** | | 2,274,974 | 2,663,798 | 1,202,044 | 21,654 | (39,850) | 1,288,369 | - | (10,349,308) | (2,938,319) |
| Loss for the year | | - | - | - | - | - | - | - | 68,508 | 68,508 |
| **Other comprehensive income** | | | | | | | | | | |
| Fair value changes of available for sale financial assets | | - | - | - | 5,686 | - | - | - | - | 5,686 |
| Fair value changes on property & equipment | | - | - | (779,704) | - | - | - | - | - | (779,704) |
| Income tax impact | | - | - | 253,483 | - | - | - | - | - | 253,483 |
| Remeasurement of defined benefit liability | | - | - | - | - | - | - | (28,640) | - | (28,640) |
| Total comprehensive income for the year | | 2,274,974 | 2,663,798 | 675,823 | 27,340 | (39,850) | 1,288,369 | (28,640) | (10,280,800) | (3,418,985) |
| **Transaction with owners:** | | | | | | | | | | |
| Transfer to statutory contingency reserve | 21.3 | - | - | - | - | | 115,631 | - | (115,631) | - |
| Acquistion of treasury shares | 21.7 | - | - | - | - | (7,500) | - | - | - | (7,500) |
| Total transactions with owners | | - | - | - | - | (7,500) | 115,631 | - | (115,631) | (7,500) |
| As at 31 December 2013 | | 2,274,974 | 2,663,798 | 675,823 | 27,340 | (47,350) | 1,404,000 | (28,640) | (10,396,431) | (3,426,486) |

## Statement of cash flows
**for the year ended 31 December 2014**

| *In thousands of Naira* | Note | 31-Dec-14 | 31-Dec-13 |
|---|---|---|---|
| **Net cashflow from operating activities before changes in operating assets:** | 36 | (323,573) | 140,336 |
| **Changes in working capital** | | | |
| Changes in trade receivables | | 26,132 | 173,428 |
| Changes in reinsurance assets | | 69,992 | 136,977 |
| Changes in other receivables and prepayments | | 21,357 | (13,623) |
| Changes in deferred acquisition cost | | 22,941 | 31,133 |
| Changes in trade payables | | (157,624) | 68,701 |
| Changes in other payables and accruals | | 100,727 | (50,770) |
| Changes in investment contract liabilities | | 202,263 | 151,834 |
| Changes in insurance contract liabilities | | (206,752) | (92,946) |
| | | 79,034 | 404,734 |
| Tax paid | 19 | (10,894) | (88,251) |
| VAT paid | | (62) | (702) |
| Retirement benefit paid | 18(b) | (60,464) | (4,030) |
| Net cash flow (used in)/from operating activities | | (315,958) | 456,117 |
| **Investing activities** | | | |
| Acquisition of property and equipment | 12 | (14,523) | (113,200) |
| Acquisition of intangible assets | 11 | (130) | - |
| Proceeds from sale of property and equipment | | 352 | 2,609 |
| Dividend received | 28 | 971 | 596 |
| Interest received | 28 | 59,189 | 73,526 |
| Net cash flow from/(used in) investing activities | | 45,859 | (36,470) |
| **Financing activities** | | | |
| Acquisition of treasury shares | | - | (7,501) |
| Payment of borrowings | | - | (351,878) |
| Net cash (used) in financing activities | | - | (359,379) |
| Net (decrease)/increase in cash and cash equivalents | | (270,099) | 60,269 |
| Cash and cash equivalents at beginning of year | | 349,665 | 308,783 |
| Effects of movements in exchange rates on cash held | | (8,591) | (19,386) |
| Cash and cash equivalents at end of year | 5 | 70,975 | 349,665 |

***Notes to the financial statements***

**5 Cash and cash equivalents**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Cash in hand | 455 | 3,308 |
| Cash at bank | 53,833 | 309,960 |
| Short term bank deposits (see (a) below) | 16,687 | 36,397 |
| | 70,975 | 349,665 |

(a) Short term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. The carrying amounts disclosed above reasonably approximates fair value at the reporting date.

**6 Other financial assets**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Available for sale financial assets (see (a) below) | 55,008 | 62,982 |
| | 55,008 | 62,982 |

(a) **Available for sale financial assets**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| **Equity securities** | | |
| Quoted equities | 43,974 | 43,974 |
| Fair value (loss)/gain | (3,261) | 4,712 |
| | 40,713 | 48,686 |
| Unquoted at cost | 1,083,589 | 1,083,589 |
| Less: allowance for impairment loss | (1,069,294) | (1,069,293) |
| | 14,295 | 14,296 |
| | 55,008 | 62,982 |
| Current | 40,713 | 48,686 |
| Non Current | 14,295 | 14,296 |
| | 55,008 | 62,982 |

(b) The movement in allowance for impairment losses on available for sale equities is as follows:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 1,069,294 | 1,069,294 |
| Balance, end of year | 1,069,294 | 1,069,294 |

**7 Trade receivables**

(a) Trade receivables comprise the following:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Due from contract holders | - | 3,954 |
| Due from brokers | 641,415 | 696,592 |
| Due from insurance companies | 43,060 | 10,060 |
| | 684,475 | 710,606 |
| Allowance for impairment losses (see (c) below) | (656,806) | (660,853) |
| | 27,669 | 49,753 |

Trade receivables represent balances subsequently collected by the Company as at the date of approval of the financial statements.

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Current | 27,669 | 49,753 |
| Non-current | - | - |
| | 27,669 | 49,753 |

(b) The age analysis of trade receivables as at the end of the year is as follows:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Analysis of insurance receivables in days | | |
| 0-90 days | 27,669 | 49,753 |
| 91-180 days | - | - |
| 181days and above | 656,806 | 660,853 |
| | 684,475 | 710,606 |

(c) The movements in the allowance for impairment of trade receivables are as follows:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 660,853 | 780,110 |
| Reversals during the year (see note 32) | (4,048) | (119,497) |
| Balance, end of year | 656,806 | 660,853 |

**8 Reinsurance assets**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Prepaid re-insurance | 256,883 | 171,963 |
| Claims recoverable (see note 8.1) | 119,297 | 274,209 |
| | 376,180 | 446,172 |
| Allowance for impairment losses | - | - |
| | 376,180 | 446,172 |

8.1 Claims recoverable are analysed as follows:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Recoverable on claims paid | 6,134 | 17,500 |
| Recoverable on outstanding claims | 65,495 | 253,672 |
| Recoverable on IBNR | 47,668 | 3,037 |
| | 119,297 | 274,209 |

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Current | 376,180 | 446,172 |
| Non-current | - | - |
| | 376,180 | 446,172 |

(a) Reinsurance assets are to be settled on demand and the carrying amount is not significantly different from the fair value.

(b) Reinsurance assets are not impaired as balances are set-off against payables from retrocession at the end of every quarter.

(c) Certain prior year balances have been reclassified in line with current year presentation. The analysis is shown below:

| *In thousands of Naira* | 31-Dec-13 |
|---|---|
| Recoverable on outstanding claims: | |
| Recoverable on outstanding claims | 256,709 |
| Reclassification to recoverable on IBNR | (3,037) |
| | 253,672 |

| *In thousands of Naira* | 31-Dec-13 |
|---|---|
| Recoverable on IBNR: | |
| Recoverable on IBNR | - |
| Reclassification from recoverable on outstanding claims | 3,037 |
| | 3,037 |

## 9 Deferred acquisition cost

(a) Deferred acquisition costs represent commissions on unearned premium relating to the unexpired period of risks and comprise:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Motor | 45,517 | 41,811 |
| Fire | 11,216 | 18,001 |
| General accident | 17,509 | 22,909 |
| Marine | 1,102 | 15,936 |
| Aviation | 427 | 264 |
| Bond & Indemnity | 4,644 | 3,827 |
| Engineering | 3,680 | 4,288 |
| Oil & Gas | - | - |
| | 84,095 | 107,036 |

(b) The movement in the deferred acquisition cost during the year is as shown below:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 107,036 | 138,169 |
| Movement during the year (see note 27.1) | (22,941) | (31,133) |
| Balance, end of year | 84,095 | 107,036 |

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Current | 84,095 | 107,036 |
| Non Current | - | - |
| | 84,095 | 107,036 |

## 10 Other receivables and prepayments

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Loans (see note 10.1) | 51,980 | 76,972 |
| Prepaid rent | 8,071 | 9,176 |
| Other receivables (see note 10.3) | 35,228 | 30,782 |
| | 95,279 | 116,930 |

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Current | 95,279 | 116,930 |
| Non Current | - | - |
| | 95,279 | 116,930 |

10.1 Loans

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Staff loans | 155,473 | 182,860 |
| Loan to policy holders | 15,294 | 12,899 |
| | 170,767 | 195,759 |
| Impairment allowance | (118,787) | (118,787) |
| | 51,980 | 76,972 |

Loans to policy holders are not impaired as they are secured by the surrender value of policies in force as at year end. They are repayable on demand and the carrying value approximates fair value.

10.2 Movement in the allowances for impairment of staff loans are as follows:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 118,787 | 149,188 |
| Impairment written off during the year | - | (30,640) |
| Additions during the year (see note 32(a)) | - | 239 |
| Impairment no longer required | - | - |
| Balance, end of year | 118,787 | 118,787 |

10.3 Other receivables

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Other assets | 186,758 | 182,312 |
| Impairment allowance | (151,530) | (151,530) |
| | 35,228 | 30,782 |

10.4 Movement in the allowances for other receivables are as follows:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 151,530 | 134,548 |
| Provision no longer required (see note 32) | - | 16,982 |
| Balance, end of year | 151,530 | 151,530 |

**11 Intangible assets**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| **Cost** | | |
| Balance, beginning of year | 52,146 | 52,146 |
| Additions | 130 | - |
| Balance, end of year | 52,276 | 52,146 |
| **Accumulated amortisation** | | |
| Balance, beginning of year | 51,592 | 42,017 |
| Charge for the year | 684 | 9,575 |
| Balance, end of year | 52,276 | 51,592 |
| **Carrying value** | | |
| Balance, end of year | - | 554 |

The intangible assets of the Company comprise purchased computer software. They are measured at cost less accumulated amortisation and impairment in accordance with IAS 38 on intangible assets. These assets were tested for impairment and no impairments were required in respect of these intangible assets.

## 12 Property, plant and equipment

*In thousands of Naira*

| | Land and Building | Motor vehicles | Computer Equipment | Office Equipment | Furniture & fittings | Total |
|---|---|---|---|---|---|---|
| **Cost/valuation** | | | | | | |
| **31-Dec-14** | | | | | | |
| Balance, beginning of year | 838,770 | 326,116 | 41,442 | 30,693 | 37,638 | 1,274,659 |
| Additions | - | - | 6,809 | 3,884 | 3,830 | 14,523 |
| Disposals | - | (4,932) | - | (640) | (45) | (5,617) |
| Balance, end of year | 838,770 | 321,184 | 48,251 | 33,937 | 41,423 | 1,283,565 |
| **Accumulated depreciation** | | | | | | |
| **31-Dec-14** | | | | | | |
| Balance, beginning of year | 1,721 | 225,597 | 26,180 | 17,505 | 27,307 | 298,311 |
| Additions | 15,911 | 36,725 | 6,149 | 4,489 | 3,938 | 67,212 |
| Reversal of accumulated depreciation on revaluation | (15,616) | - | - | - | - | (15,616) |
| Disposals | - | (4,695) | - | (640) | (45) | (5,380) |
| Balance, end of year | 2,016 | 257,627 | 32,329 | 21,354 | 31,200 | 344,527 |
| **Net Book Value** | | | | | | |
| Net book value 31 December 2014 | 836,753 | 63,557 | 15,922 | 12,582 | 10,223 | 939,038 |
| Net book value 31 December 2013 | 837,049 | 100,519 | 15,262 | 13,187 | 10,331 | 976,348 |

(i) The land and buildings were revalued by Foluke Ismail & Associates, ((Estate Surveyors and Valuers)FRC no - 00000000001701) on 18 December 2014 using direct market comparison method, depreciated replacement cost method and investment valuation method to arrive at the open market value.
Under the cost model, the carrying amount of land and building is ₦1,577,684,000 (31 December 2013: ₦1,611,829,000)

(ii) The Company had no restrictions to the use of its property, plant and equipment as at the balance sheet date.

(iii) No leased assets are included in the property, plant and equipment (31 December 2013: Nil)

(iv) The Company had no capital commitments as at the balance sheet date (31 December 2013: Nil)

(v) The income tax impact of the fair value changes on property and equipment recognised in other comprehensive income is ₦4,376,000 (31 December 2013: ₦253,483,000)

(vi) A listing of the Company's land and buildings with their values and locations as at year end is as shown below:

| Asset description | Location | Value (₦'000) |
|---|---|---|
| - Land & building | No 6, Emmanuel street, off Mobolaji Bank Anthony way, Onigbongbo, Maryland, Lagos | 550,000 |
| - Land & building | No 2, Harare street, off Rabat street, Wuse Zone 6, Abuja | 250,000 |
| - Land | Mowe | 19,000 |
| - Land & building | D 27, Ikota shopping complex | 16,000 |
| - Land-perfection of title document | Lagos & Abuja | 1,916 |
| - Building-renovation and partitioning | Lagos & Abuja | 1,854 |
| | | 838,770 |

| 12 **Property, plant and equipment** | **Land and Building** | **Motor vehicles** | **Computer Equipment** | **Office Equipment** | **Furniture & fittings** | **Total** |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | | | | | | |
| **Cost/valuation** | | | | | | |
| **31-Dec-13** | | | | | | |
| Balance, beginning of year | 1,930,390 | 244,655 | 34,908 | 22,920 | 30,596 | 2,263,469 |
| Additions | 1,383 | 89,700 | 6,534 | 8,413 | 7,170 | 113,200 |
| Revaluation loss | (1,093,003) | - | - | - | - | (1,093,003) |
| Disposals | | (8,239) | | (640) | (128) | (9,007) |
| Balance, end of year | 838,770 | 326,116 | 41,442 | 30,693 | 37,638 | 1,274,659 |
| **Accumulated depreciation** | | | | | | |
| **31-Dec-13** | | | | | | |
| Balance, beginning of year | 278,722 | 195,556 | 19,423 | 13,683 | 22,521 | 529,905 |
| Charge for the year | 36,298 | 38,280 | 6,757 | 4,425 | 4,896 | 90,656 |
| Reversal of accumulated depreciation on revaluation | (313,299) | - | - | - | - | (313,299) |
| Disposals | - | (8,239) | - | (603) | (110) | (8,951) |
| Balance, end of year | 1,721 | 225,597 | 26,180 | 17,505 | 27,307 | 298,311 |
| **Net Book Value** | | | | | | |
| Net book value 31 December 2013 | 837,049 | 100,519 | 15,262 | 13,187 | 10,331 | 976,348 |
| Net book value 31 December 2012 | 1,651,668 | 49,099 | 15,485 | 9,237 | 8,075 | 1,733,564 |

(i) The land and buildings were revalued by Foluke Ismail & Associates, ((Estate Surveyors and Valuers)FRC no - 00000000001701) on 18 Novemebr 2013 using direct market comparison method, depreciated replacement cost method and investment valuation method to arrive at the open market value.
Under the cost model, the carrying amount of land and building is N1,611,829,000 (31 December 2012: N1,651,668,000)

(ii) The Company had no restrictions to the use of its property, plant and equipment as at the balance sheet date.

(iii) No leased assets are included in the property, plant and equipment (31 December 2012: Nil)

(iv) The Company had no capital commitments as at the balance sheet date (31 December 2012: Nil)

**13 Statutory deposits**

This represents the Company's deposit with the Central Bank of Nigeria at 31 December 2014, in compliance with the Insurance Act, CAP 117 LFN 2004 and comprise:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| General business | 300,000 | 300,000 |
| Life business | 200,000 | 200,000 |
| | 500,000 | 500,000 |

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Current | - | - |
| Non-current | 500,000 | 500,000 |
| | 500,000 | 500,000 |

**14 Insurance contract liabilities**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| *General insurance* | | |
| Notified outstanding claims | 1,329,017 | 1,276,000 |
| Claims incurred but not reported | 518,877 | 530,222 |
| Outstanding claims provision (see 14.1) | 1,847,894 | 1,806,222 |
| Provision for unearned premium (see 14.3) | 724,435 | 999,898 |
| | 2,572,329 | 2,806,120 |
| *Life insurance* | | |
| Individual life insurance fund | 51,297 | 45,125 |
| Group life-Unexpired premium reserve (UPR) | 138,638 | 519,035 |
| Group life-Additional unexpired risk reserve (AURR) | 25,617 | - |
| Life insurance contract liability (see 14.4) | 215,551 | 564,160 |
| Group life-Incurred but not reported claims (IBNR) | 381,067 | 167,468 |
| Notified outstanding claims | 476,224 | 314,175 |
| Provision for outstanding claims (see 14.2) | 857,291 | 481,643 |
| | 1,072,842 | 1,045,804 |
| | 3,645,171 | 3,851,923 |

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Current | 2,053,452 | 2,275,899 |
| Non-current | 1,591,719 | 1,576,025 |
| | 3,645,171 | 3,851,923 |

Outstanding claims represents the estimated cost of settling all claims arising from incidents occurring as at the reporting date. The liability adequacy test outstanding claims liability as at 31 December 2014 and the comparative period was done by HR Nigeria Limited (FRC/NAS/00000000738).

14.1 **Outstanding claims provision-General business**

(i) Movement in outstanding claims provision inclusive of IBNR:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 1,806,222 | 1,903,730 |
| Claims incurred during the year | 818,821 | 793,170 |
| Claims paid during the year (see note 26) | (777,149) | (890,678) |
| Balance, end of year | 1,847,894 | 1,806,222 |

(ii) Movement in outstanding claims provision inclusive of IBNR:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 1,806,222 | 1,903,730 |
| Movement during the year (see note 26) | 41,672 | (97,508) |
| Balance, end of year | 1,847,894 | 1,806,222 |

14.2 **Outstanding claims provision-Life business**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Outstanding claims | 476,224 | 314,175 |
| IBNR | 381,067 | 167,468 |
| | 857,291 | 481,643 |

(i) Movement in outstanding claims provision:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 481,643 | 856,509 |
| Claims incurred during the year | 976,265 | 234,548 |
| Claims paid during the year (see note 26) | (600,617) | (609,414) |
| Balance, end of year | 857,291 | 481,643 |

(ii) Movement in outstanding claims provision:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 481,643 | 856,509 |
| Movement during the year (see note 26) | 375,648 | (374,866) |
| Balance, end of year | 857,291 | 481,643 |

14.3 **Provision for unearned premium**

Movement in provision for unearned premium

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 999,898 | 1,038,339 |
| Movement during the year (see note 23) | (275,463) | (38,441) |
| Balance, end of year | 724,435 | 999,898 |

14.4 **Life insurance contract liability**

Movement in life insurance contract liability

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 564,160 | 146,291 |
| Movement during the year (see note 23) | (348,609) | 417,869 |
| Balance, end of year | 215,551 | 564,160 |

**15 Investment contract liabilities**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 1,082,794 | 930,960 |
| Deposits received | 316,830 | 239,356 |
| Guaranteed interest | 79,850 | 69,641 |
| | 1,479,474 | 1,239,957 |
| Less: withdrawals | (194,417) | (157,163) |
| Balance, end of year | 1,285,057 | 1,082,794 |

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Current | 1,082,794 | 930,960 |
| Non current | 202,263 | 151,834 |
| | 1,285,057 | 1,082,794 |

**15(b) Loss on life investment contract**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Investment income | 13,188 | 14,716 |
| Guaranteed interest | (79,850) | (69,641) |
| Management expenses | (7,343) | (6,752) |
| | (74,005) | (61,677) |

**16 Trade payables**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Due to Reinsurers | 94,051 | 260,400 |
| Trade creditors | 8,725 | - |
| | 102,776 | 260,400 |

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Current | 102,776 | 260,400 |
| Non current | - | - |
| | 102,776 | 260,400 |

**17 Other payables and accruals**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Other payables | 139,581 | 46,815 |
| Due to Life | - | - |
| Accruals | 116,928 | 109,029 |
| | 256,509 | 155,844 |

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Current | 256,509 | 155,844 |
| Non current | - | - |
| | 256,509 | 155,844 |

## 18 Retirement benefit obligation

The defined benefit obligation was actuarially determined at year end. The actuarial valuation was done using the "Projected Unit Credit" otherwise known as accrued benefit method. Gains and losses on experience adjustments and changes in actuarial assumptions are charged to other comprehensive income. The defined benefit obligation was actuarially determined by HR Nigeria Limited (FRC/NAS/00000000738) as at 31 December 2014. There were no explicit/physical assets held to fund gratuities. Gratuity payments are met by the Company on a pay-as-you-go basis.

(a) The details of the defined benefit plans are as below:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Fair value of planned asset | - | - |
| Present value of defined benefit obligation | 313,628 | 346,303 |
| Deficit in the plan | 313,628 | 346,303 |

(b) Present value of defined benefit obligation

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 346,303 | 255,169 |
| **Included in profit or loss:** | | |
| Current service cost | 32,765 | 21,352 |
| Interest cost | 45,923 | 32,897 |
| Total recognised to profit or loss (see note 31) | 78,688 | 54,249 |
| Benefit paid by the employer | (60,464) | (4,030) |
| **Included in OCI:** | | |
| Actuarial gains - change in assumption | (29,631) | (11,841) |
| Actuarial (gains)/losses - experience adjustment | (21,268) | 52,756 |
| Total recognised to OCI | (50,899) | 40,915 |
| Income tax effect | (15,270) | 12,275 |
| Balance, end of year | 313,628 | 346,303 |

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Current | - | - |
| Non-current | 313,628 | 437,437 |
| | 313,628 | 437,437 |

(d) Actuarial assumptions
The following are the principal actuarial assumptions at the reporting date

| | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Discount rate | 15% | 14% |
| Rate of inflation | 9% | 9% |
| Rate of salary increase | 12% | 12% |
| Mortality rate | A67/70 ultimate tables | A67/70 ultimate tables |
| Retirement age | 55years | 55years |

(e) Sensitivity analysis for actuarial assumptions

| | General Business | | Life Business | |
|---|---|---|---|---|
| | Changes in variables | Impact on accrued Liability | Changes in variables | Impact on accrued liability |
| *In thousands of Naira* | | | | |
| Base | | 263,243 | | 50,385 |
| Discount rate | +1% | 247,817 | +1% | 48,354 |
| | -1% | 280,284 | -1% | 52,596 |
| Salary increase | +1% | 281,799 | +1% | 52,871 |
| | -1% | 246,235 | -1% | 48,068 |
| Life expectancy | -1 year | 263,272 | -1 year | 50,384 |
| | 1 year | 263,216 | 1 year | 50,385 |

## 19 Current tax liabilities

The movement on taxation payable account during the year was as follows:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 291,146 | 322,315 |
| Charge for the year | 10,649 | 57,082 |
| Tax paid during the year | (10,894) | (88,251) |
| Balance, end of year | 290,901 | 291,146 |

## 20 Deferred taxation

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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The movement on deferred taxation account during the year was as follows:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 47,516 | 258,769 |
| Charge to profit and loss account for the year | 103,906 | 54,504 |
| Tax impact on asset revaluation reserve | 4,616 | (265,757) |
| Balance, end of year | 156,038 | 47,516 |

At year end, deferred tax asset of ₦485 million (31 December 2013: ₦438 million) had not been recognised because the directors have determined that it is currently uncertain that there will be future taxable profit against which the tax assets can be utilised.

The analysis of unrecognised deferred tax asset is as follows:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Retirement benefit obligation | (78,818) | (103,891) |
| Unrelieved losses | (406,584) | (334,003) |
| | (485,402) | (437,894) |

Recognised deferred tax (assets) and liabilities are attributable to :

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Property and equipment | 171,308 | (198,979) |
| Retirement benefit obligation | (15,270) | (12,275) |
| | 156,038 | (211,253) |

## 21 Capital and reserves

21.1 Share capital

Share capital comprises:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| (a) **Authorised:** | | |
| Ordinary shares of 50k each: | | |
| 9,100,000,000 units (2013: 9,100,000,000 units) | 4,550,000 | 4,550,000 |
| (b) **Issued and fully paid** | | |
| Ordinary shares of 50k each: | | |
| General business 2,349,947,000 units (2013: 2,349,947,000 units) | 1,174,974 | 1,174,974 |
| Life business 2,200,000,000 units (2013: 2,200,000,000 units) | 1,100,000 | 1,100,000 |
| 4,549,947,000 units (2013: 4,549,947,000 units) | 2,274,974 | 2,274,974 |

21.2 **Share premium**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| | 2,663,798 | 2,663,798 |

21.3 **Contingency reserve**

In accordance with Section 21 (1) of Insurance Act 2003, the contingency reserve for non-life business is credited with the greater of 3% of total premiums or 20% of profits. This shall accumulate until it reaches the amount of greater of minimum paid- up capital or 50 percent of net premium. While for life business, the contingency reserves is credited with an amount equal to 1% of gross premiums or 10% of profits (whichever is greater) and accumulated until it reaches the amount of minimum paid- up capital.

The movement in the contingency reserve account during the year was as follows:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 1,404,000 | 1,288,369 |
| Transfer during the year | 78,547 | 115,631 |
| Balance, end of year | 1,482,547 | 1,404,000 |

21.4 **Retained earnings**

The retained earnings represent the amount available for dividend distribution to the equity shareholders of the Company. See statement of changes in equities for movement in retained earnings.

21.5 **Asset revaluation reserves**

This reserve is the accumulation of revaluation gain on properties and equipment. See statement of changes in equities for movement in asset revaluation reserve.

21.6 **Available for sale reserve**

Fair value reserves includes the net accumulated change in the fair value of available for sale asset until the investment is derecognised or impaired.

Movement in available for sale reserve:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Balance, beginning of year | 27,340 | 21,654 |
| Movement during the year recognised in OCI | (7,973) | 5,686 |
| *Balance, end of year* | 19,367 | 27,340 |

21.7 **Treasury shares**

The Company reacquired its own shares in prior years. The carrying amount of the shares as at year end was ₦47,350,000 (2013: ₦47,350,000).

21.8 **Actuarial reserves**

This reserve represents net actuarial gain/(loss) on defined benefit obligation. See statement of changes in equities for movement in actuarial reserves.

## 22 Gross premium written

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Gross premium arising from insurance contracts issued | 3,113,179 | 4,352,511 |
| Less: Decrease/(increase) in unearned premium | 624,072 | (379,429) |
| | 3,737,251 | 3,973,082 |

Prior year presentation of gross premium written has been revised in line with current year presentation. The analysis is shown below:

| *In thousands of Naira* | 31-Dec-13 |
|---|---|
| Gross premium arising from insurance contracts issued | 4,371,725 |
| Unbundling of investment contracts | (19,214) |
| | 4,352,511 |

## 23 Changes in unearned premium provision

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| General business: | | |
| (Increase)/decrease | | |
| Motor | 24,103 | (66,764) |
| Fire | 40,134 | (51,872) |
| General accident | 42,527 | 13,884 |
| Bond | 744 | (9,844) |
| Marine | 20,800 | 93,590 |
| Engineering | 9,646 | 45,455 |
| Oil & Gas | 136,182 | 12,507 |
| Aviation | 1,327 | 1,485 |
| | 275,463 | 38,441 |
| Life business: | | |
| *In thousands of Naira* | | |
| Changes in individual life | 50,557 | 44,627 |
| Changes in group life | 298,052 | (462,496) |
| | 348,609 | (417,869) |
| | 624,072 | (379,429) |

## 24 Reinsurance expenses

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Reinsurance premium paid | 480,040 | 620,348 |
| Increase in unexpired reinsurance cost | (84,531) | (19,664) |
| Reinsurance recoveries | - | - |
| | 395,509 | 600,684 |

## 25 Fees and commissions

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Commissions earned on insurance contract | 82,215 | 85,586 |
| | 82,215 | 85,586 |

## 26 Claims expenses

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Net benefit and claims incurred | 1,775,166 | 1,013,378 |

| | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| General business | | |
| Gross claims paid (see note 14.1(i)) | 777,149 | 890,678 |
| Claims ceded to reinsurance | (27,202) | (9,565) |
| Gross change in insurance contract liabilities (see note 14.1(ii)) | 41,672 | (97,508) |
| | 791,619 | 783,605 |
| Life business | | |
| Gross claims paid (see note 14.2(i)) | 600,617 | 609,414 |
| Claims ceded to reinsurance | 7,282 | (4,775) |
| Gross change in insurance contract liabilities (see note 14.2(ii)) | 375,648 | (374,866) |
| | 983,547 | 229,773 |
| | 1,775,166 | 1,013,378 |

## 27 Underwriting expenses

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Acquisition expenses | 429,330 | 566,704 |
| Maintenance expenses | 239,408 | 508,425 |
| | 668,738 | 1,075,129 |

## 27.1 Acquisition expenses

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| General business: | | |
| Commission paid | 365,165 | 440,437 |
| Movement in deferred acquisition cost (see note 9(b)) | (22,941) | (31,133) |
| Other acquisition expenses | - | - |
| | 342,224 | 409,305 |
| Life business: | | |
| Individual life | 12,382 | 5,170 |
| Group life | 64,892 | 114,196 |
| Investment contract liability | 9,832 | 6,900 |
| | 87,106 | 126,266 |
| | 429,330 | 535,571 |

27.2 **Maintenance expenses**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| General business: | | |
| Handling charges | 89,169 | 254,713 |
| Marketing expenses | 88,137 | 150,220 |
| Other maintenance expenses | 33,064 | 34,192 |
| | 210,370 | 439,125 |
| Life business: | | |
| Marketing expenses | 17,533 | 4,053 |
| Handling charges | 11,505 | 65,247 |
| | 29,038 | 69,300 |
| | 239,408 | 508,425 |

**28 Investment income**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Investment income on fixed deposit | 1,720 | |
| Dividend income | 971 | 596 |
| Interest income | 59,189 | 73,526 |
| | 61,880 | 74,122 |

(a) Investment income is analysed below:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| General business (see note i below) | 38,064 | 47,464 |
| Life business(see note ii(b) below) | 10,717 | 11,996 |
| | 48,781 | 59,460 |
| -Life investment contract (see ii(b) below) | 13,099 | 14,662 |
| | 61,880 | 74,122 |
| i General business: | | |
| Interest income | 37,589 | 47,151 |
| Dividend income | 475 | 312 |
| | 38,064 | 47,464 |
| ii Life business: | | |
| (a) Investment income | | |
| Interest income | 23,320 | 26,375 |
| Dividend income | 496 | 283 |
| | 23,816 | 26,658 |
| (b) -Life business | 10,717 | 11,996 |
| -Life investment contract | 13,099 | 14,662 |
| | 23,816 | 26,658 |

**29 Other operating income**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Other operating income | 23,011 | 7,214 |
| | 23,011 | 7,214 |

(a) Other operating income is analysed below:

| In thousands of Naira | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| -General business | 22,849 | 7,116 |
| -Life business | 73 | 44 |
| | 22,922 | 7,160 |
| -Life investment contract | 89 | 54 |
| | 23,011 | 7,214 |

**30 Management expenses**

(a) Management expenses comprise of:

| In thousands of Naira | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Employee benefit costs (note 31) | 745,636 | 648,448 |
| Depreciation of property, plant and equipment | 67,439 | 90,657 |
| Amortisation of intangible assets | 684 | 9,575 |
| Travelling & tours | 40,494 | 28,254 |
| Audit fees | 18,500 | 14,000 |
| Telecommunication | 5,278 | 6,549 |
| Professional fees | 68,958 | 38,957 |
| Training expense | 35,599 | 45,442 |
| Advertisement | 14,514 | 15,190 |
| Marketing expenses | 80,618 | - |
| NAICOM levy | 23,748 | 30,978 |
| Bank charges | 14,134 | 88,895 |
| Foreign exchange loss | 8,591 | 42,323 |
| Other management expenses (see note c) | 279,601 | 244,085 |
| | 1,403,794 | 1,303,353 |

(b) Management expenses is analysed below:

| In thousands of Naira | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Profit and loss accounts: | | |
| -General business | 1,256,925 | 1,168,311 |
| -Life business | 139,526 | 128,290 |
| | 1,396,451 | 1,296,601 |
| -Life investment contract | 7,343 | 6,752 |
| | 1,403,794 | 1,303,353 |

(c) Other management expenses is analysed below:

| -General business: In thousands of Naira | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Cleaning | 4,206 | 3,188 |
| Postage expenses | 4,871 | 3,353 |
| Printing & stationeries | 8,720 | 4,038 |
| Staff uniform | 193 | 93 |
| Subscription | 10,539 | 664 |
| Security | 2,712 | 118 |
| Motor running | 29,829 | 27,848 |
| Medical expenses | 379 | 1,447 |
| Insurance & licensing | 11,668 | 15,649 |
| Local transportation | 2,056 | 6,685 |
| Office provision | 5,381 | 4,884 |
| Newspaper & magazine | 1,064 | 1,274 |
| Computer & other consumable | 13,747 | 14,158 |
| Repairs & maintenance | 10,575 | 12,449 |
| Government levy | 4,114 | 3,919 |
| General expenses | 53,823 | 36,535 |

| | | |
|---|---|---|
| Miscellaneous expenses | 10,638 | 25 |
| Fuel & oil | 22,193 | 26,758 |
| Entertainment | 4,394 | 4,036 |
| Electricity & water rate | 4,534 | 6,736 |
| Rent | 9,719 | 9,326 |
| Printing | 230 | 8,958 |
| Survey fee | 896 | - |
| Technology costs | 36,886 | 28,954 |
| | 253,367 | 221,096 |

| | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| *-Life business:* | | |
| *In thousands of Naira* | | |
| Cleaning | 406 | 350 |
| Postages | 71 | 97 |
| Stationeries | 308 | 261 |
| Motor running | 4,045 | 3,230 |
| Medical expenses | 263 | 123 |
| Bank charges | - | 3,223 |
| Insurance & licensing | 806 | 162 |
| Local transportation | 1,293 | 2,303 |
| Office provision | 891 | 172 |
| Newspaper & magazine | 101 | 130 |
| Computer & other consumables | 1,164 | 613 |
| Repairs & maintenance | 469 | 853 |
| General expenses | 6,288 | 2,681 |
| Fuel & oil | 1,874 | 6,126 |
| Entertainment | 496 | 288 |
| Electricity & water rate | 488 | 399 |
| Rent | 3,926 | 1,577 |
| Printing | 1,320 | 64 |
| Donations & subscriptions | 2,025 | 338 |
| | 26,234 | 22,989 |
| | 279,601 | 244,085 |

**31 Employee benefit costs**

| | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| *In thousands of Naira* | | |
| Staff salaries & directors cost | 599,872 | 562,357 |
| Gratuity (see note 18) | 78,688 | 50,219 |
| Other staff benefit | 42,842 | 33,359 |
| Director's expenses | 24,234 | 2,513 |
| | 745,636 | 648,448 |

(a) Staff information

Employees earning more than ₦100,000 per annum, other than the executive directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments (excluding pension contribution and other allowances) in the following ranges:

| | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| | Numbers | Numbers |
| ₦101,001 - ₦500,000 | - | - |
| ₦500,001 - ₦750,000 | - | - |
| ₦750,000 - ₦1,000,000 | 33 | 27 |
| ₦1,000,000 - ₦2,000,000 | 77 | 73 |
| ₦2,000,000 - ₦3,000,000 | 38 | 50 |
| Over ₦3,000,000 | 41 | 47 |
| | 189 | 197 |

(b) The average number of full time persons employed by the Company during the year was as follows:

| | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| | Numbers | Numbers |
| Management staff | 11 | 7 |
| Non-management staff | 178 | 190 |
| | 189 | 197 |

(c) Directors remuneration

*In thousands of Naira*

i Remuneration paid to the directors of the Company (excluding pension contribution and other allowances) was as follows:

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Directors' fees | 5,500 | 3,438 |
| Other emoluments | 51,418 | 50,876 |
| | 56,918 | 54,314 |

ii The directors' remuneration shown above (excluding pension contributions and other allowances) includes:

| | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Highest paid director (Managing Director) | 19,489 | 19,317 |
| | 19,489 | 19,317 |

**32 Net impairment (reversals)/losses**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Impairment loss/(reversal) on trade receivables(please see (a)iii below | (4,048) | (119,495) |
| Impairment charge on staff loans (see note 10.2) | - | 239 |
| Impairment charge on other receivables(see note 10.4) | - | 16,982 |
| | (4,048) | (102,274) |

**(a) Analysis of net impairment losses**

| | | |
|---|---|---|
| i General Business | | |
| Impairment loss/(reversals) on trade receivables | 62,945 | (97,034) |
| Impairment charge on staff loans (see note 10.2) | - | 239 |
| Impairment charge on other receivables | - | 16,501 |
| | 62,945 | (80,294) |

| | | |
|---|---|---|
| ii Life Business | | |
| Impairment loss/(reversals) on trade receivables | (66,993) | (22,222) |
| Impairment charge/(reversals) on other receivables | - | 481 |
| | (66,993) | (21,741) |

iii Reversal of impairment allowance on trade receivable represents recoveries made during the year for which impairments had been previously made

**33 Income tax expenses**

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Company income tax | 10,649 | - |
| Minimum tax | - | 48,254 |
| Education tax | - | 6,557 |
| NITDA | - | 2,271 |
| | 10,649 | 57,082 |
| Deferred tax charge (see note 20) | 103,906 | 54,504 |
| | 114,555 | 111,586 |

33.1

| Reconciliation of effective tax rate | Rate | 31-Dec-14 | Rate | 31-Dec-13 |
|---|---|---|---|---|
| (Loss)/profit before tax | | (414,652) | | 180,094 |
| Income tax using the domestic corporation tax rate | 30% | 103,906 | 30% | 54,028 |
| Minimum tax | 0% | - | 27% | 48,254 |
| Education tax | 0% | - | 4% | 6,557 |
| NITDA | 0% | - | 1% | 2,271 |
| Tax exempt income | 0.4% | (1,825) | -7% | (11,927) |
| Non-deductible expenses | -45% | 185,140 | 80% | 143,771 |
| Tax losses | 0% | - | 0% | - |
| Unrecognised deferred taxes | 42% | (172,666) | -73% | (131,368) |
| | -28% | 114,555 | 62% | 111,586 |

## 34 Earnings per share

Basic earnings per share has been computed based on the profit after taxation attributable to equity holders and the weighted average number of ordinary shares outstanding during the period of ₦4,549,947,000 (2013: ₦4,549,947,000). Diluted earnings per share is computed by dividing the profit attributable to the equity holders of the Company by the weighted number of ordinary shares outstanding after adjusting the effects of all dillutive ordinary shares, of which there are currently none in existence.

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Profit attributable to equity holders | (529,207) | 68,508 |
| Weighted average number of shares | 4,549,947 | 4,549,947 |
| Earnings per share - Basic (kobo) | (12) | 2 |
| Earnings per share - Diluted (kobo) | (12) | 2 |

## 35 Components of other comprehensive income

| *In thousands of Naira* | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| ***Items within other comprehensive income that may be reclassified to profit or loss*** | | |
| Fair value gains on available for sale financial assets during the year | (7,973) | 5,686 |
| Fair value changes on property & equipment | 15,616 | (779,704) |
| Income tax effect | (4,685) | 253,483 |
| ***Items within other comprehensive income that will not be reclassified to profit or loss*** | | |
| Actuarial gains in defined benefit obligation liability | | |
| -Due to assumption | 29,631 | 11,841 |
| -Due to experience | 21,268 | (52,756) |
| -Income tax effect | (15,270) | 12,275 |
| | 38,587 | (549,175) |

## 36 Net cash flow from operating activities before changes in operating assets

| *In thousands of Naira* | | 31-Dec-14 | 31-Dec-13 |
|---|---|---|---|
| (Loss)/profit after taxation | | (529,207) | 68,508 |
| Taxation | | 114,555 | 111,586 |
| Operating loss | | (414,652) | 180,094 |
| Adjustment to reconcile profit before taxation to net cash flow from operations: | | | |
| Depreciation on property, plant and equipment | 12 | 67,439 | 90,656 |
| Amortisation of intangible assets | 11 | 684 | 9,575 |
| Provision for retirement benefit obligation | 31 | 78,688 | 54,249 |
| Reversal of impairment loss on trade receivables | 32 | (4,048) | (119,495) |
| Reversal of impairment on other receivables | 32 | - | (13,419) |
| Interest income | 28 | (59,189) | (73,526) |
| Dividend income | 28 | (971) | (596) |
| Gain on sale of property, plant and equipment | | (115) | (2,558) |
| Foreign exchange loss | 29 | 8,591 | 19,386 |
| | | (323,573) | 144,366 |

## 37 Related party transactions

**Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercises influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes associates, joint ventures and the Company's pension schemes, as well as key management personnel.

**(a) *Transactions with related parties***

The Company's related transactions mainly arise from relationships through its Key management personnel. The Key management personnel of the Company are regarded as Directors who have control over the Company. During the year under review, the Interim Board and Management had no transactions with the Company other than the fees they earn in their capacity as Directors (See Note 31c).

**(b) Transactions with Key mangagement personnel**

The Company's key management personnel , and persons connected with them , are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key management personnel and any entity over which key management personnel excercise control. The key mangement personnel have been identified as the executive directors and non-executive directors. Close family members are family or those family members who may be expected to influence , or be influenced by that individual in their dealings with Goldlink Insurance PLC.

***Director's remuneration***

| *In thousands of Naira* | **31-Dec-14** | **31-Dec-13** |
|---|---|---|
| Director's fees | 5,500 | 3,438 |
| Other emoluments | 51,418 | 50,876 |
| | **56,918** | **54,314** |

**38 Contingent liabilities, litigations and claims**

The company, in its ordinary course of business, is presently involved in 2 cases (2013:2) as a defendant. Litigation claims against the Company as at 31 December 2014 amounted to ₦ 71 million (2013: ₦89.74 million). These litigations arose in the normal course of business and are being contested by the Company. The directors, having sought advice of professional counsel are of the opinion that no significant liability will crystallise from these claims. Accordingly, no provisions have been made in these financial statements.

**39 Contravention of laws and regulations**

The Company contravened certain laws and regulations during the year and paid a total penalty of N1,075,000. This is analysed below:

| **Description** | **31-Dec-14** | **31-Dec-13** |
|---|---|---|
| | N'000 | N'000 |
| Late submission of half yearly returns to the Securities and Exchange Commission | 1,075 | - |
| | 1,075 | - |

**40 Events after reporting date**

A total of 322 million units of shares were surrendered and filed with the CAC in 2015. As part of its mandate, the interim Board and management carried out a share capital audit of the Company's capital issued from 1993 to 2008 when it became publicly listed with a view to understand the ownership structure of the Company and ascertain inflow of cash from issue of shares.

The share capital audit revealed that 2,548,774,014 units of shares with par value of ₦ 2,548,774,014 were issued to some key shareholders (1,490,586,592 units) and directors (1,058,187,422 units) from unrealised revaluation surplus on property, plant and equipment between 1995 and 2006. The Companies and Allied Matters Act does not allow shares to be issued from unrealised reserves. The shares were filed with the Corporate Affairs Commission (CAC) as part of the issued share capital of the Company. This is not in accordance with sections 136 and 137 of the Companies and Allied Matters Act which states that payment for the shares of a Company can only be made in cash or by a valuable consideration. Furthermore, section 383 ( 1 ) states that the reserves of a Company may be applied for some other purpose as indicated in section 383 ( 1) other than the acquisition of shares of the company. The investigation also revealed that the 2,548,774,014 (of ₦ 1 each) shares issued from unrealised revaluation surplus, were reduced to ₦ 1,274,387,007 being nominal value of 2,548,774,014 shares (of 50 kobo each) in 2009 after a capital reconstruction of 2 for 1 share (of 50 kobo each) while the balance of ₦ 1,274,387,007 was transfered to the share premium account.

The investigation further revealed that 1,497,358,861 units of the 2,548,774,014 units of shares (of 50 kobo each), have been sold by the beneficiaries leaving 1,051,415,153 units as unsold. The 1,497,358,861 units of shares sold rank pari passu with other shares of the Company. The interim Board and Management are taking steps to recover the outstanding shares of 1,051,415,153 units. As at the date of approval of the financial statements, a total of 1,221,160,005 units of shares (of 50 kobo each) have been surrendered to the Company while 133,945,456 units have been forfeited. The interim Board and Management is taking steps to recover the proceeds of the sold shares. It also plans to recover the proceeds of the 1,497,358,861 shares from the respective shareholders and expects that the exercise will be concluded by the end of 2015.

The interim Board and Management resolved that the shares surrendered and forfeited be regarded as unissued based on the requirements of the Companies and Allied Matters Act and after obtaining the relevant regulatory approval from the Corporate Affairs Commission dated 18 December 2014. The Company also requires the approval of Securities and Exchange Commission (SEC) before the shares can be delisted and regarded as unissued shares. As at date of report, the Company has sought the approval of the Commission through a letter dated 4 August 2015, and awaits the Regulatory authority's verdict. As such, no adjustments have been made to these financial statements as the owners of these surrendered and forfeited shares remained shareholders of the Company as at 31 December 2014. The impact of treating the surrendered and forfeited shares as unissued share capital is N677,552,731 being nominal value of the 1,221,160,005 units of surrendered shares and 133,945,456 units of forfeited shares at 50kobo each.

Dividends of ₦ 111,308,833 and ₦44,523,533 were paid in 2007 and 2009 respectively on the 2,548,774,014 shares. During the year, the Company recovered ₦824,171 from shareholder leaving a total sum of ₦155,008,194 dividend to be recovered. The Interim Board and Management have also issued a demand notice for the refund of these dividends. The receipt of the dividend refunds will be credited to the revenue reserves.

An analysis of the 2,548,774,014 units issued to the former directors and other shareholders from unrealised revaluation surplus and the units-1,221,160,005 units surrendered and 133,945,456 units forfeited as at date is shown below:

| | **Shares acquired** | **Shares surrendered** | **Shares forfeited** | **Shares not available for surrender/forefeiture** |
|---|---|---|---|---|
| | **Units** | **Units** | **Units** | **Units** |
| **Mr Gbenga Afolayan**** | 520,333,972 | 485,993,529 | - | 34,340,443 |
| **Mr Femi Okunniyi ***** | 426,320,969 | 378,411,883 | - | 47,909,086 |
| **Mr Tony Efegherimoni** | 13,082,092 | 27,686,456 | - | (14,604,364) |
| **Rt Rev Ranti Odubogun** | 32,346,909 | 24,552,457 | - | 7,794,452 |
| **Mr Samuel Ebun Idowu** | 66,103,480 | 14,569,667 | - | 51,533,813 |
| **Aiyeyi Samuel****** | 77,739,497 | - | 54,717,198 | 23,022,299 |
| **Ariyo Wole** | 70,147,043 | 10,814,101 | - | 59,332,942 |
| **Famutimi Olabintan** | 21,896,028 | - | 21,896,028 | - |
| **Moore Funke** | 13,082,092 | 13,082,092 | - | - |
| **Oniwinde AT****** | 42,287,265 | 2,201,045 | - | 40,086,220 |
| **Osayemeh RKO*** | 598,540,624 | 172,000,000 | - | 426,540,624 |
| **Osayemeh John** | 83,271,355 | 25,000,000 | - | 58,271,355 |
| **Osayemeh Olateju** | 92,269,659 | 17,124,550 | - | 75,145,109 |
| **Estate Managers** | 201,050,374 | 10,170,000 | - | 190,880,374 |
| **Chief A. Awoyode** | 35,867,769 | 439,473 | - | 35,428,296 |
| **Akadiri Ayo** | 19,803,894 | - | 14,268,806 | 5,535,088 |
| **Amaefule Chuks** | 16,127,954 | - | 10,652,354 | 5,475,600 |
| **Okpue Prosper** | 13,519,556 | - | 9,764,512 | 3,755,044 |
| **Odutayo Gbolahan** | 13,082,092 | 13,082,092 | - | - |
| **Adesanya Yemi** | 12,782,431 | - | 200,000 | 12,582,431 |
| **Okunnoren E.K** | 11,874,418 | 8,819,333 | - | 3,055,085 |
| **Owolabi M. Olabanji** | 3,816,800 | - | - | 3,816,800 |
| **Saliu Y. ( Alhaji)** | 4,227,588 | 5,833,064 | | (1,605,476) |
| **Olusesi M.O John ****** | 2,374,061 | - | 1,540,645 | 833,416 |
| **Owoniyi Dele** | 3,000,000 | - | - | 3,000,000 |
| **Adedeji E.A** | 558,387 | - | - | 558,387 |
| **Agoye I.A** | 1,395,972 | - | 905,913 | 490,059 |
| **Oyinloye Yomi** | 13,082,092 | - | - | 13,082,092 |
| **Goldlink Staff Cooperative** | 79,611,784 | - | - | 79,611,784 |
| **Oyedele Prince** | 36,167,769 | - | 20,000,000 | 16,167,769 |
| **Onaduja Badejo** | 13,082,092 | 11,380,263 | - | 1,701,829 |
| **Others** | 9,927,996 | - | - | 9,927,996 |
| | **2,548,774,014** | **1,221,160,005** | **133,945,456** | **1,193,668,553** |

**Surrendered additional 72,000,000 units of Ruthstar Limited to replace shares that have been sold.*
***Surrendered additional 150,000,000 units of AT & T Equipment Nig LTD to replace shares that have been sold.*
****Surrendered additional 100,000,000 units of Yetfem Properties LTD to replace shares that have been sold.*
*****Deceased shareholders*

There are no other subsequents events which have not been disclosed in the financial statements.

**41 Going concern**

The Company made a loss after tax of ₦529,207,000 for the year ended 31 December 2014 (2013: ₦68,508,000-profit ) and as of that date, its total liabilities exceeded total assets by ₦3,901,836,000 (2013: ₦3,426,486,000). The operating losses mainly resulted from decreased premiums due to reduced business activities during the year.

The minimum regulatory capital required by the National Insurance Commission (NAICOM) for composite insurance business is ₦5 billion. The Company with a negative shareholders' fund of ₦3,901,836,000 (2013: ₦3,426,486,000 ) is significantly below the minimum regulatory capital by ₦8,901,836,000 (2013: ₦8,426,486,000 . In addition, the Company's shareholder's fund deteroriated further during the year under review as a result of operating loss after taxation incurred. The Company also had a shortfall in solvency margin of ₦6,125,119,000 as at 31 December 2014 ( 2013: ₦5,877,631,000) for the general insurance business. This is below the Company's required minimum solvency margin of ₦3 billion based on the most recent regulatory guidelines. The total admissible assets of the Company less the net insurance contract liabilities and investment contract liabilities was in deficit of ₦4,403,944,000 as at 31 December 2014 (2013: ₦4,260,828,000) for the general and life insurance businesses . These constitute non-compliance with the regulatory capital requirements which could lead to the withdrawal of the Company's operating license. Also, the inadequate capital threatens the Company's ability to carry out its normal operations. The continuation of the Company's operations is dependent upon future profitability and the ability of the Company to meet its regulatory capital requirement and generate sufficient cash flows to meet its obligation as they fall due.

The interim board and management is taking steps to resolve the shares of 2,548,774,014 units issued without consideration as part of the plans to resolve the going concern issue. The board expects that the exercise will be concluded by the end of 2015.

In addition, the Company intends to broaden its operational strategies, intensify its marketing efforts in order to retain existing customers and attract new customers, as well as introduce innovative insurance products which would enhance its premium base as soon as the planned recapitalisation plans is successfully concluded.

As discussed in note 40, interim management is confident that the recapitalisation and other initiatives described above will be sufficient to turn around the Company's operations and profitability.

Though these conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern or realize its assets and discharge its liabilities in the normal course of business. However the interim board and management believe that the Company will continue as a going concern and that the above plans will be successfully executed. The financial statements have therefore been prepared using the basis of accounting policies applicable to a going concern.

**42 Enterprise Risk Management Framework**

**Introduction**

As a composite insurance Company, Goldlink Insurance PLC sees risk management as a primary objective which aims to protect the Company's stakeholders from events that could hinder the sustainable achievement of its financial performance objectives. The management of the Company recognises the importance of having an efficient and effective risk management system in place. Hence, the Company has developed an Enterprise-wide Risk Management Framework using the guidelines of the Committee of Sponsoring Organisations of the Tread way Commission (COSO). The ERM framework assists the Company in identifying, and managing all the classes of risks that are embedded in its processes and operations.

The ERM framework/programme helps structure and coordinates all direct and indirect risk management activities within the Company while eliminating redundancies and ensuring consistency in the risk management process. Our strategy also entails constantly monitoring daily risk positions, attracting and retaining qualified personnel, reducing volatility in supplies, and managing political risk. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of directors to Executive management committees and senior management.

The Board of directors approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's risk management policies:

- identification of risks and its interpretation,
- limit structure to ensure the appropriate quality and diversification of assets,
- align underwriting and reinsurance strategy to the corporate goals and,
- specify reporting requirements.

42 **Capital management objectives, policies and approach**

(a) **Strategic risks**

The Company has established the following capital management objectives, policies and approach to managing the risks that affects its capital position:

- maintain the required level of stability of the Company thereby providing a degree of security to policyholders.
- allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- maintain financial strength to support new business growth and satisfy the requirements of the policyholders, regulators and other stakeholders.
- maintain strong liquidity; align the profile of assets and liabilities, taking into consideration risks inherent in the business.
- maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company's operations are also subject to regulatory requirements of the National Insurance Commission (NAICOM). Such regulations not only prescribe approval and monitoring activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

The Company's capital management policy is to hold sufficient capital to cover statutory requirements based on NAICOM directives, including any additional amounts required by the regulator.

In reporting financial strength, capital and solvency are measured using the rules prescribed by NAICOM. These regulatory tests are based upon required levels of solvency, capital, and a series of prudent assumptions in respect of the type of assets held.

(b) **Approach to Capital Management**

The primary source of capital used by the Company is Equity Shareholders’ funds. Our capital management strategy seeks to focus on the creation of shareholders’ value in order to meet crucial and equally important objective of providing an appropriate level of capital to protect stakeholders’ interests and satisfy regulators.

The adequacy level of capital determines the degree of confidence that stakeholders (suppliers, clients investors, depositors and counterparties) would have in our business. Hence, the Company seeks to ensure that adequate capital exists to buffer the following:

- absorb large unexpected losses
- protect clients and other creditors
- provide confidence to external investors and rating agencies
- support a good credit rating; and
- run operations of the company efficiently and generate commensurate returns.

As an important ERM objective, Goldlink Insurance Plc maintains a risk appetite which is expressed quantitatively using the following metrics:
Solvency margin = Total admissible assets minus total liabilities
Debt-to-capital ratio = Total debt/Capital
Shareholders equity ratio = Shareholders equity/total asset.

The capital management process is governed by the Board of directors who has the ultimate responsibility for the capital management process. The Board of directors is supported by the Risk Enterprise Committee, Risk management department and Account department.

The company seeks to maintain economic capital level sufficient to meet internal capital needs. The capital plan reflects the Company’s current capital needs, planned capital consumption, targeted future capital level given the risk appetite/tolerance, and the plans for external and internal sources of capital. To withstand adverse economic conditions, the capital plan incorporates various potential scenarios and is responsive to changes in the economy, market, competitive/political landscape, and other external factors. The Company plans its capital needs throughout the product and business life cycle, and also ensures that capital management is integrated with the business plan and risk management systems.

The account department and risk management department implement responsive capital management processes that include preparing plans for capital adequacy, setting risk limits, monitoring compliance with these plans and limits, analysing and assessing the actual results, evaluating the level of capital adequacy, and implementing policies when necessary.

Capital is forecasted into the future on an annual basis based on the defined corporate strategy and goals. Constraints on the Company’s capital by stakeholders are considered in performing the forecast. The Company ensures the availability personnel with capabilities to prepare the forecast of regulatory capital.

Capital is allocated to activities that provide the highest returns. The process clearly specifies the basis for the calculation of capital to be allocated to risk types (known as the “risk capital”) and the limits on capital to be allocated to each of the risk categories, business activities and units. The allocation of capital is based on the risk profiles of the business activities and business units (i.e. based on the contribution of each business unit to the overall volatility of cash flows).

The Company is expected to maintain a capital requirement of ₦5 billion for the composite insurance comprising ₦3 billion for the general insurance business and ₦2 billion for the life insurance business. The Company's negative shareholders’ fund of ₦3,901,836,000 (2013: ₦3,426,486,000) is significantly below the minimum regulatory capital by ₦8,901,836,000 (2013:₦8,426,486,000). In addition, the Company's shareholder's fund deteroriated further during the year under review as a result of the operating loss after taxation incurred. The Company also had a shortfall in solvency margin of ₦6,125,119,000 as at 31 December 2014 (2013: ₦5,877,631,000) for the general insurance business. This is below the Company's required minimum solvency margin of ₦3 billion based on the most recent regulatory guidelines. The total admissible assets of the Company less the net insurance contract liabilities and investment contract liabilities was in deficit of ₦4,403,944,000 as at 31 December 2014 (2013: ₦4,260,828,000) for the general and life insurance businesses. These constitute non-compliance with the regulatory capital requirements which could lead to the withdrawal of the Company’s operating license. Also, the inadequate capital threatens the Company’s ability to carry out its normal operations. The continuation of the Company's operations is dependent upon future profitability and the ability of the Company to meet its regulatory capital requirement and generate sufficient cash flows to meet its obligation as they fall due.

The Company intends to broaden its operational strategies, intensify its marketing efforts in order to retain existing customers and attract new customers, as well as introduce innovative insurance products which would enhance its premium base as soon as the planned recapitalisation plans is successfully concluded.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern or realize its assets and discharge its liabilities in the normal course of business. However the interim board and management believe that the Company will continue as a going concern and that the above plans will be successfully executed. The financial statements have therefore been prepared using the basis of accounting policies applicable to a going concern.

(i) **Solvency margin**

The Insurance Act 2003 (Section 24) prescribed that an insurer shall in respect of its business other than life insurance business, maintain a margin of solvency being the excess of the value of its admissible assets in Nigeria over its liability in Nigeria.

The solvency margin which is determined as the excess of admissible assets over total liabilities shall not be less than 15% of the gross premium less reinsurance premiums paid out during the year under review or the minimum paid up capital, whichever is greater.

The solvency margin for General business as at 31 December 2014 is as follows:

*In thousands of Naira*

| | | Total | 31-Dec-14 Inadmissible | 31-Dec-14 Admissible | 31-Dec-13 |
|---|---|---|---|---|---|
| | Admissible Assets: | | | | |
| | Cash and cash equivalents | 59,974 | - | 59,974 | 291,966 |
| | Financial assets | 29,983 | - | 29,983 | 37,955 |
| | Trade receivables | 18,274 | - | 18,274 | 49,753 |
| | Reinsurance assets | 366,884 | - | 366,884 | 417,626 |
| | Deferred acquisition cost | 84,095 | - | 84,095 | 107,036 |
| | Intangible assets | - | - | - | - |
| | Other receivables and prepayments | 54,571 | 26,598 | 27,973 | 64,073 |
| | Land | 609,546 | - | 609,546 | 609,714 |
| | Other property and equipment | 82,192 | - | 82,192 | 113,002 |
| | Statutory deposits | 300,000 | - | 300,000 | 300,000 |
| | Total admissible assets | 1,605,519 | 26,598 | 1,578,921 | 1,991,125 |
| Less: | Total liabilities | | | | |
| | Insurance contract liabilities | 2,572,329 | - | 2,572,329 | 2,806,120 |
| | Trade payables | 77,849 | - | 77,849 | 216,521 |
| | Other payables and accruals | 1,544,871 | - | 1,544,871 | 1,309,782 |
| | Retirement benefit obligations | 263,243 | - | 263,243 | 286,662 |
| | Current tax liabilities | 245,748 | - | 245,748 | 249,671 |
| | Deferred tax liabilities | 168,696 | 168,696 | - | - |
| (B) | Total liabilities | 4,872,736 | (168,696) | (4,704,040) | (4,868,755) |

TEST OF SOLVENCY:

*In thousands of Naira*

| | | 31-Dec-14 | 31-Dec-13 |
|---|---|---|---|
| Excess of admissible assets over liabilities-solvency margin | | (3,125,119) | (2,877,631) |
| **TEST I** | Gross premium income | 2,646,227 | 3,113,386 |
| | Less: Reinsurances | (390,576) | (581,095) |
| | Net Premium | 2,255,651 | 2,532,291 |
| | 15% thereof | 338,348 | 379,844 |
| **TEST II** | Minimum paid up capital | 3,000,000 | 3,000,000 |
| | The highest thereof: | 3,000,000 | 3,000,000 |
| | **Deficit of solvency** | (6,125,119) | (5,877,631) |
| | **Solvency Ratio** | -104% | -96% |

The Company had a negative shareholders' fund of ₦3,901,836,000 as at 31 December 2014 which was significantly below the minimum regulatory capital of ₦5,000,000,000 required for composite insurance business and a shortfall in solvency margin of ₦6,125,119,000 as at 31 December 2014 for the general insurance business. See note 41 for the consequencies of non-compliance and efforts made by the Company to ensure compliance.

The negative shareholders fund for the life insurance business is ₦634,619,000 (31 December 2013: ₦502,898,000). See Note 41 for the Directors' plan to resolve the capital adequacy of the Company.

(c) **Operational Risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each unit. This responsibility is supported by the development of operational standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks and the adequacy of controls and procedures to address the risks
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with the Company's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

(d) **Financial risks**

The Company has exposure to the following risks from financial instruments:

Credit risks
Liquidity risks
Market risks

(e) **Credit risks**

Goldlink Insurance Plc seeks to ensure the establishment of principles, policies and processes and structure for the management of credit risk.

The credit risk appetite is in line with the Company's strategic objectives, available resources and the provisions of NAICOM Operational guidelines. In setting this appetite/tolerance limits, the corporate solvency level, risk capital and liquidity level, credit ratings, level of investments, reinsurance and coinsurance arrangements, and nature and categories of its clients, are taken into consideration.

The Company's credit risk tolerance includes the following:

- Credit limits shall not exceed 10% of the 3 years gross premium generated from each client.
- Individual broker's indebtedness, at the end of each financial year, shall not exceed the limit set by management at the beginning of that financial year.
- Unpaid Premiums shall not remain outstanding for more than a period of 1 month, after which this would serve as an objective indicator of impairment.
- Credit tolerance limit for Category A shall not exceed N50 million
- Credit tolerance limit for Category B shall not exceed N25 million
- Credit tolerance limit for Category C shall not exceed N15 million

Credit risk tolerance limits shall be updated from time to time, to reflect changes in the business and to comply with any changes in regulatory provisions.

The credit risk management governance structure comprises the board of directors, ERM committee, management risk committee, technical operations department, risk management department and the internal audit department.

The Board risk committee has the responsibility of ensuring that an appropriate, adequate and effective system of risk management and internal control which addresses credit control is established and maintained.

The Credit Risk Management process involves the identification, measurement, mitigation and control, monitoring and reporting credit risk.

The credit control unit identifies credit amongst other functions by assessing/evaluating the repayment capacity of clients/counterparties, credit policyholders, insurance brokers, etc. the evaluation entails the analysis of counterparties' financial statements cash flow, management experience and other client risk factors.

An internal credit rating is in place to measure the counterparty credit risk. All clients and counterparties that are to be granted credit shall be rated using the Company's risk-rating model. The risk-rating model comprises:

*Client/counterparty risk rating* : evaluates a client's ability to meet its credit obligations, through analysis of its financial statements, cash flow statement, management capabilities and other client related risk factors.

*Transaction risk rating:* defines the risk of a specific credit line by overlaying the counterparty risk rating with an analysis of factors such as credit structure and collaterals (e.g. guarantees, and equitable and legal mortgages).

The risk rating scale ranges from D to AAA, where D represents a credit of the lowest quality and AAA represents a credit of the highest quality.

The following risk mitigation and control activities are in place to effectively manage exposures to default risk: client evaluation, credit analysis, credit limit setting, credit approval, security management, and provision for impairment.

The quality and performance of credit portfolios is monitored to identify early signs of decline in credit quality. Such activities include the review of ageing report, credit portfolio quality and delinquency management.

A Company's credit risk policy sets out the assessment and determination of what constitutes credit risk for the company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed and for pertinence and for changes in the risk environment.

Net exposure limits are set for each counterparty or Company of counterparties, geographical and industry segment (i.e., limits are set for investments and cash deposits).

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

The Company sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.

The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The table below shows the maximum exposure to credit risk for the Company's financial assets. The maximum exposure is shown gross, before the effect of mitigation.

| *In thousands of Naira* | **31-Dec-14** | **31-Dec-13** |
|---|---|---|
| **Financial instruments** | | |
| Other receivables | 87,208 | 107,754 |
| Reinsurance assets | 376,180 | 446,172 |
| Trade receivables | 27,669 | 49,753 |
| Cash and cash equivalents | 70,975 | 349,665 |
| | 562,032 | 953,344 |

Trade receivables

The Company is exposed to this risk from its core business – outstanding premiums from clients. Trade receivables are short-term in nature consisting of a large number of policyholders and are subject to moderate credit risk. The Company categorizes its exposure to this risk on individual basis based on risks grade and ageing and periodically reviews trade receivable to ensure credit worthiness.

Credit risk exposure to direct business is relatively high as the bulk of the Company's underwriting is driven by business obtained from direct policyholders. However, the Company manages this risk by aggressively pursuing its debtors to ensure that the debts are recovered as and when due. The Company's exposure to credit risk arising from brokered business is relatively moderate and the risk is managed by the Company's internal rating model for brokers. Our credit risk internal rating model is guided by several weighted parameters which determine the categorization of brokers the Company transacts businesses with.

The Company focuses on effective management of its exposure to credit risk especially premium related debts. Credit risk arises from insurance cover granted to parties with payment instruments or payments plan issued by stating or implying the terms of contractual agreement.

Outlined below is the Company's exposure to credit risk arising from trade receivables

| *In thousands of Naira* | **31-Dec-14** | **31-Dec-13** |
|---|---|---|
| ***Gross Amount*** | | |
| Neither past due nor impaired | - | - |
| Past due but not impaired | 27,669 | 49,753 |
| Impaired | 656,806 | 660,853 |
| Total | 684,475 | 710,606 |
| **Impairment** | | |
| Neither past due nor impaired | - | - |
| Past due but not impaired | - | - |
| Impaired | 656,806 | 660,853 |
| Total | 656,806 | 660,853 |
| **Carrying Amount** | **27,669** | **49,753** |

***Credit Definitions***

*Impaired trade receivables*

Impaired trade receivables for which the Company determines that it is probable that it will be unable to collect the contractual payments according to the contractual terms of the agreement(s).

*Past due but not impaired trade receivables*

Trade receivables where contractual payments are past due (outstanding for more than 30 days) but the Company believes that impairment is not appropriate on the basis that the amounts owed have been received subsequently as at the Company's reporting

*Neither past due nor impaired*

Trade receivables where contractual payments are not due and that the Company believes are not impaired. They have been outstanding for less than 30 days.

*Allowances for impairment*

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on receivables subject to individual assessment for impairment.

**Reinsurance**

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

**Money market investments**

The Company's investment portfolio is exposed to credit risk through its fixed income and money market instruments. The Company further manages its exposure to credit risk through counterparty risk via established limits as approved by the Board. These limits are determined based on credit ratings of the counterparty amongst other factors. All fixed income investments are measured for performance on a quarterly basis and monitored by management on a monthly basis. The credit risk exposure associated with money market investments is low.

### Other receivables

Other receivables balances constitute other debtors, dividend and other assets. The Company has an internal system of assessing the credit quality of other receivables through established policies and approval systems. The Company constantly monitors its exposure to these receivables via periodic performance review. The Company further manages its exposure to credit risk through deduction of transactions at source and investment in blue-chip companies quoted on Nigerian Stock Exchange. The exposure to credit risk associated with other receivables is low.

(f) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries.

The Company's risk management department seeks to maintain an independent liquidity risk-reporting framework that consistently communicates liquidity risk information across the Company and ensures availability of timely information for liquidity management decisions.

The Company seeks to maintain a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

**Maturity profiles**

The table that follows summarises the maturity profile of the non–derivative financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual interest receivable.

**Residual contractual maturity of financial assets and liabilities**
**As at 31 December 2014**

| *In thousands of Naira* | Notes | Carrying value | Gross nominal inflow/outflow | 1-3 months | 3-6 months | 6-12 months | 1-5 years | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and cash equivalents | 5 | 70,975 | 70,975 | 70,975 | - | - | - | 70,975 |
| Available for sale financial assets: | | | | | | | | |
| Quoted equity securities | 6(a) | 40,713 | 40,713 | - | - | | 40,713 | 40,713 |
| Unquoted equity securities | 6(a) | 14,295 | 14,295 | - | - | - | 14,295 | 14,295 |
| Trade receivables | 7 | 27,669 | 684,475 | 27,669 | - | - | - | 27,669 |
| Other receivables | 10 | 87,208 | 357,525 | - | - | 87,208 | 270,317 | 357,525 |
| Reinsurance assets | 8 | 376,180 | 376,180 | 376,180 | - | - | - | 376,180 |
| | | 617,040 | 1,544,163 | 474,824 | - | 87,208 | 325,325 | 887,357 |
| **Liabilities** | | | | | | | | |
| Insurance contract liabilities | 14 | 1,847,894 | 1,847,894 | 1,329,017 | - | 518,877 | - | 1,847,894 |
| Investment contract liabilities | 15 | 1,285,057 | 1,285,057 | - | - | 1,082,794 | 202,263 | 1,285,057 |
| Trade payables | 16 | 102,776 | 102,776 | 102,776 | - | - | - | 102,776 |
| Other payables and accruals | 17 | 256,509 | 256,509 | 256,509 | - | - | - | 256,509 |
| | | 3,492,236 | 3,492,236 | 1,688,302 | - | 1,601,671 | 202,263 | 3,492,236 |
| Gap (assets-liabilities) | | (2,875,196) | (1,948,073) | (1,213,478) | - | (1,514,463) | 123,062 | (2,604,879) |

**Residual contractual maturity of financial assets and liabilities**
**As at 31 December 2013**

| In thousands of Naira | Notes | Carrying value | Gross nominal inflow/outflow | 1-3 months | 3-6 months | 6-12 months | 1-5 years | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and cash equivalents | 5 | 349,665 | 349,665 | 349,665 | - | - | - | 349,665 |
| Available for sale financial assets: | | | | | | | | |
| Quoted equity securities | 6(a) | 48,686 | - | - | - | 48,686 | - | 48,686 |
| Unquoted equity securities | 6(a) | 14,296 | - | - | - | - | 14,296 | 14,296 |
| Trade receivables | 7 | 49,753 | 49,753 | 49,753 | - | - | - | 49,753 |
| Other receivables | 10 | 107,754 | 378,071 | - | - | 107,754 | 270,317 | 378,071 |
| Reinsurance assets | 8 | 446,172 | 446,172 | 446,172 | - | - | - | 446,172 |
| | | 1,016,326 | 1,223,661 | 845,590 | - | 156,440 | 284,613 | 1,286,643 |
| **Liabilities** | | | | | | | | |
| Insurance contract liabilities | 14 | 1,806,222 | 1,806,222 | 1,806,222 | - | - | - | 1,806,222 |
| Investment contract liabilities | 15 | 1,082,794 | 1,082,794 | - | - | 930,960 | 151,834 | 1,082,794 |
| Borrowings | 18 | - | - | - | - | - | - | - |
| Trade payables | 16 | 260,400 | 260,400 | 260,400 | - | - | - | 260,400 |
| Other payables and accruals | 17 | 155,844 | 155,844 | 155,844 | - | - | - | 155,844 |
| | | 3,305,260 | 3,305,260 | 2,222,466 | - | 930,960 | 151,834 | 3,305,260 |
| Gap (assets-liabilities) | | (2,288,934) | (2,081,599) | (1,376,876) | - | (774,520) | 132,779 | (2,018,617) |

**(g) Market risks**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The Company’s enterprise risk management policy sets out the assessment and determination of what constitutes market risk . Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholder's liabilities and that assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.

**(h) Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
The Company's principal transactions are carried out in Naira and its exposure to foreign exchange risk arise primarily with respect to US dollar.

The Company’s financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities. The main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled.

The table below summarises the Company’s financial assets and liabilities by major currencies:

| **31 December 2014** *In thousands of Naira* | **Note** | **Naira (₦)** | **US Dollars (USD)** | **UK Pound Sterling (GBP)** | **Euro** | **Rand (ZAR)** | **Total** |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | | 55,882 | 15,093 | - | - | - | 70,975 |
| Available for sale: | | | | | | | |
| Quoted equity securities | 6(a) | 40,713 | - | - | - | - | 40,713 |
| Unquoted equity securities | 6(a) | 14,295 | - | - | - | - | 14,295 |
| Other receivables | | 87,208 | - | - | - | - | 87,208 |
| Trade receivables | 7 | 27,669 | - | - | - | - | 27,669 |
| Reinsurance assets | 8 | 376,180 | - | - | - | - | 376,180 |
| Total | | 601,947 | 15,093 | - | - | - | 617,040 |
| **Liabilities** | | | | | | | |
| Insurance contract liabilities | 14 | 1,847,894 | - | - | - | - | 1,847,894 |
| Investment contract liabilities | 15 | 1,285,057 | - | - | - | - | 1,285,057 |
| Trade payables | 16 | 102,776 | - | - | - | - | 102,776 |
| Other payables and accruals | 17 | 256,509 | - | - | - | - | 256,509 |
| Borrowings | 18 | - | - | - | - | - | - |
| Total | | 3,492,236 | - | - | - | - | 3,492,236 |

**Financial assets and liabilities by major currencies:**

| **31 December 2013**<br>*In thousands of Naira* | | **Naira (₦)** | **US Dollars (USD)** | **UK Pound Sterling (GBP)** | **Euro** | **Rand (ZAR)** | **Total** |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | | 222,036 | 127,629 | - | - | - | 349,665 |
| Available for sale: | | | | | | | |
| Quoted equity securities | 6(a) | 48,686 | - | - | - | - | 48,686 |
| Unquoted equity securities | 6(a) | 14,296 | - | - | - | - | 14,296 |
| Other receivables | | 107,754 | - | - | - | - | 107,754 |
| Trade receivables | 7 | 49,753 | - | - | - | - | 49,753 |
| Reinsurance assets | 8 | 446,172 | - | - | - | - | 446,172 |
| Total | | 888,697 | 127,629 | - | - | - | 1,016,326 |
| **Liabilities** | | | | | | | |
| Insurance contract liabilities | | 1,806,222 | - | - | - | - | 1,806,222 |
| Investment contract liabilities | 15 | 1,082,794 | - | - | - | - | 1,082,794 |
| Trade payables | 16 | 260,400 | - | - | - | - | 260,400 |
| Other payables and accruals | 17 | 155,844 | - | - | - | - | 155,844 |
| Borrowings | 18 | - | - | - | - | - | - |
| Total | | 3,305,260 | - | - | - | - | 3,305,260 |

(i) **Interest rate risks**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Exposure to this risk primarily results from timing differences in the repricing of assets and liabilities as they mature ( fixed rate instruments) or contractually repriced (floating rate instruments).

The Company monitors this exposure through periodic reviews of the assets and liability position. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance provisions are modeled and reviewed.

The overall objective of these strategies is to limit the net change in value of assets and liabilities arising from interest rate movements.

While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that such sensitivities are measurable then the interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products. The Company is also exposed to the risk of changes in future cash flows from fixed income securities arising from the changes in interest rates.

The Company's exposure to interest rate risk is moderately low. This has been made possible through its conservative investment approach with investment in money market instruments. The carrying amount of these financial instrument is a reasonable approximation of their fair value.

(j) **Sensitivity analysis on financial assets**

As part of the Company's investment strategy, in order to reduce both insurance and financial risk, the Company matches its investments to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets whose fair values are recorded in the income statement) and equity (that reflects adjustments to profit before tax and changes in fair value of financial assets whose fair values are recorded in the statement of changes in equity).

The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non–linear.

| | | **31-Dec-14** | **31-Dec-13** |
|---|---|---|---|
| | Change in variables | Impact on profit before tax | Impact on profit before tax |
| | | N'000 | N'000 |
| Exchange rate | 10% | 1,509 | 12,763 |
| Interest yield curve | +100 basis point | 619 | 741 |
| Exchange rate | -10% | (1,509) | (12,763) |
| Interest yield curve | +100 basis point | (619) | (741) |

(k) **Other market price risk**

The Company is exposed to equity price risk, which arises from available-for-sale equity securities. The management of the Company monitors the proportion of equity securities in its investment portfolio based on market indices. Material investment within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management committee. The primary goal of the Company's investment strategy is to maximize investment returns.

**Equity price risk sensitivity**

| | | | |
|---|---|---|---|
| **31-Dec-14** | | | |
| | Increased by 1% | Increased by 4% | Decreased by 4% |
| Impact on profit | 407 | 1,629 | (1,629) |
| | | | |
| **31-Dec-13** | | | |
| | Increased by 1% | Increased by 4% | Decreased by 4% |
| Impact on profit | 487 | 1,947 | (1,947) |

## 43 Fair values of financial assets and liabilities

Accounting classification, measurement basis and fair values

The table below sets out the Company's classification of each class of financial assets and liabilities and their fair values

**31-Dec-14**
***In thousands of Naira***

| | Notes | At fair value through P/L | Loans and receivables | Available for sale | Held to maturity | Other financial liabilities at amortised cost | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 5 | - | 70,975 | - | - | - | 70,975 | 70,975 |
| Financial assets | 6 | - | - | 40,713 | - | - | 40,713 | 40,713 |
| Trade receivables | 7 | - | 27,669 | - | - | - | 27,669 | 27,669 |
| Reinsurance assets | 8 | - | 376,180 | - | - | - | 376,180 | 376,180 |
| Other receivables | | - | 87,208 | - | - | - | 87,208 | 87,208 |
| Total | | - | 562,032 | 40,713 | - | - | 602,745 | 602,745 |
| **Liabilities** | | | | | | | | |
| Insurance contract liabilities | 14 | - | - | - | - | 1,847,894 | 1,847,894 | 1,847,894 |
| Investment contract liabilities | 15 | - | - | - | - | 1,285,057 | 1,285,057 | 1,285,057 |
| Trade payables | 16 | - | - | - | - | 102,776 | 102,776 | 102,776 |
| Other payables and accruals | 17 | - | - | - | - | 256,509 | 256,509 | 256,509 |
| Total | | - | - | - | - | 3,492,236 | 3,492,236 | 3,492,236 |

**31-Dec-13**
***In thousands of Naira***

| | Notes | At fair value through P/L | Loans and receivables | Available for sale | Held to maturity | Other financial liabilities at amortised cost | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | |
| Cash and cash equivalents | 5 | - | 349,665 | - | - | - | 349,665 | 349,665 |
| Financial assets | 6 | - | - | 48,686 | - | - | 48,686 | 48,686 |
| Trade receivables | 7 | - | 49,753 | - | - | - | 49,753 | 49,753 |
| Reinsurance assets | 8 | - | 446,172 | - | - | - | 446,172 | 446,172 |
| Other receivables | | - | 107,754 | - | - | - | 107,754 | 107,754 |
| Total | | - | 953,344 | 48,686 | - | - | 1,002,030 | 1,002,030 |
| **Liabilities** | | | | | | | | |
| Insurance contract liabilities | 14 | - | - | - | - | 1,806,222 | 1,806,222 | 1,806,222 |
| Investment contract liabilities | 15 | - | - | - | - | 1,082,794 | 1,082,794 | 1,082,794 |
| Borrowings | 18 | - | - | - | - | - | - | - |
| Trade payables | 16 | - | - | - | - | 260,400 | 260,400 | 260,400 |
| Other payables and accruals | 17 | - | - | - | - | 155,844 | 155,844 | 155,844 |
| Total | | - | - | - | - | 3,305,260 | 3,305,260 | 3,305,260 |

This does not include the Company's unquoted equity securities with a carrying amount of ₦14,295,000 (2013:₦14,295,000). Investments in unquoted equity financial instrument should be measured at fair value, however, where the fair value cannot be reliably estimated, it is carried at cost less impairment loss.

**44 Fair value of financial assets and liabilities not carried at fair value**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements (i.e., held to maturity and loans and receivables).

**Assets for which fair value approximates carrying value**

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value.

**Fixed rate financial instruments**

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

**Determination of fair value and fair value hierarchy**

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within level 1that are observable for the asset or liability, either directly or indirectly. These may include quoted prices for similar assets or liablities in active markets or quoted prices for identical or similar assets and liabilities in markets that are not active.

**Level 3:** Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of quoted equities have been determined using level 1 heirarchy.

**31 December 2014**

*(in thousands of Naira)*

| Asset Type | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equities securities- At fair value through profit or loss | - | - | - | - |
| Equities securities- Available for sale | 40,713 | - | - | 40,713 |
| Debt securities- At fair value through income | - | - | - | - |
| Other financial assets designated at fair value | - | - | - | - |
| **Total** | **40,713** | **-** | **-** | **40,713** |

**31 December 2013**

*(in thousands of naira)*

| Asset Type | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equities securities- At fair value through profit or loss | - | - | - | - |
| Equities securities- Available for sale | 48,686 | - | - | 48,686 |
| Debt securities- At fair value through income | - | - | - | - |
| Other financial assets designated at fair value | - | - | - | - |
| **Total** | **48,686** | **-** | **-** | **48,686** |

**Determination of fair value for instruments not measured at fair value**

The carrying amount of the financial assets and liabilities not measured at fair value approxiamates their fair value amounts.

**Fair value of unquoted equity financial instruments**

Investments in unquoted equity financial instrument should be measured at fair value, however, where the fair value cannot be reliably estimated, it is carried at cost less impairment loss.

**45 Insurance Risk**

The claims development history of the Company as at 31 December 2014 was as follows:

(a) Claims development tables

The claims development history of the Company is as follows:
*in thousands of Naira*

Motor

| Accident Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| 2007 | - | 126,632 | 3,769 | 1,684 | 460 | - | 7 | - |
| 2008 | 202,422 | 125,376 | 6,963 | 6,782 | 4,006 | 28 | 3,164 | - |
| 2009 | 199,737 | 126,076 | 9,593 | 3,528 | 218 | - | - | - |
| 2010 | 215,964 | 158,686 | 13,500 | 1,917 | 21 | - | - | - |
| 2011 | 197,034 | 126,498 | 6,786 | 18,884 | - | - | - | - |
| 2012 | 237,362 | 116,523 | 9,614 | - | - | - | - | - |
| 2013 | 170,497 | 86,636 | - | - | - | - | - | - |
| 2014 | 143,668 | - | - | - | - | - | - | - |

Table illustrates how claims paid relating to business written in each accident year.

Marine

| Accident Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| 2007 | - | 31,517 | 3,463 | 1,075 | 844 | - | - | - |
| 2008 | 2,986 | 12,666 | 4,201 | 235 | - | - | - | - |
| 2009 | 1,953 | 15,031 | 1,132 | 1,367 | - | - | - | - |
| 2010 | 9,330 | 16,781 | 1,139 | 2,694 | - | - | - | - |
| 2011 | 9,640 | 13,523 | 6,560 | 635 | - | - | - | - |
| 2012 | 2,052 | 13,067 | 1,781 | - | - | - | - | - |
| 2013 | 10,798 | 7,326 | - | - | - | - | - | - |
| 2014 | 19,229 | - | - | - | - | - | - | - |

General Accident

| **Accident Year** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** |
|---|---|---|---|---|---|---|---|---|
| 2007 | - | 51,466 | 34,895 | 7,463 | 4,154 | 987 | 1,407 | 871 |
| 2008 | 25,496 | 75,014 | 27,671 | 9,101 | 4,733 | 141 | 524 | - |
| 2009 | 34,297 | 63,128 | 32,026 | 14,579 | 1,232 | 534 | - | - |
| 2010 | 12,332 | 62,920 | 27,683 | 12,680 | 4,755 | - | - | - |
| 2011 | 43,003 | 86,692 | 21,353 | 4,447 | - | - | - | - |
| 2012 | 41,489 | 87,296 | 26,786 | - | - | - | - | - |
| 2013 | 48,608 | 58,424 | - | - | - | - | - | - |
| 2014 | 36,265 | - | - | - | - | - | - | - |

Fire

| **Accident Year** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** |
|---|---|---|---|---|---|---|---|---|
| 2007 | - | 52,074 | 8,354 | 32 | 335 | 649.00 | - | - |
| 2008 | 30,837 | 18,003 | 9,507 | 53 | 316 | - | - | - |
| 2009 | 12,040 | 20,006 | 11,840 | 309 | 292 | - | - | - |
| 2010 | 19,835 | 20,587 | 3,426 | 599 | 316 | - | - | - |
| 2011 | 18,731 | 38,190 | 8,631 | 506 | - | - | - | - |
| 2012 | 21,140 | 40,892 | 4,785 | - | - | - | - | - |
| 2013 | 45,627 | 39,263 | - | - | - | - | - | - |
| 2014 | 25,987 | - | - | - | - | - | - | - |

Engineering

| **Accident Year** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** |
|---|---|---|---|---|---|---|---|---|
| 2007 | - | 1,492 | 252 | 58 | 22 | - | - | - |
| 2008 | 3,308 | 10,964 | 1,161 | 9 | 23 | - | - | - |
| 2009 | 1,090 | 4,562 | 288 | 82 | 6 | 342 | - | - |
| 2010 | 3,663 | 6,877 | 6,245 | 13 | 508 | - | - | - |
| 2011 | 1,286 | 6,832 | 3,342 | 641 | - | - | - | - |
| 2012 | 6,977 | 18,637 | 2,296 | - | - | - | - | - |
| 2013 | 1,732 | 1,226 | - | - | - | - | - | - |
| 2014 | 5,168 | - | - | - | - | - | - | - |

**Cummulative Claims Development Pattern (Yearly Projections) (N)**

Motor

| Accident Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| 2007 | - | 126,632 | 130,402 | 132,086 | 132,546 | 132,546 | 132,553 | 132,553 |
| 2008 | 202,422 | 327,798 | 334,761 | 341,544 | 345,549 | 345,577 | 348,742 | 348,780 |
| 2009 | 199,737 | 325,814 | 335,406 | 338,934 | 339,153 | 339,153 | 339,753 | 339,753 |
| 2010 | 215,964 | 374,649 | 388,150 | 390,066 | 390,087 | 394,977 | 394,999 | 394,999 |
| 2011 | 197,034 | 323,532 | 330,319 | 332,202 | 351,611 | 351,611 | 351,631 | 351,631 |
| 2012 | 237,362 | 353,885 | 363,500 | 392,738 | 395,168 | 395,168 | 395,189 | 395,189 |
| 2013 | 170,497 | 257,133 | 327,969 | 333,017 | 335,077 | 335,077 | 335,095 | 335,095 |
| 2014 | 143,668 | 299,283 | 310,067 | 314,839 | 316,787 | 316,787 | 316,804 | 316,804 |

For instance; In 2008 the ultimate amount of claims incurred is N355.40million

Marine

| Accident Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| 2007 | - | 31,517 | 34,980 | 36,055 | 36,899 | 36,899 | 36,899 | 36,899 |
| 2008 | 2,986 | 15,653 | 19,854 | 20,089 | 20,089 | 20,089 | 20,089 | 20,099 |
| 2009 | 1,953 | 16,984 | 18,116 | 19,484 | 19,484 | 19,484 | 19,484 | 19,484 |
| 2010 | 9,330 | 26,111 | 27,250 | 29,944 | 29,944 | 30,195 | 30,195 | 30,195 |
| 2011 | 9,640 | 23,163 | 29,723 | 30,358 | 37,413 | 37,413 | 37,413 | 37,413 |
| 2012 | 2,052 | 15,119 | 16,901 | 28,065 | 28,229 | 28,229 | 28,229 | 28,229 |
| 2013 | 10,798 | 18,123 | 41,689 | 43,852 | 44,109 | 44,109 | 44,109 | 44,109 |
| 2014 | 19,229 | 44,097 | 52,940 | 55,686 | 56,012 | 56,012 | 56,012 | 56,012 |

General Accident

| Accident Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| 2007 | - | 51,466 | 86,361 | 93,824 | 97,978 | 98,965 | 100,372 | 101,244 |
| 2008 | 25,496 | 100,510 | 128,181 | 137,282 | 142,015 | 142,156 | 142,680 | 143,918 |
| 2009 | 34,297 | 97,426 | 129,452 | 144,031 | 145,263 | 145,797 | 147,102 | 148,379 |
| 2010 | 12,332 | 75,252 | 102,935 | 115,616 | 120,370 | 123,384 | 124,489 | 125,569 |
| 2011 | 43,003 | 129,696 | 151,049 | 155,496 | 161,891 | 165,944 | 167,430 | 168,883 |
| 2012 | 41,489 | 128,785 | 155,571 | 173,914 | 181,066 | 185,600 | 187,262 | 188,887 |
| 2013 | 48,608 | 107,032 | 144,312 | 161,327 | 167,962 | 172,167 | 173,708 | 175,216 |
| 2014 | 36,265 | 82,345 | 111,026 | 124,116 | 129,221 | 132,456 | 133,642 | 134,802 |

Fire

| Accident Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| 2007 | - | 52,074 | 60,427 | 60,459 | 60,794 | 61,443 | 61,443 | 61,443 |
| 2008 | 30,837 | 48,840 | 58,346 | 58,400 | 58,716 | 58,716 | 58,716 | 58,716 |
| 2009 | 12,040 | 32,046 | 43,886 | 44,195 | 44,487 | 44,487 | 45,386 | 45,386 |
| 2010 | 19,835 | 40,422 | 43,849 | 44,448 | 44,764 | 49,580 | 49,580 | 49,580 |
| 2011 | 18,731 | 56,921 | 65,552 | 66,057 | 89,739 | 89,739 | 89,739 | 89,739 |
| 2012 | 21,140 | 62,032 | 66,817 | 94,449 | 95,051 | 95,051 | 95,051 | 95,051 |
| 2013 | 45,627 | 84,890 | 110,787 | 111,600 | 112,312 | 112,312 | 112,312 | 112,312 |
| 2014 | 25,987 | 77,613 | 93,146 | 93,829 | 94,428 | 94,428 | 94,428 | 94,428 |

Engineering

| Accident Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| 2007 | - | 1,492 | 1,744 | 1,802 | 1,824 | 1,824 | 1,824 | 1,824 |
| 2008 | 3,308 | 14,272 | 15,433 | 15,441 | 15,465 | 15,465 | 15,465 | 15,465 |
| 2009 | 1,090 | 5,652 | 5,940 | 6,022 | 6,028 | 6,369 | 6,369 | 6,444 |
| 2010 | 3,663 | 10,539 | 16,785 | 16,798 | 17,305 | 17,911 | 17,911 | 17,911 |
| 2011 | 1,286 | 8,118 | 11,460 | 12,100 | 18,183 | 18,420 | 18,420 | 18,420 |
| 2012 | 6,977 | 25,614 | 27,910 | 29,471 | 30,486 | 30,882 | 30,882 | 30,882 |
| 2013 | 1,732 | 2,958 | 18,624 | 19,665 | 20,343 | 20,607 | 20,607 | 20,607 |
| 2014 | 5,168 | 13,897 | 20,876 | 22,043 | 22,802 | 23,099 | 23,099 | 23,099 |

**45.1 Life Insurance Contracts**

**Sensitivity analysis report for life insurance liabilities**

| N'000 | Base | VIR +1% | VIR -1% | Expenses +10% | Expenses -10% | Expense inflation +2% | Expense inflation -2% | Mortality +5% | Mortality -5% |
|---|---|---|---|---|---|---|---|---|---|
| Individual Traditional | 50,557 | 47,534 | 53,929 | 54,467 | 46,696 | 56,589 | 45,761 | 51,361 | 49,759 |
| Individual DA | 128,208 | 128,208 | 128,208 | 128,208 | 128,208 | 128,208 | 128,208 | 128,208 | 128,208 |
| Group DA | 1,156,848 | 1,156,848 | 1,156,848 | 1,156,848 | 1,156,848 | 1,156,848 | 1,156,848 | 1,156,848 | 1,156,848 |
| Group Life - UPR | 138,638 | 138,638 | 138,638 | 138,638 | 138,638 | 138,638 | 138,638 | 138,638 | 138,638 |
| Group Life - AURR | 25,617 | 25,617 | 25,617 | 25,617 | 25,617 | 25,617 | 25,617 | 25,617 | 25,617 |
| Group Life - IBNR | 381,067 | 381,067 | 381,067 | 381,067 | 381,067 | 381,067 | 381,067 | 381,067 | 381,067 |
| Additional Reserves | 739 | 736 | 743 | 789 | 690 | 745 | 734 | 751 | 728 |
| Reinsurance | (3,162) | (3,162) | (3,162) | (3,162) | (3,162) | (3,162) | (3,162) | (3,162) | (3,162) |
| **Net liability** | **1,878,512** | **1,875,486** | **1,881,888** | **1,882,472** | **1,874,601** | **1,884,550** | **1,873,711** | **1,879,328** | **1,877,702** |
| **% Change in net liability** | | **-0.16%** | **0.18%** | **0.21%** | **-0.20%** | **0.32%** | **-0.26%** | **0.04%** | **-0.04%** |

| Summary | Base | VIR +1% | VIR -1% | Expenses +10% | Expenses -10% | Expense inflation +2% | Expense inflation -2% | Mortality +5% | Mortality -5% |
|---|---|---|---|---|---|---|---|---|---|
| Individual | 179,505 | 176,478 | 182,881 | 183,465 | 175,594 | 185,543 | 174,704 | 180,321 | 178,695 |
| Group | 1,699,007 | 1,699,007 | 1,699,007 | 1,699,007 | 1,699,007 | 1,699,007 | 1,699,007 | 1,699,007 | 1,699,007 |
| **Net liability** | **1,878,512** | **1,875,485** | **1,881,888** | **1,882,472** | **1,874,601** | **1,884,550** | **1,873,711** | **1,879,328** | **1,877,702** |
| **% change in liability** | **-** | **-0.16%** | **0.18%** | **0.21%** | **-0.21%** | **0.32%** | **-0.26%** | **0.04%** | **-0.04%** |

The principal risk the Company faces under insurance contracts is that actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess of loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess of loss reinsurance vary by product line and territory.

The Company's underwriting risk appetite is defined based on underwriting objectives, business acceptance guidelines, retention guidelines, net retention capacity, annual treaty capacity, regulatory guidelines, other operational considerations and the judgement of the board and senior management.

Each year, as part of the planning process, the Risk Enterprise committee and senior management review the underwriting strategy of each core insurance businesses taking into account profit, growth and risk appetite considerations. The review is carried out for each major class of business and approved by the committee.

**45.2 General insurance contracts**

The Company principally issues the following types of general insurance contracts: motor, fire, marine, aviation, general accident, engineering and bonds.

Risks under general insurance policies usually cover a twelve month duration.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography.

Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events.

**Sensitivities**

The non–life insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear.

**Non life reserve sensitivity analysis**

| Class of Business | Base | 5% Loss Ratio | (-5%) Loss Ratio | 1%Inflation Rate | (-1)%Inflation Rate | 1%Discount Rate | (-1)%Discount Rate |
|---|---|---|---|---|---|---|---|
| Accident | 329,576,638 | 394,481,178 | 267,492,042 | 334,543,242 | 324,678,745 | 325,886,369 | 333,375,633 |
| Fire | 49,302,992 | 58,072,712 | 43,653,038 | 49,906,456 | 48,703,433 | 48,939,038 | 49,674,770 |
| Marine | 315,609,530 | 363,915,646 | 271,062,640 | 317,386,466 | 313,836,854 | 313,908,553 | 317,339,061 |
| Motor | 110,932,105 | 120,771,373 | 91,881,952 | 111,903,105 | 109,964,360 | 110,278,491 | 111,597,315 |
| Engineering | 309,590,774 | 412,435,895 | 233,748,933 | 312,598,614 | 306,590,372 | 307,938,624 | 311,270,634 |
| Bond & Indemnity | 1,060,200 | 1,631,030 | 1,007,190 | 1,060,200 | 1,060,200 | 1,060,200 | 1,060,200 |
| Aviation | 52,521,259 | 55,079,509 | 55,205,572 | 52,521,259 | 52,521,259 | 52,521,259 | 52,521,259 |
| Oil & Gas | 679,300,610 | 729,107,743 | 629,493,476 | 679,300,610 | 679,300,610 | 679,300,610 | 679,300,610 |
| **Total** | **1,847,894,108** | **2,135,495,087** | **1,593,544,844** | **1,859,219,953** | **1,836,655,833** | **1,839,833,143** | **1,856,139,481** |
| **Account Outstanding** | 1,329,017,380 | 1,329,017,380 | 1,329,017,380 | 1,329,017,380 | 1,329,017,380 | 1,329,017,380 | 1,329,017,380 |
| **IBNR** | 518,876,727 | 806,477,706 | 264,527,463 | 530,202,572 | 507,638,453 | 510,815,763 | 527,122,101 |
| Percentage Change | | **15.6%** | **-13.8%** | **0.6%** | **-0.6%** | **-0.4%** | **0.4%** |

The key assumptions to which the estimation of liabilities is particularly sensitive to are as follows:

 Methods adopted assume the future claims follow a regression pattern from the historical data.

Hence payment patterns will be broadly similar in each accident year. Thus the proportionate increase in the known cumulative payments from one development year to the next is used to calculate the expected cumulative payments for the future development periods.

 An implicit assumption of the chain ladder is that weighted past average inflation will remain unchanged in to the future.
 An assumption that gross claim amount includes all related claim expenses. If this is not the case, we will hold a separate reserve to cover claim expenses.
 The UPR is calculated on the assumption that risk will occur evenly during the duration of the policy.
 An assumed loss ratio of 20% for Oil & Gas and 30% for Bond and Aviation respectively,.

## 46 Asset and liability management

The principal technique of the Company's Asset and Liability Management (ALM) is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities. An integral part of the insurance risk management policy is to ensure, in each period, sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

### 46.1 Hypothecation

**31-Dec-14**

| *In thousands of Naira* | Note | **Insurance contract** | **Investment contract** | **Shareholders funds** | **Total** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 5 | - | 11,001 | 59,974 | 70,975 |
| Financial assets | 6 | 55,008 | - | - | 55,008 |
| Trade receivables | 7 | - | - | 27,669 | 27,669 |
| Reinsurance assets | 8 | 376,180 | - | - | 376,180 |
| Deferred acquisition cost | 9 | 84,095 | | - | 84,095 |
| Other receivables and prepayments | 10 | - | - | 95,279 | 95,279 |
| Property and equipment | 12 | - | - | 939,038 | 939,038 |
| Statutory deposit | 13 | - | - | 500,000 | 500,000 |
| **Total Assets** | | 515,283 | 11,001 | 1,621,960 | 2,148,244 |
| **Liabilities** | | | | | |
| Insurance contract liabilities | 14 | 3,645,171 | - | - | 3,645,171 |
| Investment contract liabilities | 15 | - | 1,285,057 | - | 1,285,057 |
| Trade payables | 16 | - | - | 102,776 | 102,776 |
| Other payables and accruals | 17 | - | - | 256,509 | 256,509 |
| Retirement benefit obligation | 18 | - | - | 313,628 | 313,628 |
| Current tax liabilities | 19 | - | - | 290,901 | 290,901 |
| Deferred tax liabilities | 20 | - | - | 156,038 | 156,038 |
| **Total Liabilities** | | 3,645,171 | 1,285,057 | 1,119,852 | 6,050,080 |
| (Deficit)/surplus | | (3,129,888) | (1,274,056) | 502,108 | (3,901,836) |
| Cummulative (deficit)/surplus | | (3,129,888) | (4,403,944) | (3,901,836) | (3,901,836) |

The Company is putting strategies in place to turnaround the deficit, via its recapitalisation plans.

**46.2 Hypothecation**
**31-Dec-13**

| *In thousands of Naira* | Note | **Insurance contract** | **Investment contract** | **Shareholders funds** | **Total** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | | - | 57,699 | 291,966 | 349,665 |
| Financial assets | 6 | 62,982 | - | - | 62,982 |
| Trade receivables | 7 | - | - | 49,753 | 49,753 |
| Reinsurance assets | 8 | 446,172 | - | - | 446,172 |
| Deferred acquisition cost | 9 | 107,036 | | - | 107,036 |
| Other receivables and prepayments | 10 | - | - | 116,930 | 116,930 |
| Intangible assets | 11 | - | - | 554 | 554 |
| Property and equipment | 12 | - | - | 976,348 | 976,348 |
| Statutory deposit | 13 | - | - | 500,000 | 500,000 |
| **Total Assets** | | 616,190 | 57,699 | 1,935,551 | 2,609,440 |
| **Liabilities** | | | | | |
| Insurance contract liabilities | 14 | 3,851,923 | - | - | 3,851,923 |
| Investment contract liabilities | 15 | - | 1,082,794 | - | 1,082,794 |
| Trade payables | 16 | - | - | 260,400 | 260,400 |
| Other payables and accruals | 17 | - | - | 155,844 | 155,844 |
| Borrowings | 18 | - | - | - | - |
| Retirement benefit obligation | 18 | - | - | 346,303 | 346,303 |
| Current tax liabilities | 19 | - | - | 291,146 | 291,146 |
| Deferred tax liabilities | 20 | - | - | 47,516 | 47,516 |
| **Total Liabilities** | | 3,851,923 | 1,082,794 | 1,101,209 | 6,035,926 |
| (Deficit)/surplus | | (3,235,733) | (1,025,095) | 834,342 | (3,426,486) |
| Cummulative (deficit)/surplus | | (3,235,733) | (4,260,828) | (3,426,486) | (3,426,486) |

**47 Operating segments**

For management purposes, the Company is organised into business units based on their products and services and has two reportable operating segments as follows:

**Life insurance segment**
The life insurance segment offers savings, protection products and other long-term contracts (both with and without insurance risk). It comprises a wide range of whole life, term assurance, guaranteed pensions, pure endowment pensions and mortgage endowment products. Revenue from this segment is derived primarily from insurance premium, fees and commission income and investment income.

**General insurance segment**
The general insurance segment comprises general insurance to individuals and businesses. General insurance products offered include motor, fire, marine, avaiation, Oil & gas, engineering, general accident and bond & indemnity insurance. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.

For inter segement transactions that occurs, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments.

**Segment Profit or Loss and Other Comprehensive Income as at 31 December 2014**

| | General Insurance | | Life Insurance | | Total | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| Gross premium written | 2,370,764 | 3,113,386 | 742,415 | 1,239,125 | 3,113,179 | 4,352,511 |
| Gross premium income | 2,646,227 | 3,151,827 | 1,091,024 | 821,256 | 3,737,251 | 3,973,083 |
| Reinsurance expense | (390,576) | (581,095) | (4,933) | (19,589) | (395,509) | (600,684) |
| Net premium income | 2,255,651 | 2,570,732 | 1,086,091 | 801,667 | 3,341,742 | 3,372,399 |
| Fees and commission income | 81,037 | 76,337 | 1,178 | 9,249 | 82,215 | 85,586 |
| Net underwriting income | 2,336,688 | 2,647,069 | 1,087,269 | 810,916 | 3,423,957 | 3,457,985 |
| Claims expense | (791,619) | (783,605) | (983,547) | (229,773) | (1,775,166) | (1,013,378) |
| Underwriting expense | (552,594) | (879,563) | (116,144) | (195,566) | (668,738) | (1,075,129) |
| Underwriting profit/(loss) | 992,475 | 983,900 | (12,422) | 385,577 | 980,053 | 1,369,477 |
| Investment and other operating income | 60,913 | 54,580 | 10,790 | 12,041 | 71,703 | 66,621 |
| Impairment (losses)/reversals | (62,945) | 80,294 | 66,993 | 21,741 | 4,048 | 102,274 |
| Management expenses | (1,256,925) | (1,168,311) | (139,526) | (128,290) | (1,396,451) | (1,296,601) |
| Loss on life investment contract | - | - | (74,005) | (61,677) | (74,005) | (61,677) |
| (Loss)/profit before tax | (266,482) | (49,537) | (148,169) | 229,392 | (414,652) | 180,094 |
| Income taxes | (117,851) | (139,770) | 3,296 | 28,185 | (114,555) | (111,586) |
| (Loss)/profit after taxation | (384,333) | (189,307) | (144,873) | 257,577 | (529,207) | 68,508 |
| **Other comprehensive income** | | | | | | |
| ***Items in other comprehensive income that may be reclassified subsequently to profit or loss*** | | | | | | |
| Fair value changes of available for sale financial assets | (7,973) | 3,938 | - | 1,749 | (7,973) | 5,686 |
| Fair value changes on property and equipment | 10,786 | (418,492) | 5,102 | (361,212) | 15,888 | (779,704) |
| Income tax effect | (3,236) | 136,053 | (1,531) | 117,430 | (4,767) | 253,483 |
| ***Items in other comprehensive income that may be reclassified subsequently to profit or loss*** | | | | | | |
| -Due to assumption | 26,239 | 10,093 | 3,392 | 1,748 | 29,631 | 11,841 |
| -Due to experience | 14,806 | (31,766) | 6,462 | (20,990) | 21,268 | (52,756) |
| -Income tax effect | (12,314) | 6,502 | (2,957) | 5,773 | (15,270) | 12,275 |
| **Total Comprehensive Income** | (356,025) | (482,980) | (144,873) | 259,326 | (490,430) | (480,667) |

| **Assets and liabilities** | **General Insurance** | | **Life Insurance** | | **Total** | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | | | | | | |
| Tangible segment assets | 1,605,519 | 1,999,777 | 1,865,890 | 1,794,284 | 3,471,409 | 3,794,061 |
| Charged to other segments | - | - | - | - | - | - |
| Total assets | 1,605,519 | 1,999,777 | 1,865,890 | 1,794,284 | 3,471,409 | 3,794,061 |
| Segment liabilities | 4,872,736 | 4,923,370 | 2,500,509 | 2,449,017 | 7,373,245 | 7,372,387 |
| Charged to other segments | - | - | - | - | - | - |
| Total liabilities | 4,872,736 | 4,923,370 | 2,500,509 | 2,449,017 | 7,373,245 | 7,372,387 |
| **Net assets** | (3,267,217) | (2,923,592) | (634,620) | (654,734) | (3,901,837) | (3,578,327) |

# Other financial information

## Value Added Statement

*(All amounts in thousands of Naira unless otherwise stated)*

| | 31-Dec-14 | % | 31-Dec-13 | % |
|---|---|---|---|---|
| Gross premium income (Local) | 3,737,251 | | 3,973,082 | |
| Investment income | | | | |
| - Local | 48,781 | | 59,460 | |
| - Foreign | - | | - | |
| Other income | | | | |
| - Local | 23,011 | | 7,214 | |
| - Foreign | - | | - | |
| Reinsurance, claims, commission & operating expenses | | | | |
| - Local | (3,409,936) | | (3,110,982) | |
| - Foreign | - | | - | |
| **Value added** | **399,107** | **100** | **928,774** | **100** |
| **Applied to pay:** | | | | |
| Employee benefit expense | 745,636 | 187 | 648,448 | 70 |
| Government as tax | 114,555 | 29 | 111,586 | 12 |
| **To providers of finance** | | | | - |
| To lenders | - | | - | - |
| **Retained in the business** | | | | - |
| Depreciation of property and equipment | 67,439 | 17 | 90,657 | 10 |
| Amortisation of intangible assets | 684 | 0 | 9,575 | 1 |
| To augment reserve | (529,207) | -133 | 68,508 | 7 |
| **Value added** | **399,107** | **100** | **928,774** | **100** |

***Other financial information***

## Financial Summary

*(All amounts in Naira thousands unless otherwise stated)*

| | 31-Dec-14 | 31-Dec-13 | 31-Dec-12 | 31-Dec-11 | 1-Jan-11 |
|---|---|---|---|---|---|
| Cash & cash equivalents | 70,975 | 349,665 | 308,783 | 415,854 | 306,797 |
| Financial assets | 55,008 | 62,982 | 57,294 | 43,960 | 923,923 |
| Trade receivables | 27,669 | 49,753 | 103,685 | 128,135 | 524,571 |
| Reinsurance assets | 376,180 | 446,172 | 583,149 | 632,347 | 501,218 |
| Deferred acquisition cost | 84,095 | 107,036 | 138,169 | 256,531 | 237,361 |
| Other receivables and prepayments | 95,279 | 116,930 | 89,888 | 47,594 | 223,446 |
| Intangible assets | - | 554 | 10,129 | 19,654 | 29,908 |
| Property, plant and equipment | 939,038 | 976,348 | 1,733,564 | 1,756,619 | 1,819,591 |
| Statutory deposits | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| **Total assets** | 2,148,244 | 2,609,440 | 3,524,661 | 3,800,694 | 5,066,815 |
| **Liabilities** | | | | | |
| Insurance contract liabilities | 3,645,171 | 3,851,923 | 3,944,869 | 3,760,838 | 3,349,892 |
| Investment contract liabilities | 1,285,057 | 1,082,794 | 930,960 | 784,383 | 619,141 |
| Trade payables | 102,776 | 260,400 | 191,703 | 112,107 | 44,493 |
| Other payables and accruals | 256,509 | 155,844 | 207,315 | 82,820 | 149,159 |
| Borrowings | - | - | 351,878 | 330,402 | 156,225 |
| Retirement benefit obligation | 313,628 | 346,303 | 255,169 | 247,337 | 211,020 |
| Current tax laibilities | 290,901 | 291,146 | 322,315 | 314,897 | 34,417 |
| Deferred tax liabilities | 156,038 | 47,516 | 258,769 | 258,769 | 306,019 |
| **Total liabilities** | 6,050,080 | 6,035,926 | 6,462,978 | 5,891,554 | 4,870,367 |
| **Capital and reserves** | | | | | |
| Issued and paid up share capital | 2,274,974 | 2,274,974 | 2,274,974 | 2,274,974 | 2,274,974 |
| Share premium | 2,663,798 | 2,663,798 | 2,663,798 | 2,663,798 | 2,663,798 |
| Contingency reserve | 1,482,547 | 1,404,000 | 1,288,369 | 1,135,867 | 1,039,697 |
| Retained earnings | (11,004,185) | (10,396,431) | (10,349,308) | (9,372,533) | (6,973,586) |
| Revaluation reserves | 686,754 | 675,823 | 1,202,044 | 1,202,044 | 1,202,044 |
| Available for sale reserve | 19,367 | 27,340 | 21,654 | 5,796 | (10,478) |
| Treasury shares | (47,350) | (47,350) | (39,850) | (805) | - |
| Actuarial reserves | 22,259 | (28,640) | - | - | - |
| **Total Equity** | (3,901,836) | (3,426,487) | (2,938,319) | (2,090,860) | 196,448 |
| **Total equity and liabilities** | 2,148,244 | 2,609,440 | 3,524,661 | 3,800,694 | 5,066,815 |

**STATEMENT OF COMPREHENSIVE INCOME**

| | 31-Dec-14 | 31-Dec-13 | 31-Dec-12 | 31-Dec-11 |
|---|---|---|---|---|
| Gross premium written | 3,113,179 | 4,352,511 | 5,403,884 | 3,937,670 |
| Premium earned | 3,737,251 | 3,973,082 | 5,565,913 | 4,509,114 |
| (Loss)/profit before taxation | (414,652) | 180,094 | (776,934) | (2,045,610) |
| Taxation | (114,555) | (111,586) | (47,338) | (257,167) |
| (Loss)/profit after taxation | (529,207) | 68,508 | (824,272) | (2,302,777) |
| Transfer to contingency reserve | 78,547 | 115,631 | 152,502 | 96,170 |
| Earnings per share (kobo) | (12) | 2 | (18) | (51) |

The financial information presented above reflects historical summaries based on International Financial Reporting Standards. Information related to prior periods has not been presented as it is based on a different financial reporting framework (Nigerian GAAP) and is therefore not directly comparable.

***Other financial information***

## General Business Statement of Financial Position

**For the year ended 31 December, 2014**

| | Note | 31-Dec-14 | 31-Dec-13 |
|---|---|---|---|
| *In thousands of Naira* | | | |
| **Assets** | | | |
| Cash and cash equivalents | 5 | 59,974 | 291,966 |
| Other financial assets | 6 | 29,983 | 37,955 |
| Trade receivables | 7 | 18,274 | 49,753 |
| Reinsurance assets | 8 | 366,884 | 417,625 |
| Deferred acquisition cost | 9 | 84,095 | 107,036 |
| Other receivables and prepayments | 10 | 54,571 | 72,172 |
| Intangible assets | 11 | - | 554 |
| Property, plant and equipment | 12 | 691,738 | 722,716 |
| Statutory deposits | 13 | 300,000 | 300,000 |
| **Total Assets** | | 1,605,519 | 1,999,778 |
| **Liabilities** | | | |
| Insurance contract liabilities | 14 | 2,572,329 | 2,806,120 |
| Trade payables | 16 | 77,849 | 216,521 |
| Other payables and accruals | 17 | 1,544,871 | 1,309,782 |
| Retirement benefit obligation | 18 | 263,243 | 286,662 |
| Current tax liabilities | 19 | 245,748 | 249,671 |
| Deferred tax liabilities | 21 | 168,696 | 54,614 |
| **Total Liabilities** | | 4,872,736 | 4,923,370 |
| **Capital and reserves** | | | |
| Issued and paid up share capital | 21 | 1,174,974 | 1,174,974 |
| Share premium | 21.2 | 1,679,666 | 1,679,666 |
| Contingency reserve | 21.3 | 1,373,474 | 1,302,353 |
| Retained earnings | 21.4 | (8,043,603) | (7,588,149) |
| Revaluation reserves | 21.5 | 562,567 | 554,932 |
| Available for sale reserve | 21.6 | 7,181 | 15,153 |
| Treasury shares | 21.7 | (47,350) | (47,350) |
| Actuarial reserves | 21.8 | 25,874 | (15,171) |
| **Shareholders funds** | | (3,267,217) | (2,923,592) |
| **Total equity and liabilities** | | 1,605,519 | 1,999,778 |

***Other financial information***

## General Business Statement of Comprehensive Income

**For the year ended 31 December 2014**

| *In thousands of Naira* | **Note** | **31-Dec-14** | **31-Dec-13** |
|---|---|---|---|
| Gross premium written | 22 | 2,370,765 | 3,113,386 |
| Gross premium income | 22 | 2,646,227 | 3,151,827 |
| Reinsurance expense | 24 | (390,576) | (581,095) |
| Net premium income | | 2,255,651 | 2,570,732 |
| Fees and commission income | 25 | 81,037 | 76,337 |
| Net underwriting income | | 2,336,688 | 2,647,069 |
| Claims expense | 26 | (791,619) | (783,605) |
| Underwriting expense | 27 | (552,594) | (879,563) |
| Underwriting profit | | 992,475 | 983,900 |
| Investment and other operating income | 28 | 60,913 | 54,580 |
| Management expense | 30(b) | (1,256,925) | (1,168,311) |
| Net impairment (losses)/reversals | 32(a) | (62,945) | 80,294 |
| (Loss)/profit before taxation | | (266,482) | (49,537) |
| Income taxes | | (117,851) | (139,770) |
| (Loss)/profit after taxation | | (384,333) | (189,307) |
| ***Items within other comprehensive income that may be reclassified to profit or loss*** | | | |
| Other comprehensive income | | | |
| Fair value changes on available for sale financial assets | | (7,973) | 3,938 |
| Fair value changes on property & equipment | | 10,786 | (418,492) |
| Income tax effect | | (3,236) | 136,053 |
| Transfer to profit or loss for impairment of available for sale financial assets | | - | - |
| Revaluation gain on land and building | | - | - |
| ***Items within other comprehensive income that will not be reclassified to profit or loss*** | | | |
| Actuarial gains/(losses) in defined benefit obligation liability | | | |
| -Due to assumption | | 26,239 | 10,093 |
| -Due to experience | | 14,806 | (31,766) |
| Income tax effect | | (12,314) | 6,502 |
| Other comprehensive income for the year, net of tax | | 28,308 | (293,673) |
| Total comprehensive income | | (356,025) | (482,980) |

***Other financial information***

## General Business Revenue Account

**For the year ended 31 December 2014**

| *In thousands of Naira* | Notes | MOTOR | FIRE | GEN. ACC. | MARINE | BOND | ENGINEERING | OIL & GAS | AVIATION | 2014 TOTAL | 2013 TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ₦ | ₦ | ₦ | ₦ | ₦ | ₦ | ₦ | ₦ | ₦ | ₦ |
| **INCOME** | | | | | | | | | | | |
| Direct Premiums | | 1,040,740 | 194,593 | 394,004 | 188,357 | 61,437 | 65,672 | 391,690 | 15,170 | 2,351,663 | 3,099,585 |
| Inward Reinsurance Premiums | | - | 13,367 | 2,088 | 221 | - | 3,426 | - | - | 19,102 | 13,802 |
| **Gross Written Premiums** | 22 | 1,040,740 | 207,960 | 396,092 | 188,578 | 61,437 | 69,098 | 391,690 | 15,170 | 2,370,765 | 3,113,387 |
| Less: (Increase)/ decrease in unearned premium | | 24,103 | 40,134 | 42,527 | 20,800 | 744 | 9,646 | 136,182 | 1,327 | 275,463 | 38,441 |
| **Gross Premiums income** | | 1,064,843 | 248,094 | 438,619 | 209,378 | 62,181 | 78,744 | 527,872 | 16,497 | 2,646,228 | 3,151,828 |
| Reinsurance Cost | 24 | (18,026) | (80,767) | (60,682) | (40,615) | (13,266) | (22,788) | (153,039) | (1,393) | (390,576) | (581,095) |
| **Net Premium earned** | | 1,046,817 | 167,327 | 377,937 | 168,763 | 48,915 | 55,956 | 374,833 | 15,104 | 2,255,652 | 2,570,733 |
| Commissions earned | 25 | - | 23,547 | 30,245 | 14,551 | 5,107 | 7,176 | - | 411 | 81,037 | 76,337 |
| **Total underwriting income** | | 1,046,817 | 190,874 | 408,182 | 183,314 | 54,022 | 63,132 | 374,833 | 15,515 | 2,336,689 | 2,647,070 |
| **EXPENSES** | | | | | | | | | | | |
| Gross Claims Paid | 26 | 273,242 | 160,634 | 168,147 | 33,305 | 1,875 | 14,368 | 125,360 | 218 | 777,149 | 890,678 |
| Increase/(decrease) in outstanding claims provision | 26 | 126,395 | (157,719) | (2,404) | 64,387 | (19,435) | (7,078) | (314,252) | 351,778 | 41,672 | (97,510) |
| **Gross Claims incurred** | | 399,637 | 2,915 | 165,743 | 97,692 | (17,560) | 7,290 | (188,892) | 351,996 | 818,821 | 793,168 |
| Less: Reinsurance claims recoveries/recoverable | 26 | 40,343 | (82,701) | (22,561) | 31,666 | (12,041) | 19,927 | - | (3,567) | (28,934) | (9,565) |
| **Net claims incurred** | | 439,980 | (79,786) | 143,182 | 129,358 | (29,601) | 27,217 | (188,892) | 348,429 | 789,887 | 783,603 |
| **Add: Underwriting expenses:** | | | | | | | | | | | |
| Acquisition expenses | 27.1 | 128,754 | 45,975 | 75,244 | 49,557 | 9,566 | 14,511 | 16,834 | 1,783 | 342,224 | 440,438 |
| Maintenance expenses: Handling charges | 27.2 | 39,144 | 7,822 | 14,898 | 7,093 | 2,311 | 2,599 | 14,732 | 571 | 89,169 | 254,713 |
| Marketing expenses | 27.2 | 38,691 | 7,731 | 14,725 | 7,011 | 2,284 | 2,569 | 14,562 | 564 | 88,137 | 150,220 |
| Other maintenance expenses | 27.2 | 14,515 | 2,900 | 5,524 | 2,630 | 857 | 964 | 5,463 | 212 | 33,064 | 34,192 |
| | | 221,104 | 64,429 | 110,391 | 66,291 | 15,018 | 20,642 | 51,591 | 3,129 | 552,594 | 879,563 |
| **Total expenses and claims incurred** | | 661,084 | (15,357) | 253,573 | 195,649 | (14,583) | 47,859 | (137,301) | 351,559 | 1,342,481 | 1,663,166 |
| **Underwriting profit/(loss)** | | 385,733 | 206,231 | 154,609 | (12,335) | 68,605 | 15,273 | 512,134 | (336,041) | 994,208 | 983,900 |

***Other financial information***

## Life Business Statement of Financial Position

**For the year ended 31 December, 2014**

| *In thousands of Naira* | Note | **31-Dec-14** | **31-Dec-13** |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 5 | 11,001 | 57,699 |
| Other financial assets | 6 | 25,025 | 25,025 |
| Trade receivables | 7 | 9,395 | - |
| Reinsurance assets | 8 | 9,296 | 28,547 |
| Other receivables and prepayments | 10 | 1,351,213 | 1,222,282 |
| Intangible assets | 11 | - | - |
| Property, plant and equipment | 12 | 247,300 | 253,632 |
| Deferred tax assets | 20 | 12,659 | 7,099 |
| Statutory deposits | 13 | 200,000 | 200,000 |
| **Total Assets** | | 1,865,890 | 1,794,284 |
| **Liabilities** | | | |
| Insurance contract liabilities | 14 | 1,072,842 | 1,045,804 |
| Investment contract liabilities | 15 | 1,285,057 | 1,082,794 |
| Trade payables | 16 | 24,927 | 43,884 |
| Other payables and accruals | 17 | 22,145 | 23,584 |
| Retirement benefit obligation | 18 | 50,385 | 59,641 |
| Current tax liabilities | 19 | 45,153 | 41,475 |
| Deferred tax liabilities | 20 | - | - |
| **Total Liabilities** | | 2,500,509 | 2,297,182 |
| **Capital and reserves** | | | |
| Issued and paid up share capital | 21 | 1,100,000 | 1,100,000 |
| Share premium | 21.2 | 984,132 | 984,132 |
| Contingency reserve | 21.3 | 109,073 | 101,649 |
| Retained earnings | 21.4 | (2,960,582) | (2,808,286) |
| Revaluation reserves | 21.5 | 124,187 | 120,890 |
| Available for sale reserve | 21.6 | 12,186 | 12,186 |
| Treasury shares | 21.7 | - | - |
| Actuarial reserves | 22.8 | (3,615) | (13,469) |
| **Shareholders funds** | | (634,619) | (502,898) |
| **Total equity and liabilities** | | 1,865,890 | 1,794,284 |

***Other financial information***

## Life Business Statement of Comprehensive Income

**For the year ended 31 December 2014**

| *In thousands of Naira* | **Note** | **31-Dec-14** | **31-Dec-13** |
|---|---|---|---|
| Gross premium written | 22 | 742,415 | 1,239,125 |
| Gross premium income | 22 | 1,091,024 | 821,256 |
| Reinsurance expense | 24 | (4,933) | (19,589) |
| Net premium income | | 1,086,091 | 801,667 |
| Fees and commission income | 25 | 1,178 | 9,249 |
| Net underwriting income | | 1,087,269 | 810,916 |
| Claims expense | 26 | (983,547) | (229,773) |
| Underwriting expense | 27 | (116,144) | (195,566) |
| Underwriting profit | | (12,422) | 385,577 |
| Investment and other operating income | 28 | 10,790 | 12,041 |
| Management expense | 30(b) | (139,526) | (128,290) |
| Net impairment (losses)/reversals | 32(b) | 66,993 | 21,741 |
| Loss on investment contracts | 15(b) | (74,005) | (61,677) |
| (Loss)/profit before taxation | | (148,169) | 229,392 |
| Income taxes | | 3,296 | 28,185 |
| (Loss)/profit after taxation | | (144,873) | 257,577 |
| ***Items within other comprehensive income that may be reclassified to profit or loss*** | | | |
| Other comprehensive income | | | |
| Fair value changes on available for sale financial assets | | - | 1,749 |
| Fair value changes on property & equipment | | 5,102 | (361,212) |
| Income tax effect | | (1,531) | 117,430 |
| Transfer to profit or loss for impairment of available for sale financial assets | | - | - |
| Revaluation gain on land and building | | - | - |
| ***Items within other comprehensive income that will not be reclassified to profit or loss*** | | | |
| Actuarial gains/(losses) in defined benefit obligation liability | | | |
| -Due to assumption | | 3,392 | 1,748 |
| -Due to experience | | 6,462 | (20,990) |
| -Income tax effect | | (2,956) | 5,773 |
| Other comprehensive income for the year, net of tax | | 10,468 | (255,502) |
| Total comprehensive income | | (134,405) | 2,075 |

***Other financial information***

## Life Business Revenue Account

**For the year ended 31 December 2014**

| *In thousands of Naira* | Note | **Individual Life** | **Group Life** | **2014 Total** | **2013 Total** |
|---|---|---|---|---|---|
| Income | | | | | |
| Direct premiums | | 49,024 | 708,192 | 757,216 | 1,258,339 |
| Less: (increase)/decrease in unearned premium | | (50,557) | (298,052) | (348,609) | 417,869 |
| Gross premium income | | 99,581 | 1,006,244 | 1,105,825 | 840,470 |
| Unbundling of life investment contracts | 22 | 14,801 | - | 14,801 | 19,214 |
| Reinsurance cost | | - | 4,933 | 4,933 | 19,589 |
| Premium retained | | 99,581 | 1,001,311 | 1,086,091 | 801,667 |
| Commission earned | | - | 1,178 | 1,178 | 9,249 |
| Total underwriting income | | 99,581 | 1,002,489 | 1,087,269 | 810,916 |
| **Expenses** | | | | | |
| Gross claims paid | | - | 588,033 | 588,033 | 603,464 |
| Surrenders | | 6,432 | - | 6,432 | 1,651 |
| Maturity claims | | 6,152 | - | 6,152 | 4,299 |
| Increase/(decrease) in outstanding claims | 26 | - | 375,648 | 375,648 | (374,866) |
| Gross claims incurred | | 12,584 | 963,681 | 976,265 | 234,548 |
| Reinsurance claims recoveries/recoverables | 26 | 471 | 6,811 | 7,282 | 4,775 |
| Net claims incurred | 26 | 13,055 | 956,870 | 983,547 | 229,773 |
| Acquisition expenses | 27.1 | 22,214 | 64,892 | 87,106 | 126,266 |
| Maintenance expenses: Handling expenses | 27.2 | 381 | 17,152 | 17,533 | 4,053 |
| Marketing expenses | 27.2 | 250 | 11,255 | 11,505 | 65,247 |
| Other maintenance expenses | 27.2 | - | - | - | - |
| Total expenses | | 35,901 | 1,050,169 | 1,099,691 | 425,339 |
| Underwriting result | | 63,680 | (47,680) | (12,422) | 385,578 |