Great Nigeria Insurance PLC

Consolidated and Separate Financial Statements for the year ended 31 December 2013 Together with Directors' and Auditor's Reports

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Certificate of incorporation number:	RC 2107
NAICOM license number:	RIC 014

Directors, officers and advisors

Mr. Olatokunbo Talabi	Chairman (Appointed 1st November 2013)
Mr. Segun Oloketuyi	Chairman (Retired 1st November 2013)
Mrs. Cecilia O. Osipitan	Managing Director/CEO
Mr. Rotimi Olukorede	Executive Director
Mrs. Roselyn Ulaeto	Executive Director
Mr. Bade Aluko	Non-Executive Director (Appointed 1st November 2013)
Mrs. Foluso Onabowale	Non-Executive Director (Appointed 1st November 2013)
Mr. James Kayode Naiyeju	Non-Executive Director (Appointed 1st November 2013)
Mr. Dapo Otunla	Non-Executive Director (Appointed 1st November 2013)
Mr. Felix Alaba Job	Non-Executive Director (Appointed 1st November 2013)
Alhaji Nurudeen Fagbenro	Non-Executive Director (Retired 1st November 2013)
Mr. Ademola Adebise	Non-Executive Director (Retired 1st November 2013)
Mr. George Imade	Non-Executive Director (Retired 1st November 2013)

Company secretary: Mrs Abiola Mosuro

Corporate head office :

Great Nigeria Insurance PLC
GNI Complex
8, Omo-Osagie Street
Off Awolowo Road
Ikoyi, Lagos
Telephone: +234 01 2670423, 01 7300015
Email: info@gniplc.com, info@greatnigeriaplc.com
Website: www.gniplc.com, www.greatnigeriaplc.com

Independent auditors:

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street,
Victoria Island,
Lagos
Telephone: +234 1 2718955, 2715899
Website: www.kpmg.com/ng

Registrars:

Wema Registrars Limited
30 Oba Akran Avenue
Ikeja
PMB 12964, Marina
Lagos
Telephone: +234 01 7732181, 702 838 0379

Bankers	Wema Bank PLC First Bank Nigeria PLC Skye Bank PLC Sterling Bank PLC Ecobank PLC Zenith Bank PLC United Bank for Africa PLC First City Monument Bank PLC Access BanK PLC Diamond Bank PLC Union Bank PLC Unity Bank PLC Finbank PLC Enterprise Bank Ltd Mainstreet Bank Ltd Barclays Bank Group, London
Re-insurers	Nigeria Reinsurance Company Africa Reinsurance Corporation Continental Reinsurance PLC
Consulting actuaries	HR Nigeria Limited 7th floor, AIICO Plaza Afribank street, Victoria Island Lagos Telephone: +234 1 2800917, 2800918, 4616768 FRC/NAS/00000000738
Estate surveyor and valuer:	Ubosi Eleh & Co. FRC/2013/NISEV/00000001493

Directors' Report

For the year ended 31 December 2013

The directors have pleasure in presenting their annual report on the affairs of Great Nigeria Insurance PLC ("the Company" or " GNI PLC") and subsidiary (the Group) together with the audited financial statements and the auditor's report for the year ended 31 December 2013.

Legal form and principal activity:

The Company was incorporated in Nigeria as a private limited liability company on 28th February 1960 as a wholly owned subsidiary of Odu'a Investment Company Limited, to transact insurance business as a composite insurer, until September 2005 when the Global Fleet Group bought the majority shares. With the divestment of the shares held by the Global Fleet Group and sale of substantial part of the holdings of Odu'a Investment Company Limited to Wema Assets Management Limited in September 2006, it became a member of the Wema Bank Plc Group. In line with the Central Bank of Nigeria (CBN) guidelines to banks in Nigeria, Wema Bank Plc divested from the Company effective November 2013 and sold its controlling shares to a consortium led by the management of the Company.

On 4 July 2013, the Company acquired 95% ordinary shares of GNI Healthcare Limited formally know as GAMMA Health Limited. GNI Healthcare Limited was incorporated as a private limited liability company on 24 July, 2002 and its principal activity involves provision of basic and supplemental health maintenance and treatment services.

The Group is principally engaged in the business of providing risk underwriting and related financial services to its customers. Such services include provision of life and non-life insurance services to both corporate and individual customers including provision of healthcare services.

The financial results of the subsidiary have been consolidated in these financial statements from the date that the Company started exercising control over the subsidiary.

Operating results:

The highlights of the Group's and Company's operating results for the year ended 31 December 2013 were as follows:

	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Gross premium written	3,147,970	3,143,420	2,881,139
Profit before minimum and income taxation	449,690	466,709	1,275,505
Minimum tax	(30.899)	(30.844)	(15.712)
Income tax	(431,483)	(431,483)	(356,694)
(Loss)/profit after taxation	(12,692)	4,382	903,099
Transfer to statutory contingency reserve	(62,239)	(62,239)	(180,620)
Transfer to retained earnings	(74,931)	(57,857)	722,479
Shareholders' funds	5,389,377	5,395,167	5,352,912
Basic/diluted (loss)/earnings per share (k)	(0.33)	0.11	23.60

Directors and their interests:
The directors who served during the year were as follows:

Name	Units of Ordinary Shares Held	Designation
Mr. Olatokunbo Talabi	-	Chairman (Appointed 1st November 2013)
Mr. Segun Oloketuyi	-	Chairman (Retired 1st November 2013)
Mrs. Cecilia O. Osipitan	10,000,000	Managing Director/CEO
Mr. Rotimi Olukorede	-	Executive Director
Mrs. Roselyn Ulaeto	-	Executive Director
Bade Aluko	-	Non-Executive Director (Appointed 1st November 2013)
Mrs. Foluso Onabowale	-	Non-Executive Director (Appointed 1st November 2013)
James Kayode Naiyeju	-	Non-Executive Director (Appointed 1st November 2013)
Dapo Otunla	-	Non-Executive Director (Appointed 1st November 2013)
Felix Alaba Job	-	Non-Executive Director (Appointed 1st November 2013)
Alhaji Nurudeen Fagbenro	-	Non-Executive Director (Retired 1st November 2013)
Mr. Ademola Adebise	-	Non-Executive Director (Retired 1st November 2013)
Mr. George Imade	-	Non-Executive Director (Retired 1st November 2013)

Changes of ownership

Due to Cenral Bank of Nigeria (CBN) guideline, the former majority shareholder, Wema Bank Plc holding 75% of the Company divested from the Company and sold its shares to Catholic archdiocese of Nigeria, Papyrus Investment Limited, Insurance resoucery and consultancy Limited and Lord's Favour Nigeria Limited via a consortium led by the management of the Company.

According to the register of memebers as at 31 December 2013, the fully paid-up shares of the Company were beneficially held as follows as:

Shareholders		% shareholding
Insurance Resourcery & Consultancy	906,348,538	24
Papyrus Investment Limited	892,952,339	23
Lord's Favour Nigeria Limited	714,208,772	19
Catholic Archdiocese of Ibadan	357,104,386	9
Odu'a Investment Company Limited	348,138,124	10
Others	608,733,221	15
Total	3,827,485,380	100

	2013			
Share range	**No of shareholders**	**Percentage of shareholders**	**No of holdings**	**Percentage of holdings**
1 - 1,000	1,577	29.44%	1,470,728	0.04%
1,001 - 5,000	2,118	39.54%	6,433,626	0.17%
5,001 - 10,000	640	11.95%	5,952,826	0.16%
10,001 - 50,000	545	10.18%	15,597,159	0.41%
50,001 - 100,000	147	2.74%	13,188,738	0.34%
100,001 - 500,000	205	3.83%	56,471,767	1.48%
500,001 - 1,000,000	53	0.99%	47,513,078	1.24%
1,000,001 - 5,000,000	46	0.86%	115,606,417	3.02%
5,000,001 - 10,000,000	11	0.21%	88,443,018	2.31%
10,000,001 - 500,000,000	13	0.24%	606,193,988	15.84%
500,000,001 - 4,000,000,000	1	0.02%	2,870,614,035	75.00%
Total	5,356	100%	3,827,485,380	100%

	2012			
Share range	**No of shareholders**	**Percentage of shareholders**	**No of holdings**	**Percentage of holdings**
1 - 1,000	1,554	28.70%	1,463,743	0.04%
1,001 - 5,000	2,117	39.51%	6,441,657	0.17%
5,001 - 10,000	637	11.93%	5,927,326	0.15%
10,001 - 50,000	550	10.30%	15,764,319	0.41%
50,001 - 100,000	155	2.94%	13,884,318	0.36%
100,001 - 500,000	215	3.97%	59,333,785	1.55%
500,001 - 1,000,000	63	1.16%	55,347,871	1.45%
1,000,001 - 50,000,000	73	1.41%	400,044,842	10.45%
50,000,001 - 100,000,000	2	0.04%	165,914,946	4.33%
200,000,001 - 400,000,000	1	0.02%	232,748,538	6.08%
400,000,001 - 4,000,000,000	1	0.02%	2,870,614,035	75.00%
Total	5,368	100%	3,827,485,380	100%

Acquisition of own shares:

The Company did not acquire any of its own shares during the year ended 31 December 2013 (2012: Nil).

Directors' interests in contracts:

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

Property, plant and equipment:

Information relating to changes in property, plant and equipment is given in Note 15 to the financial statements.

Donations and charitable gifts:

No donation (2012: Nil) was made to non-political and charitable organisations during the year.

Employment of disabled persons:

The Group operates a non-discriminatory policy in the consideration of applications for employment, including those received from disabled persons. The Group's policy is that the most qualified and experienced persons are recruited for appropriate job levels irrespective of an applicant's state of origin, ethnicity, religion or physical condition.

In the event of any employee becoming disabled in the course of employment, the Group is in a position to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. Currently, the Group has no persons on its staff list with physical disability.

Health, safety and welfare of employees:

The Group maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards.

Employee involvement and training:

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

Post balance sheet events:

There are no events after the reporting period which could have a material effect on the state of affairs of the Group as at 31 December 2013 and the profit for the year ended on that date that have not been adequately provided for and/or disclosed.

Auditors:

In line with the NAICOM Corporate Governance regulation with respect to audit firm rotation, Messrs KPMG Professional Services will no longer be seeking reappointment as auditors.

BY ORDER OF THE BOARD

Mrs. Abiola Mosuro
FRC/2012/NBA/00000000608
Company Secretary
GNI Complex
8, Omo-Osagie street off Awolowo Road
Ikoyi, Lagos
1 August 2014

Corporate governance report

Introduction

The Company was incorporated in Nigeria as a private limited liability company on February 28, 1960 as a wholly owned subsidiary of Odu'a Investment Company Limited, until September, 2005 when the Global Fleet Group bought the majority shares. With the divestment of the Global Fleet Group and sale of substantial part of the holdings of Odu'a Investment Company Limited to Wema Asset Management Limited in September, 2006 it became a member of Wema Bank Plc Group. During the year under review, there was Management Buy Out of the entire shares of Wema Asset Management Limited as a result of the directive from the Central Bank of Nigeria (CBN) that all banks should divest from all non core banking activities. Consequently the company ceases to be a member of Wema Bank Plc Group with effect from December 31, 2012. Currently, the major shareholders of the Company are:

- Insurance Resoucery & Consultancy Services limited
- Papyrus Investment Limited
- Lord's Favour Nigeria Limited
- The Registered Trustees Catholic Diocese of Ibadan
- Odu'a Investment Company Limited

In view of the changes in the core investors, the Board of Directors was reconstituted with the appointment of a new Chairman whilst the Managing Director/CEO and other Executive Directors retained their positions. The principal business activities of the company include the provision of risk underwriting and related financial services in life and non-life insurance services to both corporate and individual customers.

Vision

"To be the insurance company of choice for keeping promises to stakeholders"

Mission

"Giving you peace of mind by keeping our promises"

Business Philosophy

The company's business philosophy includes:

- Professionalism
- Passion for Customers
- Team Spirit
- Precision
- Empathy
- Innovation

Background of the assignment

In February 2009, the National Insurance Commission (NAICOM) and the Securities & Exchange Commission in January 2011 respectively issued a code of Good Corporate Governance for the Insurance Industry in Nigeria ("the NAICOM Code") and all public companies in Nigeria ("the SEC Code"), mandating them to perform an annual review/appraisal of their Boards of Directors by an external consultants to ensure excellent performance. In its commitment to good corporate governance best practices and the NAICOM and SEC Codes, the Board of Directors of GNI ("the Board") commissioned PROSEC Corporate & Business Services Limited ("PROSEC") to carry out Board Appraisal for the financial year ended December 31, 2013 having undertaken the assignment in the previous year.

Our assignment of evaluating the performance of the Board of Directors of the Company was based on Global Best Practices and in accordance with the provisions of the Codes of Corporate Governance. The assignment also involves both qualitative and quantitative assessments of the structure and composition, responsibilities, processes and relationships of the Board of Directors for the financial year ended December 31, 2013. Our report on the assignment is based on the spot assessment, examination, analysis and interpretation of relevant documents. The report is also based on the quantitative analysis of self assessment questionnaires and interviews with the Directors and top management. However, an indebt analysis could not be made because all the non-executive Directors were appointed very late in the year and participated in only one Board meeting during the year.

Board of Directors and Board Committees

The Board of Directors is responsible to the shareholders for creating and delivering sustainable shareholders' value through its oversight functions. The Board has a formal charter as required which covers policies regarding Board memberships and composition, Board procedures, conduct of directors, risk management, remuneration, Board evaluation and induction. The Board of Directors which was reconstituted late in the year consists of nine (9) members made up of six (6) Non-Executive and three (3) Executive Directors including the Managing Director/CEO. This is in line with international best practice, which stipulates the number of non-executive directors should be more than that of executive directors. The Chairman of the Board who is a non executive Director and Managing Director/CEO are separate individuals and the Chairman has no executive responsibilities in the Company in compliance with the Codes of Corporate Governance.

The Chairman leads the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. Non-Executive Directors have been operating in such a way that their executive independence has not been impaired. Non-executive Directors based on their breadth and depth of knowledge and experience are able to challenge, monitor and approve the strategic policies recommended by management.

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the company. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the Chief Executive Officer (CEO).

The Chairman acts as the communicator for Board decisions, where appropriate. The concept of separation of the role of the Chairman from that of the CEO implies that the Chairman should be independent from management and free from any interest and any business or other relationship that could interfere with the Chairman's independent judgement other than interests resulting from Company shareholdings and remuneration.

The Managing Director/CEO, ably assisted by the Executive Directors and other top management constitute the Executive Management Committee. The Committee is saddled with the responsibilities of the day to day management of the affairs of the Company in accordance with agreed laid down guidelines. The Executive Management Committee is responsible and accountable to the Board of Directors for the implementation of the resolutions of the Board including but not limited to the approved strategies and policies.

The Managing Director / CEO is responsible for leading the development and execution of the Company's long-term strategy with a view to creating sustainable shareholder value. The mandate of the CEO is to manage the day-to-day operations of the company and ensure that operations are consistent with the policies developed by the Board of Directors and are carried out effectively. The CEO's leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Company's long- and short-term plans. The CEO acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of the management. The CEO also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public.

The composition of the Board of Directors during the period under consideration is as follows:

Directors	Designation	Remark	Directors	Designation	Remark
Segun Oloketuyi	Chairman	Resigned	Arch Bishop F A Job	Non-Executive Director	Appointed
Nurudeen Fagbenro	Non-Exec. Director	Resigned	Foluso Onabowale	Non-Executive Director	Appointed
Ademola Adebise	Non-Exec. Director	Resigned	Dapo Otunla	Non-Executive Director	Appointed
George Imade	Non-Exec. Director	Resigned	Cecilia Osipitan	Managing Director/CEO	Retained
Olatokunbo Talabi	Chairman	Appointed	Rotimi Olukorede	Executive Director	Retained
James Naiyeju	Non-Exec. Director	Appointed	Roselyn Ulaeto	Executive Director	Retained
Bade Aluko	Non-Exec. Director	Appointed			

The existing Board Committees were reconstituted in line with the reconstituted Board of Directors as follows:

The names of the members of the Board and their committee membership after reconstitution are presented below:

Name of Director	Role	Committees				
		Governance	Finance & Investment	General Purpose	Risk Mgt & Compliance	Audit
Olatokunbo Talabi	Chairman	-	-	-	-	-
Cecilia Osipitan	Managing Director	-	Member	Member	Member	-
Rotimi Olukorede	Executive Director	-	Member	-	Member	-
Roselyn Ulaeto	Executive Director	-	-	Member	Member	-
James Naiyeju	Non-Exec. Director	Member	-	Chairman	-	Member
Bade Aluko	Non-Exec. Director	Member	Member	Member	Chairman	Member
Arch Bishop F A Job	Non-Exec. Director	Chairman	Member	Member	Member	-
Foluso Onabowale (Mrs)	Non-Exec. Director	Member	Chairman	Member	Member	Member
Dapo Otunla	Non-Exec. Director	-	Member	-	Member	-

Board of Directors Meetings' Attendance

Meetings held	1	2	3	4
Names	**24-May-13**	**5-Aug-13**	**1-Nov-13**	**3-Dec-13**
Segun Oloketuyi	√	√	√	X
Nurudeen Fagbenro	√	√	√	X
Ademola Adebise	√	√	√	X
George Imade	√	√	√	X
Olatokunbo Talabi	X	X	√	√
James Naiyeju	X	X	√	√
Bade Aluko	X	X	√	√
Arch Bishop F A Job	X	X	√	√
Foluso Onabowale	X	X	X	√
Dapo Otunla	X	X	√	√
Cecilia Osipitan	√	√	√	√
Rotimi Olukorede	√	√	√	√
Roselyn Ulaeto	√	X	√	√

Key:	√ - Present	X - Absent

Establishment & Governance Committee

The Committee which was constituted in the last quarter of 2012 financial year could meet only once in 2013. This is due to the restructuring of the Board of Directors of the Company as a result of divestment of the major shareholder, Wema Bank Plc in line with the directive of the Central Bank of Nigeria. The responsibilities of the Committee are follows:

- Reviewing the company's disclosure and insider trading policies and similar policies & practices as required:
- Assessing the effectiveness of the Board as a whole including any committee as well as discussing the contribution of individual members;
- Considering issues of management succession;
- Assessing the performance of the CEO;
- Periodically assessing the company's governance:
- Considering and approving proposals by the Board to engage outside advisors on behalf of the Board as a whole or on behalf of the independent directors of the Board;
- Proposing new nominees for appointment to the Board where applicable;
- Recommending to the Board resignation or removal of directors where their current or past conduct is or has been improper or liable to adversely affect the company or its reputation;
- Orientation new Directors and providing continuing education for existing directors.

Committee Meetings' attendance

Meetings held		1
Names		**Nov. 26, 2013**
James Kayode Naiyeju		√
Bade Aluko		√
Foluso Onabowale		X
Felix Alaba Job		X
Cecilia Osipitan (Mrs)		√
Roselyn Ulaeto (Mrs)		√

Key:	√ - Present	X - Absent

Risk Management & Compliance Committee

The Committee met only once during the year under review. This is equally due to the restructuring of the Board of Directors of the Company. The committee is responsible for the following:

- Review and approval of the company's risk management policy including risk appetite and risk strategy.
- Review the adequacy and effectiveness of the Company's risk management and controls.
- Oversight of management's process for the identification of significant risks across the company and the adequacy of prevention, detection and reporting mechanisms.
- Review the Company's risk management systems and internal control environment including the performance of the internal audit function.
- Review the Company's compliance with legal and regulatory requirements that may impact the company's risk profile.
- Periodic review the magnitude of all material business risks, the processes, procedures and controls in place to mitigate them.
- Review and recommend for approval of the board risk management procedures and controls for new products and services.
- Oversee the company's risk policy, risk appetite and risk limits as approved by the Board.
- Review the effectiveness of the Company's financial reporting and the statements to be made in the annual report concerning internal control policies and procedures for the identification, assessment and reporting of risks.
- Provide guidelines and standards for administering the acceptance of key operational, reputational, financial, market, technology and compliance risks.
- Undertake at least annually a thorough risk assessment covering all aspects of the company's business.
- Obtain and review periodically relevant reports to ensure the ongoing effectiveness of the company's risk management framework

Committee Meetings' attendance

Meetings held		1
Names		**Nov. 26, 2013**
Bade Aluko		√
Felix Alaba Job		X
Foluso Onabowale		X
Dapo Otunla		√
Cecilia Osipitan (Mrs)		√
Rotimi Olukorede		√
Roselyn Ulaeto (Mrs)		√
Key:	√ - Present	X - Absent

Finance & Investment Committee

The basic responsibilities of Finance & Investment Committee are:

- Review policies and strategies for financing of the Company's capital, including issuance and management of debt, common and preferred stock and such other capital instrument as the company shall consider or utilise.
- Provide oversight of the Company's financial condition, including their assets, capital, surplus and liabilities to ensure that the Company's assets, capital, surplus and liabilities are within the limits prescribed by the Board and the applicable law.
- Review policies and strategies for investing the Company's assets for investment return, including the purchase, sale and management of bonds, mortgages, investment in real estate, and such other investment instruments as the Company shall consider or utilize.
- Develop an investment strategy for the Company and each Subsidiary.
- Review and analyze possible investment opportunities for the Company and periodically to recommend potentially advantageous investments to the Board for approval in accordance with applicable law.
- Maintain a full record of each investment recommended to the Board and the rationale behind such recommendation, and to provide such record to the Board as applicable, for inclusion in the minutes and proceedings of the Board.
- Analyse and evaluate any market or industry trends or changes with respect to lines of business of the Company and to recommend potentially advantageous changes or modifications to such lines of business to the Board as applicable.
- Carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions.
- Carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time in relation to the purposes of the Committee.
- Have authority to retain external legal, accounting or other advisors as deemed appropriate in the performance of its duties, including the authority to approve the fees payable to such advisors and any other terms of engagement.
- Work through a subcommittee by delegation of any responsibility the Committee deemed appropriate to delegate at its discretion.
- Perform a review and evaluation, at least annually, of the performance of the Committee and its members, including reviewing the compliance of the Committee with this Charter.
- Review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary or valuable

Committee Meetings' attendance

Meetings held		1
Names		**Nov. 27, 2013**
Foluso Onabowale (Mrs)		√
Bade Aluko		√
Dapo Otunla		√
Felix Alaba Job		X
Cecilia Osipitan (Mrs)		√
Rotimi Olukorede		√
Key:	√ - Present	X - Absent

General Purpose Committee

The responsibilities of the committee are:

- Develop and recommend for Board policies and plans for employees' selection, recruitment, evaluation and succession.
- Develop and oversee policies and program for talent acquisition, deployment and development.
- Recommend to the Board salary and compensation levels including fringe benefits for all levels of staff.
- Review the company's operating performance relative to the bonus and incentive programmes.
- Ensure that Company's remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives while complying with the requirements of regulatory and governance bodies, satisfying the expectations of shareholders and remaining consistent with the expectations of the wider employee population.
- Assess the effectiveness of the Company's Remuneration Policy, including remuneration structure, retention and termination policies for staff.
- Review and make recommendations to the Board on the structure of remuneration paid by the Company to third parties.
- Recommend to the Board policies, the form and content of employees codes of conduct and ethical practices as well as monitoring the implementation, operation and effectiveness of such codes.
- Overseeing the investigation of any alleged breaches of the codes other than breaches regarding financial matters.
- Consult with and support the Audit Committee with respect to the establishment of (a) procedures for receipt, retention and treatment of complaints regarding the Company's accounting, internal controls and auditing matters; and (b) procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Receive any report or complaints concerning actual or threatened retaliatory actions against employees for filing complaints or making reports concerning violation of the company's code of conduct and ethical practices.
- Act and advise the Board on all matters of estate acquisition, development or disposal and the efficient utilisation of estate and other physical resources, in the delivery of the Company's strategies and mission.
- Review and make recommendations for appointment of service providers.
- Advise on all matters of health and safety and equality and diversity policy and procedure.
- Have oversight of the Company's major external operations including the administration of the Company's wholly-owned companies and the governance oversight of the Company's participation in associated major ventures.
- Review and approve consulting arrangements outside the scope of authority granted to the Managing Director/CEO.
- Periodically review and recommend revisions, as appropriate, to the Company's director orientation program.
- Monitor, plan and support the budget for continuing education activities of the directors.
- Conduct or authorise investigations into any matters within the committees' scope or responsibilities.
- Empowered to retain independent counsel, accountants and other professionals to assist in the conduct of any such investigation and to set and pay compensation of these advisors.
- Perform a review and evaluation, at least annually, of the performance of the Committee and its members, including reviewing the compliance of the Committee with this Charter.
- Perform other special and general assignments as may be delegated by the Board of Directors from time to time.
- Review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary or valuable.

Committee Meetings' attendance

Meetings held		1
Names		**26-Nov-13**
James K. Naiyeju		√
Bade Aluko		√
Felix Alaba Job		√
Foluso Onabowale (Mrs)		X
Cecilia Osipitan (Mrs)		√
Roselyne Ulaeto (Mrs)		√
Key:	√ - Present	X - Absent

Audit Committee

The committee was established in accordance with the Companies and Allied Matters Act of Nigeria (CAMA). The Committee consists of three shareholder representatives and three Non Executive Directors. All the members of the Committee are independent of the Company. The Committee's responsibilities as contained under section 359(6) of the Companies and Allied Matters Act include the following.

- Ascertaining whether the accounting and reporting policies of the company are in accordance with the legal requirements and agreed ethical practices
- Reviewing the scope and planning of audit requirements
- Reviewing the findings on management matters as reported by the external auditors and departmental responses thereon.
- Reviewing the effectiveness of the company's system of accounting and internal control
- Making recommendations to the Board in regards to the appointment, removal and remuneration of the external auditors of the company.
- Authorising the internal auditor to carry out investigations into any activities of the company which may be of interest or concern to the committee.

Committee Meetings' attendance

Meetings held	1	2	3
Names	Feb. 11, 2013	Aug. 5, 2013	Nov. 27, 2013
Adio Ademola Alexander	√	√	√
Christie Otusorochukwu	√	√	√
Bisi Bakare	√	√	√
J. K. Naiyeju	X	X	√
Foluso Onabowale (Mrs)	X	X	√
Bade Aluko	X	X	√

Key:	√ - Present	X - Absent

Shareholders

The annual General Meeting provides a unique opportunity to communicate with members and other stakeholders of the Company. They are given opportunities to express their opinion on the financials and state of affairs of the Company. The Board ensures the protection of the rights of the shareholders. The regulatory bodies such as Securities and Exchange Commission (SEC), The Nigerian Stock Exchange (NSE) and Corporate Affairs Commission (CAC) through their representatives also have opportunity of interacting with the Company and assessing its performance.

Conclusion

We observed that there have been tremendous improvements and achievements by the Board and Management in the area of corporate governance. When the present governance level is compared with the previous years and the industry compliance, the performance can be said to be above average. The required Board Committees, Board and Committee Charters as well as Whistle Blowing Policy have been put in place and are functioning. Attendance at Board and Committee meetings has improved. The commitment and dedication of the Management and staff of the Company to the implementation of Board policies on corporate governance are also noted and worthy of commendation. Considering the volatility of the operating environment and challenges in the financial services sector especially in the insurance industry, we are of the opinion that management has done well.

However, the Board and the Management should work toward achieving high level corporate governance best practices that will make the company a reference point in the industry.

William Biyi Fagorusi
FRC/2014/ICSAN/00000007379
PROSEC CORPORATE & BUSINESS SERVICES LIMITED

Report of the Audit Committee

For the year ended 31 December 2013

To the Members of **Great Nigeria 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 Great Nigeria 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 2013 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 to their recommendation for improvement and with the effectiveness of the Company's system of accounting and internal control.

SIGNED ON BEHALF OF THE COMMITTEE BY:

Ms.Christie. O Vincent
FRC/2013/ICAN/00000002666
1 August 2014

Members of the Audit Committee are:

1	Mr Adio Ademola Alexander	Chairman
2	Alhaji Nurudeen Fagbenro	Member (Retired 1st November 2013)
3	Mr. George Imade	Member (Retired 1st November 2013)
4	Mr. Ademola Adebise	Member (Retired 1st November 2013)
5	Mrs. Folusho Onabowale	Member (Appointed 1st November 2013)
6	Mr. James. K. Naiyeju	Member (Appointed 1st November 2013)
7	Mr Bade Aluko	Member (Appointed 1st November 2013)
8	Ms. Christie .O. Vincent	Member
9	Mrs Bisi Bakare	Member

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2013

The directors accept responsibility for the preparation of the financial statements set out on pages 17 to 107 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 assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE DIRECTORS BY:

Mr. Olatokunbo Talabi	Mrs. Cecilia O. Osipitan
Chairman	Managing Director/CEO
FRC/2014/IODN/00000008229	FRC/2012/CIIN/00000000596
1 August 2014	**1 August 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Members of **Great Nigeria Insurance PLC**

Report on the financial statements

We have audited the accompanying financial statements of **Great Nigeria Insurance PLC** ("the Company") and its subsidiary company (together "the Group"), which comprise the consolidated and separate statement of financial position as at 31 December, 2013, the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 17 to 107.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the 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 (CAMA), the Insurance Act of Nigeria 2013, relevant National Insurance Commission (NAICOM) guidelines and circulars and the Financial Reporting Council of Nigeria Act, 2011 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 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 the directors, as well as evaluating the overall presentation of the consolidated and separate 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 **Great Nigeria Insurance PLC** ("the Company") and its subsidiary (together "the Group") as at 31 December, 2013, and the Group and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Insurance Act of Nigeria 2003, relevant NAICOM guidelines and circulars and the Financial Reporting Council of Nigeria Act, 2011.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 49 to the financial statements which explains the plans by the Company to address the shortfall in its Solvency margin.

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 statement of profit or loss and other comprehensive income are in agreement with the books of accounts.

Compliance with the requirements of National Insurance Commission of Nigeria Guidelines

The Company paid penalties in respect of contraventions of the requirement of certain sections of the National Insurance Commission of Nigeria's Operational Guidelines 2011. The details of these contraventions and penalties paid are disclosed in note 46 to the financial statements.

Signed:

Akinyemi J. Ashade, ACA
FRC/2013/ICAN/00000000786
For: KPMG Professional Services
Chartered Accountants
3 October 2014
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 751525

Group information and statement of significant accounting policies
For the year ended 31 December 2013

1 Reporting Entity

Great Nigeria Insurance PLC ("the Company") underwrites life and non-life insurance risks, such as those associated with death, disability, health, property and liability. The Company also issues a diversified portfolio of investment contracts to provide its customers with asset management solutions for their savings and retirement needs. All these products are offered to both domestic and foreign markets. The Company does business in Nigeria. The Company is a limited liability company incorporated and domiciled in Nigeria. The address of its registered office is No 8 Omo Osagie Street, Ikoyi. Lagos. The Company is listed on the Nigerian Stock Exchange.

On 4th July 2013, the Company acquired 95% of the ordinary shares of GAMMA Health Limited. Further details of the acquisition are provided in Note 17.

These consolidated financial statements comprise the Company and its subsidiary (together referred to as "the Group"). The Group is primarily involved in the business of providing risk underwriting and related financial services to its customers. Such services include provision of life and non-life insurance services to both corporate and individual customers.

Going concern

These financial statements have been prepared using appropriate accounting policies, supported by reasonable judgments and estimates. The directors have a reasonable expectation, based on an appropriate assessment of a comprehensive range of factors, that the Group has adequate resources to continue as going concern for the foreseeable future.

2 Basis of Preparation

(a) ***Statement of compliance***

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements comply with the Companies and Allied Matters Act of Nigeria, Financial Reporting Council of Nigeria Act, the Insurance Act of Nigeria and relevant National Insurance Commission (NAICOM) guidelines and circulars.

The financial statements for the year ended 31 December 2013 were approved for issue by the Board of Directors on **1 August 2014**.

(b) ***Functional and presentation currency***

These consolidated and separate financial statements are presented in Nigerian Naira, which is the Group and Company's functional and presentation currency. Except as indicated, financial information presented in Naira has been rounded to the nearest thousand.

(c) ***Basis of measurement***

These consolidated and separate financial statements are prepared on the historical cost basis except for the following material items in the statement of financial position:

(i) Financial instruments designated at fair value through profit or loss are measured at fair value;
(ii) Available for sale financial instruments are measured at fair value;
(iii) Loans and receivables, held to maturity financial assets and financial liabilities are measured at amortised cost;
(iv) Land and building are carried at revalued amounts;
(v) Investment properties are carried at fair value;

These financial statements have being prepared on the going concern basis. The Group has no intension or need to reduce substantially its business operations.

(d) *Use of estimates and judgement*

The preparation of financial statements in conformity with IFRSs 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. 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 4 to the financial statements.

(e) *Regulatory authority and financial reporting*

The Group 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 3.30 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.

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 3.22(1)(b) on accounting policy for outstanding claims.

ii) Section 22(1a) which requires additional 25 percent of net premium to general reserve fund. See note 3.14(b) on accounting policy for unexpired risk and unearned premium.

f Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting polices as set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards, including any consequential amendments to the other standards, with a date of initial application of 1 January 2013.

(i) IFRS 13 Fair value measurement
(ii) Disclosures - Offsetting financial assets and financial liabilities (Amendment to IFRS 7)

(i) *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company, but the Company has included new disclosures in the financial statements, which are required under IFRS 13.

These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Company has provided the relevant comparative disclosures under those standards.

(ii) *Disclosures - Offsetting financial assets and financial liabilities (Amendment to IFRS 7)*

As a result of the amendments to IFRS 7, the Group has expanded disclosure about offsetting financial assets and financial liabilities.

3 Significant accounting policies

Significant accounting policies are defined as those that are reflective of significant judgements and uncertainties, and potentially give rise to different results under different assumptions and conditions.

Except for the changes explained in Note 2(f) above, the Group has consistently applied the following accounting policies to all periods presented in the financial statement.

3.1 Basis of Consolidation

(i) *Business combination*

Business combination are accounted for using the acquisition method as at the acquisition date-i.e. when control is transferred to the Group (see 3.1(iii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see 3.14(a)) Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent are recognised in profit or loss.

(ii) *Non-controlling interest*

Non-controlling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) *Subsidiaries*

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to. variable returns from its involvement with investee and has the ability to affect those returns through its power over the investee. The Group financial statements incorporates the assets ,liabilities and result of GNI healthcare Limited. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) *Loss of Control*

When the Group loses control over a subsidiary, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) *Transaction eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

(a) *Foreign currency translation*

Transactions in foreign currencies are translated into the respective functional currency of the Group at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated using the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of available for sale equity instruments are recognised in OCI.

3.3 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability. when calculating the effective interest rate, the group estimates future cash flow considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. transaction costs include incremental costs that are directly attributable to that acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of total comprehensive income include:

- Interest on financial asset and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on available-for-sale investment securities calculated on an effective interest basis;

Interest income and expense on all trading assets and liabilities are considered to be incidental to the group's trading operation and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

3.4 Commission

Commissions are recognized on ceding business to the re-insurer, and are credited to income statement over the period the service is provided.

3.5 Investment and other operating income

Investment income comprises interest income earned on short-term deposits, rental income and income earned on trading of securities including all realised and unrealised fair value changes, interest, 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. Fees and commissions that form part of an integral part of the effective yield of a financial instrument are recognised as an adjustment to the effective interest rate of the instrument. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument.

3.6 Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for quoted securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

3.7 Leases

(a) *Lease payments-lessee*

Payments made under operating leases are charged against income on a straight-line basis over the period of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(b) *Lease assets - lessee*

Assets held by the group under leases that are transfer to the Group substantially all of the risk and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the assets.

Assets held under leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(c) *Lease assets - lessor*

If the Group is the lessor in agreement that transfers substantially all of the risks and rewards incidental to ownership of the assets to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

3.8 Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit and loss except to the extent that it relates to items recognised directly in equity or in OCI.

(a) *Current tax*

"Current tax" comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(b) *Deferred taxation*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;

- temporary differences related to investments in subsidiaries to the extent that is probable that they will not reverse in the foreseeable future; and

- taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that its probable that future taxable profits will be available against which they can be used. 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.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment properties measured at fair value presumed to be recovered through sale, and the Group has not been rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets. and they relate to taxes levied by the same tax authority on the same taxable entity. or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.9 Financial assets and liabilities

(a) *Recognition*

The Group initially recognises loans and advances issued on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A finnacial assets or financial liability is measured at fair value plus, for an item not at fair value through profit or loss, transaction cost that are directly attributable to its acqusition or issue.

(b) *Classification*

(i) *Financial assets*

The group classifies its financial assets into the following categories

- loans and receivables;
- held to maturity;
- available-for-sale; and
- at fair value through profit or loss, and within this category as:
  - held for trading; or
  - designated at fair value through profit or loss.

(ii) *Financial liabilities*

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

(c) *Derecognition*

(i) *Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial

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 derecognised), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(ii) *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or

(d) Offsetting

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

Income and expenses are presented on a net basis only when permitted by under IFRS, or for gains and losses arising from a group of similar transactions.

(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 method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(f) Fair value measurement

Policy applicable from 1 January 2013

'Fair value' 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non performance risk.

When available, the Group measures the fair value of an instrument using the 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 Group 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 Group 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 a 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 Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transaction in the same instrument (without modification or repackaging) or based on a valuation technique whose variable include only data from observable market, then the difference is recognised in profit or loss on initial recognition of the instrument. In order cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. Where the Group has position with offsetting risk, mid market prices are used to measure the offsetting risk position and a bid or ask price adjustment is applied only to the net open position as appropriate.

(g) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired includes:
- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- restructuring of a loan or advance by the Group on terms that the Group would not otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security, or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment. In respect of equity securities that are quoted. the Company is guided by the following:
-a decline in excess of 20% is generally regarded as significant and
-a decline in quoted price that persists for nine months is considered to be prolonged

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security in OCI.

The Group writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Group determines that there is no realistic prospect of recovery.

(h) ***Trade receivables***

Trade receivables arising from insurance contracts represent premium receivable with determinable payments that are not quoted in an active market and the Company has no intention to sell. Premium receivables are those for which credit notes issued by brokers are within 31days, in conformity with the "NO PREMIUM NO COVER" policy.

3.10 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central bank and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

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

3.11 Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as either held for trading, held-to-maturity, fair value through profit or loss or available-for-sale.

(a) ***Held to Maturity***

Held to maturity investments are non-derivatives assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. and which are not designated as at fair value through profit or loss or as available for sale.

Held to maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held to maturity investments would result in the reclassification as available for sale, and would prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassification in any of the following circumstances would not trigger a reclassification.
-sales or reclassification that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassification after the Group has collected substantially all of the assets original principal; and
- sales or reclassification that are attributable to non-recurring isolated events beyond the Group's control that could not have reasonably anticipated.

(b) ***Fair value through profit or loss***

The Group designates some investments securities at fair value, with fair value changes recognised immediately in profit or loss.

(c) *Available-for-sale*

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in other comprehensive income and presented in the fair value reserve within equity. When the investment is sold, the cumulative gains and loses previously recognised in equity are reclassified to profit or loss.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it would otherwise have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

3.12 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production of goods and services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in profit or loss. Fair values are determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location.

In an active market, an independent valuer, holding a recognized and relevant professional qualification and with recent experience in the location and category of investment property being valued, values the portfolio annually. Any gain and loss arising from a change in the fair value is recognized in the statement of comprehensive income.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent measurement.

3.13 Property, plant and equipment

(a) *Recognition & measurement*

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(b) *Subsequent costs*

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Ongoing repairs and maintenance are recognised in profit or loss as incurred.

(c) *Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value using the straight-line method over the estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of significant items of property, plant and equipment are as follows:

Leasehold land	-	over the lease period
Buildings	-	2.5%
Furniture and Equipment	-	12.5%
Computer hardware	-	33.3%
Furniture and fittings	-	12.5%
Motor vehicles	-	25.0%
Generating Set	-	33.3%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value less costs to sell or the value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amount. Gains and losses are included in the profit and loss account for the period.

(d) *De-recognition*

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

3.14 Intangible assets

(a) *Goodwill*

Goodwill that arises on the acquisition of subsidiaries is presented with intangible asset. For the measurement of goodwill at initial recognition, see ((3.1)(i)). Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

(b) *Purchased software*

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. 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 three years. This is reassessed annually.

3.15 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. 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 are recognised in profit or loss. For other assets, 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.

3.16 Reinsurance assets

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. The details of recognition and measurement of reinsurance contracts have been set out under note 3.21 (b)(iii).

3.17 Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the origination of insurance contracts. Deferred acquisition costs represent a portion of commission which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying the ratio of unearned premium to written premium.

3.18 Segment reporting

Segment results that are reported to the Group's Board of Directors (being the chief operating decision maker) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.19 Prepayments

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

3.20 Statutory deposit

These deposits represent bank balances required by the insurance regulators of the Group to be placed with relevant central banks of Group's operating jurisdictions. Statutory deposit represents 10% of the paid up capital of the Group deposited with the Central Bank of Nigeria (CBN) in pursuant to Section 10(3) of the Insurance Act, 2003. Statutory deposit is measured at cost and interest income on it is measured using the effective interest rate method.

3.21 Classification of insurance contracts

The Group issues contracts that transfer insurance risk.

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

(a) Types of insurance contracts

The Group 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 Group'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 Group'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 Group'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 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.

(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 Group 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 Group from its direct obligations to its policyholders.

Premium ceded, claims reimbursed and commission recovered are presented in the income statement and balance sheet separately from the gross amounts.

Reinsurance assets represent balances due from reinsurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts. Amounts payable are estimated in a manner consistent with the Reinsurance recoverable 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 Group 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 Group may not be able to recover all amounts due and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

(iv) *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 Group'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 recoverable are recognized when the Group 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.

(v) *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.

(vi) *Liabilities and related assets under liability adequacy test*

The net 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 Group recognizes the deficiency in the income statement for the year. The liability adequacy test is performed yearly by HR Nigeria Limited.

(vii) *Salvages*

Some non-life insurance contracts permit the Group to sell (usually damaged) property acquired in the process of settling a claim. The Group 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.

(viii) *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 Group has the right to receive future cash flow from the third party.

3.22 Insurance contract liabilities

The recognition and measurement of insurance contracts have been set out under note 3.21b of the accounting policies. Insurance contract liabilities are determined as follows:

I *Non-life business*

(a) *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.

(b) *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.

(i) *Reserving methodology and assumptions*

For non-life insurance risks, the Group uses different methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the Discounted Inflation-adjusted 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 additional claims. Large claims were projected separately as they can significantly distort patterns. Where there was insufficient claim data, large and additional claims were projected together as removing large claims would reduce the volume of data in the triangles and compromise the credibility.

(ii) *Discounted inflation-adjusted basic chain ladder method*

Historical claims paid were grouped into 6 years cohorts – representing when they were paid after their underwriting year. These cohorts are called claim development years and the patterns for 6 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 12% 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.

(iii) *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 seven (7) years and hence the method assumes no more claims will be paid subsequently.
- That weighted past average inflation will remain unchanged into the future.

(iv) *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%, where loss ratio is defined as claims incurred divided by earned premiums. Outstanding claims is stated as amount estimated less paid claims.

(II) ***Life business***

(a) *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.

(b) *Reserves for outstanding claims*

See 3.22(I)(b)

3.23 Recognition and measurement of investment contracts

Investment contracts and the related receipts and payments are accounted in the balance sheet in line with the accounting policies for financial instruments stated in note 3.9 The deposit liability recognized in the balance sheet represents the amounts payable to the holders of the investment contracts gross of allocated investment

3.24 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year discounting is omitted.

3.25 Provisions

A provision is recognized if, as a result of a past event, the Group 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.

3.26 Borrowing and finance costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred, except for those that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of that asset.

3.27 Employee benefits

(a) *Defined contribution plans*

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company operates a defined contribution pension scheme. This scheme was started post 2004. Employees are entitled to join the scheme on commencement of employment. Employee and the Company contributions are 7.5% each of the employee's annual basic salary, housing and transport allowance respectively. Employee contributions are funded through payroll deductions while the Company's contribution is expensed in profit or loss. Contributions under this scheme are remitted to the individual employee's pension fund administrator.

(b) *Defined benefit plans*

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. to calculate the present value of economic benefits, consideration is given to any applicable minimum funding arrangements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(c) *Other long-term employee benefits*

The Group`s net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group`s obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(d) *Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(e) *Short-term employee benefits*

Short-term employee benefits expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group 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

3.28 Share capital and reserves

Share capital

The Group classifies ordinary shares and share premium as equity when there is no obligation to transfer cash or other assets.

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

3.29 Asset revaluation reserve

Assets revaluation reserves represents the fair value differences on the revaluation of items of property, plant and equipment as at the balance sheet date.

3.30 Contingency reserves

The Group 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.

3.31 Earnings per share

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Group by the number of shares outstanding during the year.

3.32 Underwriting expenses

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses, proportion of staff cost and insurance supervision levy.

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.

3.33 Management expenses

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

3.34 Employee Benefit expenses

Employee benefit expenses are expenses that relate to staff costs. See note 3.19 for accounting policy on employee benefits.

3.35 Dividends

Dividend distribution to the Group's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders. Dividends that are proposed but not yet declared are disclosed in the notes to the financial statements.

3.36 Actuarial valuation

Actuarial valuation of the life fund is conducted annually to determine the liabilities on the existing policies and the adequacy of the assets representing the insurance fund as at the date of valuation. All surpluses and deficits arising therefrom are charged to the income statements.

3.37 New and amended standards and interpretations

A number of new standards, amendment to standards and interpretation are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing the financial statements. Those which may be relevant to the Company are set out below.

The Company does not plan to adopt these standards early. However, the Company is still evaluating the potential effect of the new standards.

Effective for the financial year commencing 1 January 2018

- IFRS 9 *Financial Instruments*

Effective for the financial year commencing 1 January 2017

- IFRS 15 *Revenue from contracts with customers*

Effective for the financial year commencing 1 January 2014

- IAS 32 *Offsetting Financial Assets and Financial Liabilities*
- *Recoverable Amount Disclosures for Non-Financial Assets*
- *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39)
- IFRIC 21 *Levies*

All Standards and Interpretations will be adopted at their effective date.

(i) IFRS 9 Financial Instruments: Classification and Measurement (2010 and 2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The effective date of IFRS 9 is 1 January 2018. The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised and impairment and macro-hedge accounting guidance is still outstanding.

The Company has started the process of evaluating the potential effect of this standard but is awaiting finalization of the limited amendments before the evaluation can be completed. Given the nature of the Company's operations, this standard is not expected to have a pervasive impact on the Company's financial

(ii) Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted.

The Company is still evaluating the potential effect of the amendments to IAS 32.

(iii) IFRIC 21 Levies

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have a material effect on the Company's financial statements.

(iv) IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

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.

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.

The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS.

(v) IAS 36 (amendments)- Recoverable amount disclosures for non- financial assets

The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2014 with early adoption permitted.

(vi) IAS 39 (amendments)- Financial Instruments: Recognition and Measurement

IAS 39 Financial Instruments: Recognition and Measurement requires an entity to discontinue hedge accounting if the derivative hedging instrument is novated to a clearing counterparty, unless the hedging instrument is being replaced as part of the entity's original documented hedging strategy.

The amendments add a limited exception to IAS 39, to provide relief from discounting an existing hedging relationship, when a novation was not contemplated in the original hedging documentation meets specific criteria. The Company has several hedging instruments that have will be novated to a new clearing counterparty as a result of law. This amendment will result in the Company being able to continue hedge accounting with these hedging instruments, where previously it was required to discontinue hedge accounting. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014 with early adoption permitted.

4 Critical accounting estimates and judgement.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is one of the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

The ultimate cost of outstanding claims is estimated by using a standard actuarial claims projection techniques called the Basic Chain Ladder (BCL).

The main assumption underlying these technique is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, this method extrapolates the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years and the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims, inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(b) Impairment of available-for-sale equity financial assets

The Group determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

The Group's available-for-sale equity financial assets were assessed for impairment during the year and having identified objective evidence of impairment, some of the unquoted investments were impaired.

(c) Fair value of financial instruments

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3(f) of the accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the requirements.

- Level 1: Quoted market price in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them.

All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. See note 54 for summary of fair value classification of the Group's financial asset.

(d) 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.

The Group's investment in unquoted equity financial instrument could not be fair valued as there were no observable data for which the entity could be fair valued, the carrying amount was based on cost. The investment is tested for impairment by comparing the cost of investment with the share of net assets in the investee Group. Other factors such as whether the Group is making profits from its operations and returns on the investment in form of dividend received are also considered.

(e) Liabilities arising from insurance contracts

Liabilities for unpaid claims are estimated on case by case basis. The reserves made for claims fluctuate based on the nature and severity of the claim reported. Claims incurred but not reported are determined using statistical analyses and the Group deem the reserves as adequate.

(f) Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

(g) Determination of impairment of property, plant and equipment, and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

(h) Income taxes

The Group is subject to income taxes in the local jurisdiction. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(i) Sensitivity analysis

The sensitivity analysis reflects the impact, on profit or loss and equity, of changes in the relevant risk variables that are reasonably possible at the reporting date.

Consolidated and Separate Statement of Financial Position
As at 31 December 2013

In thousands of Naira	Notes	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Assets				
Cash and cash equivalents	5	2,128,957	2,020,907	1,531,163
Financial assets	6	948,300	948,300	491,573
Trade receivables	7	143,663	143,663	252,999
Reinsurance assets	8	454,821	454,821	184,801
Deferred acquisition cost	9	146,204	146,204	54,568
Finance lease receivable	10	178,623	178,623	104,708
Other receivables and prepayments	11	194,448	225,452	177,598
Investment in subsidiary	12	-	225,000	-
Investment properties	13	4,380,865	4,380,865	4,175,330
Deferred tax assets	25	-	-	157,964
Intangible assets	14	162,252	132,252	3,952
Property, plant and equipment	15	818,762	700,091	773,559
Statutory deposit	16	500,000	500,000	524,187
Total assets		10,056,895	10,056,178	8,432,402
Liabilities				
Insurance contract liabilities	18	2,781,599	2,781,599	1,823,405
Investment contract liabilities	19	648,849	648,849	552,192
Trade payables	20	49,525	49,525	91,433
Gratuity Payable	21	17,040	17,040	21,852
Provisions and other payables	22	531,152	527,393	338,116
Borrowings	23	43,823	43,823	72,007
Finance lease obligations	24	108,927	108,927	-
Deferred tax liabilities	25	288,339	285,646	-
Current income tax liabilities	26	198,264	198,209	180,485
Total liabilities		4,667,518	4,661,011	3,079,490
Net assets		5,389,377	5,395,167	5,352,912
Equity				
Issued and paid up capital	27	1,913,742	1,913,742	1,913,742
Share premium	28	3,110,664	3,110,664	3,110,664
Contingency reserve	29	568,724	568,724	506,485
Retained earnings	30	(700,515)	(683,868)	(626,011)
Assets revaluation reserve	31	492,032	485,905	448,032
Total equity attributable to owners of the Company		5,384,647	5,395,167	5,352,912
Non-controlling Interest		4,730	-	-
Shareholder's fund		5,389,377	5,395,167	5,352,912

These financial statements were approved by the Board of Directors on 1 August 2014 and signed on its behalf by:

Olatokunbo Talabi
Chairman
FRC/2014/IODN/0000008229

Cecilia .O. Osipitan
Managing Director/CEO
FRC/2012/CIIN/00000000596

Additional certification by:

Olalekan Popoola
Chief Financial Officer
FRC/2014/ICAN/00000008933

The statement of significant accounting policies and the accompanying notes form an integral part of these financial statements.

Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2013

In thousands of Naira	Notes	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Gross premium written		3,147,970	3,143,420	2,881,139
Gross premium income	32	2,433,155	2,428,605	2,782,195
Reinsurance expense	32	(399,502)	(399,502)	(337,575)
Net insurance premium revenue	32	**2,033,653**	**2,029,103**	**2,444,620**
Commission income	33	53,744	53,744	73,869
Net underwriting Income		**2,087,397**	**2,082,847**	**2,518,489**
Net claims expense	34	782,380	782,380	684,732
Acquisition expenses	35	299,517	299,467	309,479
Maintenance costs	36	359,415	359,415	276,699
Underwriting expenses		**1,441,312**	**1,441,262**	**1,270,910**
Underwriting results		**646,085**	**641,585**	**1,247,579**
Investment income	37	340,780	335,367	328,398
Net fair value gains on financial assets at fair value through profit or loss:	38	358,988	358,988	643,103
Other operating income	39	22,396	22,396	39,641
Management expenses	40	(910,785)	(883,853)	(717,453)
Results of operating activities		**457,464**	**474,483**	**1,541,268**
Impairment losses	41	(7,774)	(7,774)	(265,763)
Profit before taxation		**449,690**	**466,709**	**1,275,505**
Income tax	26	(431,483)	(431,483)	(356,694)
Minimum tax	26	(30,899)	(30,844)	(15,712)
(Loss)/ profit after taxation		**(12,692)**	**4,382**	**903,099**
Other comprehensive income, net of tax				
Items within OCI that will not be reclassified to the profit or loss:				
Gain on revaluation of properties	31	63,082	54,105	84,473
Tax on gain on revaluation of properties	31	(18,925)	(16,232)	(25,341)
Other comprehensive income		**44,157**	**37,873**	**59,132**
Total comprehensive income for the year		**31,465**	**42,255**	**962,231**
(Loss)/ profit attributable to:				
Shareholders		(12,265)	4,382	903,099
Non-controlling interest		(427)	-	-
		(12,692)	**4,382**	**903,099**
Total comprehensive income attributable to:				
Shareholders		31,735	42,255	962,231
Non-controlling interest		(270)	-	-
		31,465	**42,255**	**962,231**
Earnings per share				
– Basic earning per share (k)	42	(0.33)	0.11	23.60
– Diluted earning per share (k)	42	(0.33)	0.11	23.60

The statement of significant accounting policies and the accompanying notes form an integral part of these financial statements.

Consolidated and Separate Statement of Changes in Equity
For the year ended 31 December 2013

In thousands of Naira

Group

	Share Capital	Share premium	Asset revaluation reserve	Contingency reserve	Retained earnings	Total equity attributable to parent's shareholder	Non-Controlling interest	Total equity
Balance at 1 January 2013	1,913,742	3,110,664	448,032	506,485	(626,011)	5,352,912	-	5,352,912
								-
Total comprehensive income for the year								-
Profit or loss for the year	-	-	-	-	(12,265)	(12,265)	(427)	(12,692)
Other comprehensive income, net of tax:	-	-	-	-	-	-	-	-
Revaluation of property in use by Company	-	-	44,000	-	-	44,000	157	44,157
Total other comprehensive income for the year	-	-	44,000	-	-	44,000	157	44,157
Total comprehensive income for year	-	-	44,000	-	(12,265)	31,735	(270)	31,465
Transaction with owners, recorded directly in equity:								
Acquisition during the year	-	-	-	-	-	-	5,000	5,000
Transfer to contingency reserve	-	-	-	62,239	(62,239)	-	-	-
Total contributions by and distributions to equity holders	-	-	-	62,239	(62,239)	-	5,000	5,000
Balance as at 31 December 2013	1,913,742	3,110,664	492,032	568,724	(700,515)	5,384,647	4,730	5,389,377

Consolidated and Separate Statement of Changes in Equity
For the year ended 31 December 2013

In thousands of Naira

Company

	Share Capital	Share premium	Asset revaluation reserve	Contingency reserve	Retained earnings	Total equity
Balance at 1 January 2013	1,913,742	3,110,664	448,032	506,485	(626,011)	5,352,912
Total comprehensive income for the year						
Profit or loss for the year	-	-	-	-	4,382	4,382
Other comprehensive income, net of tax:	-	-	-	-	-	-
Fair value gains on AFS financial assets	-	-	-	-	-	-
Revaluation of property in use by Company	-	-	37,873	-	-	37,873
Total other comprehensive income for the year	-	-	37,873	-	-	37,873
Total comprehensive income for year	-	-	37,873	-	4,382	42,255
Transaction with owners, recorded directly in equity:						
Transfer to contingency reserve	-	-	-	62,239	(62,239)	-
Total contributions by and distributions to equity holders	-	-	-	62,239	(62,239)	-
Balance as at 31 December 2013	1,913,742	3,110,664	485,905	568,724	(683,868)	5,395,167

Consolidated and Separate Statement of Changes in Equity
For the year ended 31 December 2012

In thousands of Naira

Company

	Share Capital	Share premium	Asset revaluation reserve	Contingency reserve	Retained earnings	Total equity
Balance at 1 January 2012	1,913,742	3,115,309	388,900	325,865	(1,348,490)	4,395,326
Total comprehensive income for the year						
Profit or loss for the year	-	-	-	-	903,099	903,099
Other comprehensive income, net of tax:	-	-	-	-	-	-
Fair value gains on AFS financial assets	-	-	-	-	-	-
Revaluation of property in use by Company	-	-	59,132	-	-	59,132
Total other comprehensive income for the year	-	-	59,132	-	-	59,132
Total comprehensive income for year	-	-	59,132	-	903,099	962,231
Transaction with owners, recorded directly in equity:						
Additional shares issued costs	-	(4,645)	-	-	-	(4,645)
Transfer to contingency reserve	-	-	-	180,620	(180,620)	-
Total contributions by and distributions to equity holders	-	(4,645)	-	180,620	(180,620)	(4,645)
Balance as at 31 December 2012	1,913,742	3,110,664	448,032	506,485	(445,391)	5,352,912

Consolidated and Separate Statement of Cash Flows
For the year ended 31 December 2013

In thousands of Naira

	Notes	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Operating profit for the year		449,690	466,709	1,275,505
Adjustment to reconcile profit before taxation to net cash flow from operations:				
Allowances for impairment of trade receivables	42	-	-	266,035
Allowances/ (write back) for other receivables and prepayments	42	7,774	7,774	(272)
Depreciation on property, plant and equipment	40(b)	65,467	62,660	64,718
Amortization of intangible assets	40(b)	2,692	2,692	2,106
Increase in unearned premium	32	618,377	618,377	98,944
Increase in provision for outstanding claims	34	339,816	339,816	42,023
Increase in provision for Gratuity		-	-	2,653
Profit on property, plant and equipment	39	-	-	(689)
Dividend income on equity investments	37	(24,977)	(24,977)	(28,359)
Rental income	37	(120,785)	(120,785)	(134,578)
Interest Income	37	(195,018)	(189,605)	(165,461)
Finance lease interest		-	-	1,344
Fair value gain on investment property	38	(203,680)	(203,680)	(468,960)
Fair value changes on Financial Assets at FVTPL	38	(155,308)	(155,308)	(174,143)
		784,048	803,673	780,868
Changes in working capital:				
Trade receivables		109,336	109,336	(480,689)
Other receivables and prepayment		(58,995)	(55,582)	(38,682)
Re-insurance asset		(270,020)	(270,020)	(51,033)
Deferred acquisition cost		(91,636)	(91,636)	15,655
Statutory deposits		24,187	24,187	-
Finance lease receivable		(73,915)	(73,915)	(104,708)
Investment contract liabilities		96,657	96,657	(68,544)
Trade and other payables		186,440	148,266	16,752
		706,102	690,966	69,618
Income tax paid	26	(17,224)	(17,224)	(43,921)
Gratuity paid	21	(4,812)	(4,812)	(6,204)
VAT paid		(897)	(897)	(973)
Net cash provided by operating activities		683,169	668,033	18,520
Cash flows from investing activities:				
Purchases of property, plant and equipment	15	(47,632)	(29,485)	(18,454)
Purchases of intangible assets	14	(95,466)	(95,466)	(1,953)
Purchase of financial assets		(301,419)	(301,419)	-
Purchase of investment properties	13	(1,855)	(1,855)	-
Proceed from the disposal of property, plant and equipment		-	-	4,617
Dividend received	37	24,977	24,977	28,359
Rent received	37	120,785	120,785	134,578
Interest received	37	195,018	189,605	165,461
Purchase of investment in subsidiary		(30,000)	(30,000)	-
Additional investment in subsidiary	12	-	(100,648)	-
Net cash (used in)/ provided by investing activities		(135,592)	(223,506)	312,608
Cash flows from financing activities:				
Finance lease obligation	24	148,500	148,500	-
Finance lease interest paid	14	(35,526)	(35,526)	(1,346)
Finance lease repayment	24	(39,573)	(39,573)	(5,640)
Share issue expenses		-	-	(4,645)
Cash paid on behalf of NCI to invest in subsidiary	17	5,000	-	-
Net cash provided/ (used in) financing activities		78,401	73,401	(11,631)
Cash and cash equivalent at beginning of year		1,459,156	1,459,156	1,139,658
Net increase in cash and cash equivalent		625,978	517,928	319,498
Cash and cash equivalent at end of year		2,085,134	1,977,084	1,459,156

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

5 Cash and cash equivalents

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Cash at bank and in hand	438,803	436,166	274,106
Short-term bank deposits	1,690,154	1,584,741	1,257,057
Cash and cash equivalent	2,128,957	2,020,907	1,531,163
Less:			
Bank overdraft used for cash management purposes (see note 23)	(43,823)	(43,823)	(72,007)
Cash and cash equivalent in the statement of cash flows	2,085,134	1,977,084	1,459,156

Short term bank deposits have an average maturity period of three months, and are made depending on the cash requirement of the Group. The average interest rate of the deposits is 11.1 percent (2012: 10.3%). The carrying amounts reasonably approximate fair value at the reporting date.

6 Financial assets

Financial assets comprise of;

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Held to maturity	297,321	297,321	-
Available-for-sale (see note (a) below)	89,366	89,366	85,266
Fair value through profit and loss (see note (b) below)	561,613	561,613	406,307
	948,300	948,300	491,573
Current	297,321	297,321	-
Non current	650,979	650,979	491,573
	948,300	948,300	491,573

(a) Available-for-sale financial assets

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Unlisted equity securities at cost	156,287	156,287	152,187
Allowance for impairment losses (see note(a)(i) below)	(66,921)	(66,921)	(66,921)
	89,366	89,366	85,266

(i) The movement in allowance for impairment losses is as follows:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Balance, beginning of the year	66,921	66,921	66,921
Addition during the year	-	-	-
Balance, end of the year	66,921	66,921	66,921

Available for sale investment securities are carried at cost less any allowance for impairment. The fair value of available for sale assets could not be reliably determined at reporting date due to the unavailability of observable market data .

Analysis of unlisted equities is shown below:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Investment in Capital Bancorp Limited	37,296	37,296	37,296
Investment in Montgomery Vaults Nigeria Limited	7,100	7,100	800
Investment in Energy and Special Risk Insurance Company	-	-	2,200
Investment in Odu'a Textiles Staff Quarters	63,992	63,992	63,992
Investment in Nigeria Aluminium Extrusions Limited	7,150	7,150	7,150
Investment in Associated Electricity Production Nigeria Limited	124	124	124
Investment in Sterling Assurance Nigeria Limited	36,220	36,220	36,220
Investment in I.I.N Properties Plc	600	600	600
Investment in Dumez Nigeria Plc	5	5	5
Investment in Equipment Solutions & Logistics Services Limited	3,600	3,600	3,600
Investment in the Coral Growth Fund	200	200	200
	156,287	156,287	152,187

7 Trade receivables

(a) Trade receivables comprise:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Due from agents	338,753	338,753	364,438
Due from brokers	1,016,258	1,016,258	1,085,667
Due from insurance companies	258,097	258,097	272,339
	1,613,108	1,613,108	1,722,444
Less: impairment allowance (see note (b) below)	(1,469,445)	(1,469,445)	(1,469,445)
	143,663	143,663	252,999

(b) The movement in the allowance for impairment account is as follows:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Balance, beginning of year	1,469,445	1,469,445	1,221,397
Allowance made during the year	-	-	266,035
Bad debt written off	-	-	(17,987)
Balance, end of year	1,469,445	1,469,445	1,469,445

(i) The age analysis of trade receivables as at the end of the year was as follows:

Gross premium Days	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
0 - 90 days	143,663	143,663	268,814
91 - 180 days	-	-	325,749
Over 180 days	1,469,445	1,469,445	1,127,881
	1,613,108	1,613,108	1,722,444

8 Reinsurance assets

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Reinsurance recoveries-Life business	12,595	12,595	787
Reinsurance recoveries-General business	381,972	381,972	128,033
Prepaid re-insurance	60,254	60,254	55,981
	454,821	454,821	184,801
Current	454,821	454,821	184,801
Non-current	-	-	-
	454,821	454,821	184,801

The Company conducted an impairment review of the reinsurance assets and no inpairment is required in respect of these assets as the Company has the right to set-off reinsurance assets against reinsurance liabilities on settlement. The carrying amounts disclosed above is in respect of the reinsurance of investment contracts and it approximates the fair value at the reporting date.

9 Deferred acquisition cost

(a) This represents commission on unearned premium relating to the unexpired tenure of risk.
In thousands of Naira

General business

	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Deferred acquisition cost- Fire	6,959	6,959	9,129
Deferred acquisition cost- Gen. Accident	7,437	7,437	6,818
Deferred acquisition cost- Motor	20,102	20,102	19,436
Deferred acquisition cost- Marine	3,181	3,181	7,199
Deferred acquisition cost- Bond	110	110	621
Deferred acquisition cost- Engineering	1,755	1,755	1,857
Deferred acquisition cost- Oil & Gas	3,783	3,783	9,202
Deferred acquisition cost- Workmen's compensation	196	196	306
Deferred acquisition cost- Travel Health	3,599	3,599	-
	47,122	47,122	54,568
Life Business	99,082	99,082	-
	146,204	146,204	54,568

Current	146,204	146,204	54,568
Non- current	-	-	-
	146,204	146,204	54,568

(b) The movement in deferred acquisition costs is as follows:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Balance, beginning of year	54,568	54,568	70,223
Additions during the year	391,103	391,103	293,824
Amortisation during the year	(299,467)	(299,467)	(309,479)
Balance, end of year	146,204	146,204	54,568

10 Finance lease receivable

Finance lease receivable comprise:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Gross investment in finance lease	252,409	252,409	170,325
Unearned finance income	(73,786)	(73,786)	(65,617)
Net investment in finance lease	178,623	178,623	104,708
Less: allowance for impairment losses	-	-	-
	178,623	178,623	104,708
Current	86,351	86,351	39,538
Non- current	92,272	92,272	65,170
	178,623	178,623	104,708

11 Other receivables and prepayments

(a) Other receivables and prepayments comprise:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Prepayment	12,415	12,415	9,514
Stock and inventory	6,128	6,128	6,128
Dividend receivable	2,567	2,567	3,261
Loan to policy holders	64,172	64,172	41,617
Staff loan	9,796	9,796	9,285
Receivable on unquoted investments	200,000	200,000	200,000
Rent receivable	91,652	91,652	112,754
Receivable from Wema Bank Group	69,151	69,151	69,151
Intercompany receivables	-	34,415	2,706
Deposit for investments	110,134	110,134	110,134
Other receivables	141,842	138,431	118,683
	707,857	738,861	683,233
Less impairment allowance (see note (b) below)	(513,409)	(513,409)	(505,635)
	194,448	225,452	177,598

Current	138,333	169,337	137,580
Non-current	56,115	56,115	40,018
	194,448	225,452	177,598

(b) The movement in impairment allowance on other receivables and prepayments during the year was as follows:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Balance, beginning of year	505,635	505,635	505,907
Addition during the year (see note 42)	7,774	7,774	2,528
Impairment written back during the year (see note 42)	-	-	(2,800)
Balance, end of year	513,409	513,409	505,635

12 Investment in subsidiary

On 4 July 2013, the Group acquired 95% of the common stock of GNI Healthcare Limited (formerly, Gamma Health Nigeria Limited), to carry on the business of healthcare financing and insurance, health care maintenance organization services and health risk management. This subsidiary was incorporated in July 2002 but had not began operation as at date of purchase. See note 17 for further information.

In thousands of Naira	Company 31-Dec-13	Company 31-Dec-12
GNI Healthcare Limted	225,000	-

13 Investment properties

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Balance, beginning of the year	4,175,330	4,175,330	3,706,370
Additions during the year	1,855	1,855	-
Fair value gain	203,680	203,680	468,960
Balance, end of the year	4,380,865	4,380,865	4,175,330

13(a) The items of investment properties are valued as shown below:

In thousands of Naira Investment properties location	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
GNI House, Alagbaka Road Akure	316,850	316,850	300,000
GNI House, Along Onikolobo Road, Panseke, Abeokuta	200,000	200,000	189,000
GNI House, 47/57 Martins street, Off Broad Street Marina Lagos	2,525,000	2,525,000	2,410,000
GNI House, 39/41 Martins street, Off Broad Street Marina Lagos	444,700	444,700	420,000
GNI House, No. 11 Malanje Street, Wuse Zone 4 Abuja	312,500	312,500	295,000
Oregun Warehouse, Plot 13-17, Morrison Crescent Oregun Lagos	485,250	485,250	455,000
GNI House, No. 13, West Arbour Street London E1 OPQ U.K	96,565	96,565	106,330
	4,380,865	4,380,865	4,175,330

(b) Measurement of fair value

(i) Fair value hierarchy

The fair value of investment properties was determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer, Ubosi Eleh & Co. (Estate Surveyors and Valuers, FRC/2013/NIESV/70000000/1493) valued the properties on the basis of open market value as at 31 December 2013.

The fair value measurement for the investment properties of N4.3billion has been categorised as a Level 3 fair value based on the inputs into the valuation technique used.

(ii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	**Significant unobervable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
The fair values are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent time. References were made to prices of land and comparable properties in the neighbourhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities.	-Prices per square meter -Rate of development in the area -Quality of the building. -Influx of people and/or businesses to the area	The estimated fair value would increase (decrease) if the rate of development in the area increases (decreases), quality of the building increases (decreases), influx of people and/or business to the area increases (decreases).

14 Intangible assets

(a) *In thousands of Naira*

	Group			Company	
	HMO License	Purchased Computer Software	Total	Purchased Computer Software	
		31-Dec-13		31-Dec-13	31-Dec-12
Cost:					
Balance beginning of year	-	26,066	26,066	26,066	24,113
Acquisition	30,000	-	30,000	-	1,953
Acquisition not yet in use	-	95,466	95,466	95,466	-
Interest cost (borrowing cost)	-	35,526	35,526	35,526	-
Disposal	-	-	-	-	-
Balance, end of year	30,000	157,058	187,058	157,058	26,066
Amortization:					
Balance, beginning of year	-	22,114	22,114	22,114	20,008
Amortisation charge	-	2,692	2,692	2,692	2,106
Disposal	-	-		-	-
Balance, end of year	-	24,806	24,806	24,806	22,114
Net book value	30,000	132,252	162,252	132,252	3,952

(b) The intangible assets of the Group comprise purchased computer software and HMO License.

(c)(i) The HMO License cost represents the transaction costs incurred to obtain the Health Maintenance Organisation (HMO) License for GNI Healthcare, the subsidiary of the Company (see note 17).

(ii) A discounted cashflow forecast was performed for GNI Healthcare, the subsidiary, at the end of the reporting period, and the fair value of the License was deemed to be greater than its cost, hence, the trading license is not impaired.

(iii) Other information
The Health Maintenance Organisation (HMO) License is issued by the National Health Insurance Scheme of Nigeria ("NHIS") and it allows the Group to provide healthcare services for an indefinite period, thus the useful life of this intangible asset is determined as indefinite. Management assumption regarding the useful life is assessed annually.

(d)(i) The computer software are accounted for using the cost model of IAS 38 i.e. cost less accumulated amortization and accumulated impairment. The amortization is charged to the income statement in line with the Group's policy. These assets were tested for impairment and no impairment is required in respect of these intangibles.

(ii) During the year, the Group capitalise the cost of investment in its new software called Agilis, which it intends to use for its financial reporting. However, the company has not put this software to use as at 31 December 2013 and hence, it was not amortised.

(iii) Interest cost represents the interest incurred during the year on the finance lease liability acquired by the Company in order to purchase its financial reporting software, Agilis. This was capitalised in accordance with the Group's accounting policy on borrowing cost.

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15 Property, plant and equipment

(a) Group

In thousands of Naira

	LAND	BUILDINGS	FIXTURE & FITTINGS	COMPUTER EQUIPMENT	MOTOR VEHICLES	GENERATOR SETS	FURNITURE & EQUIPMENT	TOTAL
Cost	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000
Balance as at 1 January 2013	388,058	373,847	19,600	76,283	233,747	87,418	92,335	1,271,288
Revaluation gains	39,438	23,599	-	-	-	-	-	63,037
Additions	-	8,420	2,906	9,250	8,890	178	17,988	47,632
Disposals	-	-	-	-	-	-	-	-
Balance, end of year	427,496	405,866	22,506	85,533	242,637	87,596	110,323	1,381,957
Accumulated depreciation								
Balance as at 1 January 2013	25,232	59,847	10,534	63,439	180,574	81,406	76,696	497,728
Charge for the year	8,413	8,856	2,401	7,447	30,093	4,202	4,055	65,467
Disposals								-
Balance, end of year	33,645	68,703	12,935	70,886	210,667	85,608	80,751	563,195
Net book value								
At 31 December 2013	393,851	337,163	9,571	14,647	31,970	1,988	29,572	818,762
At 1 January 2013	362,826	314,000	9,066	12,844	53,173	6,012	15,639	773,560

i. No leased assets are included in the above property, plant and equipment account (31 December 2012:Nil)

ii. The Group had no capital commitments as at the balance sheet date (31 December 2012: Nil)

iii. The Group's land and buildings were revalued by Ubosi Eleh & Co., estate surveyor and valuers on 25 February 2014 using both Investment method and Comparative method of valuation to arrive at the open market value.

iv. An impairment review was conducted and no impairment was required.

(b) Property, plant and equipment
Company
In thousands of Naira

	LAND	BUILDINGS	FIXTURE & FITTINGS	COMPUTER EQUIPMENT	MOTOR VEHICLES	GENERATOR SETS	FURNITURE & EQUIPMENT	TOTAL
Cost	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000
Balance as at 1 January 2013	388,058	373,847	19,600	76,283	233,747	87,418	92,335	1,271,288
Revaluation gains	36,118	17,940	-	-	-	-	-	54,058
Additions	-	8,420	2,906	6,717	-	178	11,264	29,485
Transfer to subsidiary	(13,737)	(95,733)	-	-	-	-	-	(109,470)
Disposals	-	-	-	-	-	-	-	-
Balance, end of year	410,439	304,474	22,506	83,000	233,747	87,596	103,599	1,245,361
Accumulated depreciation								
Balance as at 1 January 2013	25,232	59,847	10,534	63,439	180,574	81,406	76,697	497,729
Charge for the year	8,265	7,824	2,051	7,096	29,167	4,202	4,055	62,660
Transfer to subsidiary	(1,908)	(13,211)						(15,119)
Disposals	-	-	-	-	-	-	-	-
Balance, end of year	31,589	54,460	12,585	70,535	209,741	85,608	80,752	545,270
Net book value								
At 31 December 2013	378,850	250,014	9,921	12,465	24,006	1,988	22,847	700,091
At 1 January 2013	362,826	314,000	9,066	12,844	53,173	6,012	15,638	773,559

i. No leased assets are included in the above property, plant and equipment account (31 December 2012:Nil)
ii. The Group had no capital commitments as at the balance sheet date (31 December 2012: Nil)
iii. The Group's land and buildings were revalued by Ubosi Eleh & Co., estate surveyor and valuers on 25 February 2014 using both Investment method and Comparative method of valuation to arrive at the open market value.
iv. An impairment review was conducted and no impairment was required.

(c) **Property, plant and equipment**

Company

In thousands of Naira

	LAND	BUILDINGS	FIXTURE & FITTINGS	COMPUTER EQUIPMENT	MOTOR VEHICLES	GENERATOR SETS	FURNITURE & EQUIPMENT	TOTAL
Cost	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000
Balance as at 1 January 2012	311,283	366,149	16,200	65,475	236,954	87,348	88,344	1,171,753
Revaluation gains	76,775	7,698	-	-	-	-	-	84,473
Additions	-	-	3,400	10,993	-	70	3,991	18,454
Disposals	-	-	-	(185)	(3,207)	-	-	(3,392)
Balance, end of year	388,058	373,847	19,600	76,283	233,747	87,418	92,335	1,271,288
Accumulated depreciation								
Balance as at 1 January 2012	25,232	45,028	8,361	59,860	148,854	76,955	72,087	436,377
Charge for the year		14,819	2,173	3,738	34,927	4,451	4,610	64,718
Disposals	-	-	-	(159)	(3,207)	-	-	(3,366)
Balance, end of year	25,232	59,847	10,534	63,439	180,574	81,406	76,697	497,729
Net book value								
At 31 December 2012	362,826	314,000	9,066	12,844	53,173	6,012	15,638	773,559
At 1 January 2012	286,051	321,121	7,839	5,615	88,100	10,393	16,257	735,377

i. No leased assets are included in the above property, plant and equipment account (31 December 2011:Nil)

ii. The Group had no capital commitments as at the balance sheet date (31 December 2011: Nil)

iii. The Group's land and buildings were revalued by Ubosi Eleh & Co., estate surveyor and valuers on 13 March 2013 using both Investment method and Comparative method of valuation to arrive at the open market value.

iv. An impairment review was conducted and no impairment was required.

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16 Statutory deposit

This represents the Company's deposit with the Central Bank of Nigeria as at 31 December 2013, in compliance with the Insurance Act, CAP 117 LFN 2004 and comprise:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
General	300,000	300,000	309,187
Life	200,000	200,000	215,000
	500,000	500,000	524,187

Current	-	-	-
Non-current	500,000	500,000	524,187
	500,000	500,000	524,187

17 HMO License Acqusition

Acquisition of HMO License (GNI Healthcare Limited)

In a bid to offer health maintenance services to its clients, Great Nigeria Insurance PLC ("GNI") entered into a transaction arrangement with the promoters of Gamma Health Limited to purchase its Health Maintenance Organisation (HMO) License for N25 million. Gamma Health Limited has an authorised share capital of N100 million which was not issued and paid up. As part of the agreement, GNI was required to change the name of the Company to GNI Healthcare Limited. In addition, GNI was required to ensure that the promoters of Gamma Health Limited owns 5% minority shareholding in the new company.

The transaction was completed on 4 July 2013 and upon acquisition the name of the Company was changed to GNI Healthcare Limited. Subsequently GNI acquired and paid the authorised share capital of N100 million of Gamma Health Limited. In line with the agreement, GNI own 95% of the issued share capital of the Company while the non-controlling interest ("NCI") was 5%. The authorised share capital was subsequently increased to N200 million by GNI, after which GNI transferred funds and other assets to capitalise the Company to N200 million. As a result of the increase of the share capital of GNI Healthcare Limited from N100m to N200m, the NCI was diluted to 2.5%.

GNI Healthcare Limited (" the acquired Company") is in the business of providing basic and supplemental health maintenance and treatment services to its customers.

From the date of acquisition, GNI Healthcare contributed N9 million of revenue and net loss of N17 million to the Group.

Cost of HMO License acquisition

The Cost of acquiring the HMO license on behalf of GNI Healthcare Limited is as follows:

In thousands of Naira	
Cash consideration transferred	25,000
Cash paid for 5% equity share of GNI Healthcare on behalf of NCI	5,000
Cost of acquisition of HMO License (see note 14)	30,000

GNI's investment in GNI Healthcare is analysed as follows:

In thousands of Naira	
Cash consideration transferred to purchase HMO license	25,000
Cash paid for 5% equity share of GNI Healthcare on behalf of NCI	5,000
Cost of acquisition of HMO License	30,000
Cash and other assets transferred for recapitalisation of GNI Healthcare	195,000
Investment in subsidiary	225,000

The consideration paid by GNI is analysed as follows:

In thousands of Naira	
Cash and cash equivalent:	
Placement with financial institutions	100,000
Cash	5,648
	105,648
Property, plant and equipment:	
Land and building at net book value (see note 15(b))	94,352
	200,000
Cash consideration transferred to purchase HMO license	25,000
Investment in subsidiary	225,000

The share capital of GNI Healthcare is analysed as follows:

In thousands of Naira	*Amount*	*% holding*
GNI	195,000	97.5%
NCI	5,000	2.5%
Total	200,000	100%

18 Insurance liabilities

(a) *In thousands of Naira*	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Notified claims	843,849	843,849	338,222
Claims incurred but not reported	314,043	314,043	479,854
Outstanding claims (see note (b) below):	1,157,892	1,157,892	818,076
Unearned premiums (see note (c) below)	363,779	363,779	355,086
Life insurance contract liabilities (see note (d)(i) below)	1,259,928	1,259,928	650,243
	2,781,599	2,781,599	1,823,405
Current	893,207	893,207	551,960
Non-current	1,888,392	1,888,392	1,271,445
	2,781,599	2,781,599	1,823,405

The net 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 Company's net liability for insurance contracts was tested for adequacy by HR Nigeria Limited, an actuary located in Nigeria with FRC number FRC/NAS/00000000738 as at 31 December 2013.

(b) Claims reported and IBNR:

31-Dec-13

The claims reported are analysed below:

In thousands of Naira	Gross claims Outstanding 31-Dec-13	Provision for IBNR 31-Dec-13	Outstanding Claims 31-Dec-13
General			
Fire	200,132	17,531	217,663
General accidents	278,235	10,166	288,401
Motor	39,361	14,742	54,103
Marine	26,014	12,300	38,314
Engineering	13,778	-	13,778
Bond	500	7,008	7,508
Aviation	1,000	5,120	6,120
Oil and gas	56,639	-	56,639
Travel Insurance	-	7,345	7,345
Employer's liability	-	2,563	2,563
	615,659	76,775	692,434
Life			
Group life	216,004	237,268	453,272
Individual life	12,186	-	12,186
	228,190	237,268	465,458
	843,849	314,043	1,157,892

31-Dec-12

The claims reported are analysed below:

In thousands of Naira	Gross claims Outstanding 31-Dec-12	Provision for IBNR 31-Dec-12	Outstanding Claims 31-Dec-12
General			
Fire	24,215	10,263	34,478
General accidents	96,993	22,620	119,613
Motor	21,429	56,949	78,378
Marine	1,407	4,866	6,273
Engineering	1,725	-	1,725
Bond	10,500	24,314	34,814
Aviation	320	20,774	21,094
Oil and gas	25,135	4,693	29,828
	181,724	144,479	326,203
Life			
Group life	153,304	335,375	488,679
Individual life	3,194	-	3,194
	156,498	335,375	491,873
	338,222	479,854	818,076

(ii) The movement in provision for outstanding claims during the year is as follows:

General	Group	Company	Company
In thousands of Naira	31-Dec-13	31-Dec-13	31-Dec-12
Gross provision for outstanding claims	615,659	615,659	181,724
Provision for IBNR	76,775	76,775	144,479
Provision for outstanding claims - closing	692,434	692,434	326,203
Less: provision for outstanding claims - opening	(326,203)	(326,203)	(436,908)
Increase/(decrease) in provision for outstanding claims	366,231	366,231	(110,705)

Life

In thousands of Naira	Group	Company	Company
	31-Dec-13	31-Dec-13	31-Dec-12
Gross provision for outstanding claims	228,190	228,190	156,498
Provision for IBNR	237,268	237,268	335,375
Provision for outstanding claims - closing	465,458	465,458	491,873
Less: provision for outstanding claims - opening	(491,873)	(491,873)	(339,145)
Increase in provision for outstanding claims	(26,415)	(26,415)	152,728
	339,816	339,816	42,023

(c) Unearned premium

Unearned premium comprises:

In thousands of Naira	Group	Company	Company
	31-Dec-13	31-Dec-13	31-Dec-12
General			
Fire	59,968	59,968	44,467
General accidents	68,648	68,648	34,210
Motor	132,240	132,240	155,164
Marine	34,704	34,704	35,911
Employer's liability	977	977	1,983
Engineering	12,738	12,738	9,204
Bond	551	551	6,304
Oil and gas	35,919	35,919	67,843
Travel Insurance	18,034	18,034	-
	363,779	363,779	355,086

(d)(i) Life insurance contract liabilities

	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Group life fund	312,754	312,754	115,328
Individual life fund	947,174	947,174	534,915
	1,259,928	1,259,928	650,243

(d)(ii) The movement in life fund during the year was as follows:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Balance, beginning of the year	650,243	650,243	602,935
Increase/(decrease) in life funds	609,685	609,685	47,308
Balance, end of year	1,259,928	1,259,928	650,243

19 Investment contract liabilities

(a) At amortised cost

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Deposit administration	634,477	634,477	544,474
Guaranteed interest	14,372	14,372	7,718
	648,849	648,849	552,192
Current	-	-	-
Non-current	648,849	648,849	552,192
	648,849	648,849	552,192

(b) The movement in investment contract liabilities during the year was as follows:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Balance, beginning of year	552,192	552,192	483,648
Additions during the year	185,044	185,044	108,007
Guaranteed Interest	14,372	14,372	7,718
Withdrawals	(102,759)	(102,759)	(47,181)
Balance, end of year	648,849	648,849	552,192

20 Trade payable

Trade payable comprise liabilities due to agents, brokers and re-insurance companies

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Due to reinsurers	49,525	49,525	91,433
	49,525	49,525	91,433
Current	49,525	49,525	91,433
Non-current	-	-	-
	49,525	49,525	91,433

21 Gratuity payable

This represents the balance of the Company's accruals for gratuity to be paid to its employees on exit from the Company based on its gratuity scheme which was discontinued in 2010. The gratuity scheme is solely funded by the Company.

22 Provisions and other payables

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Unearned income (see note (a) below)	34,315	34,315	72,445
Related company payable (see note (b) below)	11,315	11,315	11,315
Other accruals	345,563	342,063	111,547
Provision (see note (c) below)	34,000	34,000	-
Sundry creditors	105,959	105,700	142,809
	531,152	527,393	338,116
Current	38,074	34,315	72,445
Non-current	493,078	493,078	265,671
	531,152	527,393	338,116

(a) Unearned income represents unearned rental income. The Company earns rental income on some of its investment properties. These amounts are non-refundable and are credited to income as the services are rendered.

(b) Related company payable comprises:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Due to Wema Bank PLC	2,449	2,449	2,449
Due to Independent Securities Limited	6,199	6,199	6,199
Due to Odu'a Investment Company Limited	2,667	2,667	2,667
	11,315	11,315	11,315

(c) Included in the balance above is the provision for the Company's litigation and claims which is dependent on the outcome of various court proceedings. The Company has elected for a disclosure exemption pursuant to IAS 37 in order to avoid prejudicing the outcome of these various litigations.

23 Borrowings

(a) Borrowings comprise;

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Cash book overdraft (see note (b) below)	43,823	43,823	72,007
Total borrowings	43,823	43,823	72,007
Current	43,823	43,823	72,007
Non-current	-	-	-
	43,823	43,823	72,007

(b) Cash book overdraft represents the Company's overdrawn position with Wema Bank Plc, the erstwhile parent Company. The Company utilises these overdraft for cash management purposes.

24 Finance lease obligation

(a) The movement in the finance lease account was as follows:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Balance, beginning of year	-	-	5,640
Finance lease obtained during the year	148,500	148,500	-
Payments during the year	(39,573)	(39,573)	(5,640)
Balance, end of year	108,927	108,927	-

The analysis of the finance lease obligations was as follows:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Falling due within one year	65,321	65,321	-
Falling due after one year	65,321	65,321	-
	130,642	130,642	-
Less: future interest	(21,715)	(21,715)	-
	108,927	108,927	-

(b) This is for the purchase of the Company's new accounting software, Agilis, financed by Wema Bank Plc, the Company's erstwhile parent Company. The lease is secured by legal ownership of the leased assets. The lease agreement stipulates that the ownership of the assets devolve to the Company upon expiration of the lease.

25 Deferred tax assets and liabilities

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.

Deferred tax assets and liabilities are attributable to the following:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Assets:			
Property, plant and equipment	(256,723)	(256,723)	(225,075)
Unrelieved losses	-	-	(518,111)
Deferred tax assets	(256,723)	(256,723)	(743,186)
Liabilities:			
Property, plant and equipment	208,244	208,244	192,012
Investment properties	336,818	334,125	393,210
Deferred tax liabilities	545,062	542,369	585,222
Net Deferred tax liabilities/(assets)	288,339	285,646	(157,964)

Group

The movement in temporary differences recognised during the year ended 31 December 2013 is as follows:

In thousands of Naira	**Balance as 1 January**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance as at 31 December**
Property, plant and equipment	(174,337)	(31,649)	18,925	(187,061)
Unrelieved losses	(518,111)	518,111	-	-
Investment properties	534,484	(59,084)	-	475,400
	(157,964)	427,378	18,925	288,339

Company

The movement in temporary differences recognised during the year ended 31 December 2013 is as follows:

In thousands of Naira	**Balance as 1 January**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance as at 31 December**
Property, plant and equipment	(33,061)	(31,649)	16,232	(48,478)
Unrelieved losses	(518,111)	518,111	-	-
Investment properties	393,208	(59,084)	-	334,124
	(157,964)	427,378	16,232	285,646

The movement in temporary differences recognised during the year ended 31 December 2012 is as follows:

In thousands of Naira	**Balance as 1 January**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance as at 31 December**
Property, plant and equipment	(179,853)	121,451	25,341	(33,061)
Unrelieved losses	(617,806)	99,695	-	(518,111)
Investment properties	322,148	71,060	-	393,208
	(475,511)	292,206	25,341	(157,964)

26 Taxation

(a) Current income tax liabilities

The movement in this account during the year was as follows:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Balance, beginning of year	180,485	180,485	144,206
Payments during the year	(17,224)	(17,224)	(43,921)
Income tax expense (see note (b) below)	4,104	4,104	64,488
Minimum tax (see note (c) below)	30,899	30,844	15,712
Balance, end of year	198,264	198,209	180,485
Current	198,264	198,209	180,485
Non current	-	-	-
	198,264	198,209	180,485

(b) Income tax expense for the year comprises;

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Corporate income tax charge	-	-	50,602
Tertiary education tax	-	-	8,177
Information technology levy	4,104	4,104	5,709
	4,104	4,104	64,488
Deferred tax charge (See note 25)	427,379	427,379	292,206
	431,483	431,483	356,694

(c) Minimum Tax

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Minimum tax	30,899	30,844	15,712
	30,899	30,844	15,712
Total	462,382	462,327	372,406

Reconciliation of Effective Tax rate

Group

In thousands of Naira

	31-Dec-13	31-Dec-13
Profit before tax		449,690
Tax using domestic tax rate	30%	134,907
Loss utilised	-9%	(41,354)
Unrecognised capital allowance	1%	4,263
Capital allowance utilised	-4%	(15,998)
Non deductible expenses	11%	50,928
Current year losses for which no deferred tax asset is recognised	-16%	(72,490)
Tax exempt income	-13%	(60,256)
Origination and reversal of temporary differences	95%	427,379
Minimum tax	7%	30,899
Tertiary education tax	0%	-
Information technology levy	1%	4,104
	103%	462,382

Company

In thousands of Naira

	31-Dec-13	31-Dec-13	31-Dec-12	31-Dec-12
Profit before tax		466,709		1,275,505
Tax using domestic tax rate	30%	140,013	30%	382,652
Loss utilised	-9%	(41,354)	-41%	(518,111)
Unrecognised capital allowance	0%	-	52%	662,650
Capital allowance utilised	-3%	(15,998)	0%	-
Non deductible expenses	11%	50,084	4%	49,840
Current year losses for which no deferred tax asset is recognised	-16%	(72,490)	0%	-
Tax exempt income	-13%	(60,256)	-41%	(526,429)
Origination and reversal of temporary differences	92%	427,379	23%	292,206
Minimum tax	7%	30,844	1%	15,712
Tertiary education tax	0%	-	1%	8,177
Information technology levy	1%	4,104	0%	5,709
	99%	462,327	29%	372,406

27 Issued and paid up capital

Share capital comprises:

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
(a) Authorized:			
Ordinary shares of 50k each:			
General business 7,000,000,000 units	3,500,000	3,500,000	3,500,000
Life business 4,000,000,000 units	2,000,000	2,000,000	2,000,000
Composite business 11,000,000 units	5,500,000	5,500,000	5,500,000
Issued and fully paid:			
Ordinary shares of 50k each:			
General business 2,585,984,380 units	1,292,982	1,292,982	1,292,982
Life business 1,241,500,000 units	620,760	620,760	620,760
Composite business 3,827,484,380 units	1,913,742	1,913,742	1,913,742

28 Share premium

Share premium comprises additional paid-in capital in excess of the par value. This reserve is not ordinarily available for distribution.

29 Contingency reserve

In compliance with Section 21 (1) of Insurance Act 2003, the contingency reserve for non-life insurance business is credited with the greater of 3% of total premiums or 20% of the profits (whichever is greater).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 premium or 10% of net profit (whichever is greater) and accumulated until it reaches the amount of minimum paid up capital.

30 Retained earnings

Retained earnings are the carried forward recognised losses plus current period profits or losses attributable to shareholders.

31 Asset revaluation reserve

Revaluation reserve is the accumulation of revaluations gain on properties in use by the Group.

Revaluation reserve comprises

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Balance, beginning of year	448,032	448,032	388,900
Revaluation gain	63,082	54,105	84,473
Tax on revaluation of properties	(18,925)	(16,232)	(25,341)
Non-controlling interest	(157)	-	-
Balance. end of year	492.032	485.905	448.032

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32 Net insurance premium revenue

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Short-term insurance contracts:			
– Gross premium	3,147,970	3,143,420	2,881,139
Less: Increase in unearned premium arising from insurance contracts issued	(618,377)	(618,377)	(98,944)
Less: Increase in deposit fund administration	(96,438)	(96,438)	-
Premium revenue arising from insurance contracts issued	2,433,155	2,428,605	2,782,195
Short-term reinsurance contract:			
– Reinsurance cost	(399,502)	(399,502)	(337,575)
Net premium revenue ceded to reinsurers on insurance contracts issued	(399,502)	(399,502)	(337,575)
Net insurance premium revenue	2,033,653	2,029,103	2,444,620

33 Commission income

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
– Insurance contracts	53,744	53,744	73,869
– Investment contracts (unit linked) without DPF			-
	53,744	53,744	73,869

34 Net claims and benefits paid

Insurance claims and loss adjustment expenses

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Gross benefits & claims paid	805,285	805,285	833,121
Gross changes in outstanding claims	339,816	339,816	42,023
	1,145,101	1,145,101	875,144
Recoverable from re-insurance	(362,721)	(362,721)	(190,412)
Net claims and benefits expenses	782,380	782,380	684,732

35 Expenses for the acquisition of insurance and investment contracts

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Costs incurred for the acquisition of general insurance contracts expensed in the year.	217,844	217,844	226,578
Costs incurred for the acquisition of life insurance contracts expensed in the year.	81,673	81,623	82,901
	299,517	299,467	309,479

36 Maintenance cost

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Costs incurred for the maintenance of general insurance contracts	106,541	106,541	126,440
Costs incurred for the maintenance of life insurance contracts	238,502	238,502	142,541
Interest expense on investment contracts	14,372	14,372	7,718
	359,415	359,415	276,699

37 Investment income

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Dividend income	24,977	24,977	28,359
Interest income	195,018	189,605	165,461
Rental income	120,785	120,785	134,578
	340,780	335,367	328,398
Attributable to:			
- Shareholders	186,511	181,098	176,737
- Policy holders	154,269	154,269	151,661
	340,780	335,367	328,398

38 Net fair value gains on assets measured at fair value through profit or loss

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Net fair value gains on financial assets at fair value through profit or loss	155,308	155,308	174,143
Fair value gains on investment property	203,680	203,680	468,960
	358,988	358,988	643,103

39 Other operating income

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Income from sale of property, plant and equipment	-	-	689
Other income	22,396	22,396	38,952
	22,396	22,396	39,641

40 Management expenses

Management expenses comprise of:

(a) Employee benefit expense

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Wages and salaries	335,243	324,729	264,625
Pension costs – defined contribution plans	17,345	17,345	25,473
Interest cost on defined benefit plan	-	-	2,885
Net actuarial loss/(gain) on defined benefit plan	-	-	2,986
Other benefits	25,827	25,827	29,435
	378,415	367,901	325,404

(b) Other operating expenses

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Depreciation	65,467	62,660	64,718
Amortisation of intangible assets	2,692	2,692	2,106
Auditor's remuneration	23,500	20,000	20,000
Bank charges	7,502	7,502	10,772
Litigation and claims	34,000	34,000	-
Directors fees and expenses	21,568	21,568	19,387
Repairs & maintenance expense	8,132	8,132	8,271
Overhead/other administrative expenses	369,509	359,398	266,795
	532,370	515,952	392,049
Total	910,785	883,853	717,453

41 Impairment losses

In thousands of Naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Allowance for impairment on trade receivables (see note 7(b))	-	-	266,035
Impairment / (write back) on other receivables and prepayments (see note 11(b))	7,774	7,774	(272)
Net impairment losses	7,774	7,774	265,763

42 Earning per share

Basic/diluted earnings per share is calculated by dividing the (loss)/profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
(Loss)/Profit attributable to equity holders	(12,692)	4,382	903,099
Weighted average number of ordinary shares in issue (thousands)	3,827,485	3,827,485	3,827,485
Basic/diluted (loss)/ earnings per share (Kobo per share)	(0.33)	0.11	23.60

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43 Employees, including executive directors earning more than N100,000 per annum received salaries in the following range:

	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
	Number	Number	Number
N500,001 - N1,000,000	31	27	16
N1,000,001 - N1,500,000	50	50	46
N1,500,001 - N2,000,000	18	18	17
N2,000,001 - N2,500,000	7	7	6
N2,500,001 - N3,000,000	13	11	10
N3,000,001 - N3,500,000	1	1	3
N3,500,001 - N4,000,000	4	4	2
N4,000,001 - N4,500,000	2	2	2
N4,500,001 - N5,000,000	2	2	-
N5,000,001 - N5,500,000	4	4	4
N5,500,001 - N6,000,000	5	4	2
N6,000,001 and above	8	8	6
	145	138	114

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

	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
	Number	Number	Number
Management staff	18	17	13
Senior staff	29	27	84
Junior staff	98	94	17
	145	138	114

(c) **Directors' remuneration:**

i Remuneration paid to the directors of the Group (excluding pension contribution and certain benefits) was as follows:

In thousands of Naira

	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Directors fees	5,238	5,238	2,875
Other emoluments	16,308	16,308	16,512
Salaries	62,000	62,000	62,000
	83,546	83,546	81,387

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

	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Chairman	4,579	4,579	3,975
Highest paid director	25,000	25,000	25,206

Other directors whose duties were wholly or mainly performed in Nigeria, received emoluments (excluding pension and other benefits) in the following ranges:

	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
	Number	Number	Number
₦1,400,001 - ₦1,500,000	-	-	-
₦1,700,001 - ₦1,800,000	-	-	-
Above ₦1,800,000	3	3	2
	3	3	2

44 Actuarial valuation

(a) The latest available actuarial valuation of the life business was performed as at 31 December 2013. The book value of the life funds as at that date was nil over its net actuarial liabilities. The valuation of the Company's life business funds as at 31 December 2013 was carried out by HR Nigeria Limited (consultants and actuaries). The valuation was done on the following principles:

(b) For all Endowment, Term Assurance and Mortgage Protection policies, the gross premium method of valuation was adopted. Reserves were calculated via a monthly cash flow projection approach, taking into account future office premiums, expenses and benefit payments. Future cash flows were discounted back to the valuation date at the valuation rate of interest which is 12.5%.

(c) The reserve for individual deposit administration policies has been taken as the amount standing to the credit of the policyholder at the valuation.

(d) An unearned premium reserve was included for Group Life policies. An allowance was made for Incurred But Not Reported claims to take care of delay in reporting claims.

(e) For individual life policies, the valuation age has been taken as the Age Last Birthday at the valuation date. The outstanding premium paying term has been calculated as the year of maturity minus expired duration. In all cases, an allowance has been made for premiums due between the valuation date and the next policy anniversary.

(f) The valuation of the liabilities was made on the assumption that premiums have been credited to the accounts as they fall due, according to the frequency of the particular payment.

(g) No specific adjustment has been made for immediate payment of claims.

(h) No specific adjustment has been made for expenses after premiums have ceased in the case of limited payment policies.

(i) The UK's Mortality of Assured Lives table (A6770) was used in the valuation.

45 Related parties

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

Transactions with key management personnel

The Group'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 personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Group.

Detailed below are the transactions the Group entered into with its related parties during the period.

In thousands of Naira		2013 31-Dec	2012 31-Dec
Sales of insurance contracts :	***Relationship***		
Premium	Key Mgt. Personnel	2,661	3,205
Receivables			
GNI Healthcare Limited	Subsidiary	34,416	-
Key management personnel compensation for the year comprises:			
Short term employee benefit		62,000	62,000
Post employee benefit		3,020	3,020

Directors' remuneration *(see Note 40 (c)above)*

46 Contravention of laws and regulations

The Group contravened the following guidelines during the year:

Nature of Contravention	Penalty	Regulatory body	Status
Late submission of 2012 audited accounts	N4,975,000	SEC	Accrued

47 Subsequent events

There were no events subsequent to the financial position date which require adjustment to, or disclosure in, these financial statements

48 Litigations and claims

There are litigations and claims against the Group as at 31 December 2013 amounting to N60.7million (2012:N63.4million). These litigations and claims arose in the normal course of business and are being contested by the Group. However, the Management, having sought the advice of professional legal counsel are of the opinion that based on the advice received, some liabilities may crystallize from these cases and have therefore made some provision in provisions and other payables (see note 22). There are no other contingent liabilities requiring disclosure in these financial statements.

49 Solvency Margin

The Company's solvency margin for the general business as at 31 December 2013 was N763 million. This is N2.237billion below the required minimum solvency margin of N3 billion for general business based on the most recent regulatory guidelines. However, the Company has a composite licence and a net assets of N5.33 billion at the Composite level which is above the minimum required capital of N5 billion for composite business.

The Insurance Act of Nigeria requires that the deficit be made good by way of cash payment and that satisfactory evidence of such payment be provided to the National Insurance Commission ("the Commission" or "NAICOM") within a timeframe to be directed by NAICOM. The Company has plans to correct the deficit through allocation of assets between the general and life business.

50 Financial Risk Management

(a) Introduction and Overview

This note presents information about the Group's exposure to different types of risks; the objectives, systems, policies and processes for identifying, measuring and managing risks; and the Group's management of capital. The Group's activities exposes it to a variety of risks, and those activities principally involve creation of financial assets and liabilities. Great Nigeria Insurance recognizes the role of responsible risk management practices in achieving her strategic vision of being one of the leading insurance companies in Nigeria. In light of this, the Group has a well established risk management framework and an experienced risk team. The Group's aim is therefore to achieve an appropriate balance between risk and return, and minimise potential adverse effects on the Group's financial performances. As part of the Group's investment strategy to reduce both insurance and financial risk, the Group matches its investments' duration with the expected duration of liabilities arising from insurance and investment contracts, by reference to the type of benefits payable to contract holders.

Risk management framework

The Group's risk management philosophy is premised on the belief that aggressive and yet guarded risk attitude will ensure sustainable growth in shareholders value and corporate reputation. Effective risk management is critical to any insurance Group for achieving financial soundness and stability. In view of this, aligning risk management to the Group's organizational structure and business strategy has become integral part of our business.

To this end, the Board and Management are committed to establishing and sustaining tested practices in risk management. Specifically, the Board has established a Risk Management Committee which is responsible for developing and monitoring the Group's risk management policies and practices. Also the Management recently established the Risk Management Unit, with responsibility to ensure that risk management processes are implemented in compliance with policies approved by the Board. The Risk Management Unit reports directly to Board's Risk Management committee. The Board of Directors determines the Group's goals in terms of risk by issuing a risk policy. The policy both defines acceptable levels of risk for day-to-day operations, as well as the willingness of the Group to incur risk, weighed against the expected rewards. The Group's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of the major risks inherent in its business activities. It is also intended to create a culture of risk awareness and personal responsibility throughout the Group.

The Group's risk management architecture is carefully crafted to balance corporate oversight with well-defined risk management functions which fall into one of three categories where risk must be managed: lines of business, governance and control and corporate audit. The Board of Directors and management of the Group are committed to constantly establishing, implementing and sustaining tested practices in risk management to match those of leading international insurance companies. We are convinced that the long-term sustainability of our Group depends critically on the proper governance and effective management of our business. As such, risk management occupies a significant position of relevance and importance in the Group.

The risk policy is detailed in the Enterprise Risk Management (ERM) Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and managing these risks proactively in a cost effective manner. It is a top-level integrated approach to events identification and analysis for proper assessment, monitoring and identification of business opportunities. Specific policies are also in place for managing risks in the different risk areas of credit, market, liquidity, insurance, price and operational risks. The evolving nature of risk management practices and the dynamic character of the insurance industry necessitate regular review of the effectiveness of each enterprise risk management component. In light of this, the Group's ERM Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in either or both of the following ways: via continuous self-evaluation and monitoring by the risk management and compliance functions in conjunction with internal audit; and through independent evaluation by external auditors, examiners and consultants.

The Group's management has primary responsibility for risk management and the review of the ERM Framework and to provide robust challenge based on quantitative and qualitative metrics. All amendments to the Group's ERM Framework require Board approval. The risk management division is responsible for the enforcement of the Group's risk policy by constantly monitoring risk, with the aim of identifying and quantifying significant risk exposures and acting upon such exposures as necessary.

(b) *Risk Management Philosophy, Culture, Appetite and Objectives*

Risk Management Philosophy and Culture

Risk management is at the core of the operating structure of the Group. We seek to limit adverse variations in earnings and capital by managing risk exposures within our moderate risk appetite. Our risk management approach includes minimizing undue concentrations of exposure, limiting potential losses from stress events and the prudent management of liquidity.

Risk management is integral to the Group's decision-making and management process. It is embedded in the role of all employees via the organizational culture, thus enhancing the quality of strategic, capital allocation and day-to-day business decisions.

Great Nigeria Insurance Plc considers risk management philosophy and culture as the set of shared beliefs, values, attitudes and practices that characterize how the Group considers risk in everything it does, from strategy development and implementation to its day-to-day activities. In this regard, the Group's risk management philosophy is that a moderate and guarded risk attitude ensures sustainable growth in shareholder value and reputation.

Risk Appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Great Nigeria Insurance Plc is willing to accept in pursuit of its strategy, duly set and monitored by the executive committee and the Board, and integrated into our strategy, business, risk and capital plans. Risk appetite reflects the Group`s capacity to sustain potential losses arising from a range of potential outcomes under different stress scenarios.

The Group defines its risk appetite in terms of both volatility of earnings and the maintenance of minimum regulatory capital requirements under stress scenarios. Our risk appetite can be expressed in terms of how much variability of return the Group is prepared to accept in order to achieve a desired level of result. It is determined by considering the relationship between risk and return. We measure and express risk appetite qualitatively and in terms of quantitative risk metrics. The quantitative metrics include earnings at risk (or earnings volatility) and, related to this, the chance of regulatory insolvency, chance of experiencing a loss and economic capital adequacy. These comprise our Group-level risk appetite metrics. In addition, a large variety of risk limits, triggers, ratios, mandates, targets and guidelines are in place for all the financial risks (eg credit, market and asset and liability management risks).

Risk Objectives

The broad risk management objectives of the Group are:

- To identify and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost;
- To protect against unforeseen losses and ensure stability of earnings;
- To maximize earnings potential and opportunities;
- To maximize share price and stakeholder protection;
- To enhance credit ratings and depositor, analyst, investor and regulator perception; and
- To develop a risk culture that encourages all staff to identify risks and associated opportunities and to respond to them with cost effective actions

Risk Control Process

Risk control processes are identified and discussed in the quarterly risk report and Management Risk Committee meetings. Control processes are also regularly reviewed at Business Unit level and changes agreed with the Risk Officer.

Risk Categorization

Great Nigeria Insurance PLC Limited is exposed to an array of risks through its daily business activities and operations. The Group has identified and categorized its exposure to these broad risks as listed below:

(i) Credit risk
(ii) Insurance risk
(iii) Liquidity risk
(iv) Market risk
(v) Operational risk

(c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's investment portfolio and the reliance on reinsurers to make payment when certain loss conditions are met. . For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure. For risk management purposes, credit risk arising on trading assets is managed independently; and information thereon is disclosed below.

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

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent to investment grade and above.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

(i) The Group's enterprise risk management policy sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored, exposures and breaches are reported to the Group's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

(ii) Net exposure limits are set for each counterparty or Group of counterparties and industry segment (i.e. limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held).

(iii) The Group further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. The Group's reinsurance treaty contracts involve netting arrangements.

(iv) 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 management 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.

(v) The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long–term credit ratings and worthiness.

(vi) 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 Group's financial assets. The maximum exposure is shown gross, before the effect of mitigation.

In thousands of naira	**Group 31-Dec-13**	**Company 31-Dec-13**	**Company 31-Dec-12**
Financial Instruments			
Other receivables	194,448	225,452	177,598
Reinsurance assets	454,821	454,821	184,801
Trade receivables	143,663	143,663	252,999
Cash and cash equivalents	2,128,957	2,020,907	1,531,163
	2,921,889	**2,844,843**	**2,146,561**

Trade Receivables

The Group 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 Group 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 Group's underwriting is driven by business obtained from direct policyholders. However, the Group manages this risk by aggressively pursuing its debtors to ensure that the debts are recovered as and when due. The Group's exposure to credit risk arising from Brokered Business is relatively moderate and the risk is managed by the Group'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 Group transacts businesses with.

The Group 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 Group's exposure to credit risk arising from trade receivables

In thousands of naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Gross Amount			
Neither past due nor impaired	-	-	-
Past due but not impaired	143,663	143,663	252,999
Impaired	1,469,445	1,469,445	1,469,445
Total	1,613,108	1,613,108	1,722,444
Impairment			
Neither past due nor impaired	-	-	-
Past due but not impaired	-	-	-
Impaired	1,469,445	1,469,445	1,469,445
Total	1,469,445	1,469,445	1,469,445
Carrying Amount	**143,663**	**143,663**	**252,999**

Credit Definitions

Impaired trade receivables

Impaired trade receivables for which the Group 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 Group believes that impairment is not appropriate on the basis that the amounts owed have been received subsequently as at the Group's reporting date.

Neither past due or impaired

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

Allowances for impairment
The Group 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.

Impairment Model
Trade receivables, which technically falls under receivables is recognized at a fair value and subsequently measured at amortized cost, less provision for impaired receivables. Under IFRS, an asset is impaired if the carrying amount is greater than the recoverable amount. The historical loss rate model has been used in estimating the impairment of its receivables.

Following the provisions of IAS 39, the impairment of the premium debtors will be assessed at two different levels, individually or collectively. The premium debt of the Group is assessed for individual or specific impairment where an objective evidence of impairment exists. Collective impairment is done using the historical loss rate model.

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 Group's investment portfolio is exposed to credit risk through its fixed income and money market instruments. The Group 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.

The Group's counterparty exposure as at 31 December 2013 is represented below:

Group portfolio		
Counterparty	**market**	%
National Banks	1,656,536,576	98%
Investment House	33,617,634	2%

The Company's counterparty exposure as at 31 December 2013 is represented below:

Company portfolio		
Counterparty	**market**	%
National Banks	1,551,123,219	98%
Investment House	33,617,634	2%

The Group's counterparty exposure as at 31 December 2012 is represented below:

Counterparty	Company portfolio market	%
National Banks	1,035,857,391	83%
Investment House	219,573,047	17%

Other receivables

Other receivables balances constitute other debtors, dividend and intergroup receivables. The Group has an internal system of assessing the credit quality of other receivables through established policies and approval systems. The Group constantly monitors its exposure to these receivables via periodic performance review. The Group 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.

(e) Insurance Risks

The major risk confronting the Group in the arrear of insurance contracts are that of 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 later development of long–term claims. Flowing from the foregoing, our main focus is to ensure that sufficient assets are available to cover these liabilities.

We have taken conscious efforts to mitigate our exposure to these inherent risks by diversifying across a large portfolio of insurance contracts and geographical areas. As part of risk management strategy, resourceful and efficient underwriting strategy guidelines and procedures are deployed and implemented. Besides, we have instituted mechanisms for structuring of coinsurance arrangements with friendly insurance Companies to ensure evenness of risks.

In addition there are well defined policies guidelines for ensuring adequate ceding out of risks to reinsurers as part of our risk mitigation programme. Businesses so ceded out to Reinsurer are placed on a proportional and non–proportional basis. While Proportional reinsurance are mainly quota–share reinsurance which is taken out, on original terms basis, to mitigate our overall exposure to risk in specific categories of risk underwriting businesses, Non–proportional reinsurances are principally excess–of–loss reinsurance intended to ameliorate our net exposure to large losses. Retention limits for the excess–of–loss reinsurance vary by product line.

Both the amounts of outstanding claims and recoverable from reinsurers are projected in comportment with the outstanding claims provision and are in accordance with the terms of reinsurance contracts. Despite have put in place the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: fire, motor, general accidents, marine, bond, engineering, workmen compensation and special risks. Risks under non–life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from accidents. These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts.

(i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damages suffered as a result of road accidents. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose excess or deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs.

The reinsurance arrangements include excess and proportional coverage. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses in any one year.

The Group has a specialized claims unit that ensures mitigation of the risks surrounding all known claims. This unit investigates and adjusts all claims in conjunction with appointed loss adjusters. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Management assesses risk concentration per class of business. The concentration of insurance risk before and after reinsurance by class in relation to the type of insurance risk accepted is summarized below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from non-life insurance.

31-Dec-13

Product	Gross sum insured	Gross Re-Insured	Net sum insured
Fire	133,452,663,375	151,008,684	133,301,654,691
General Accident	305.525.717.353	229.288.570	305.296.428.783
Marine	22.950.292.288	67.931.989	22.882.360.299
Engineering	16.141.442.512	28.969.296	16.112.473.216
Bond	226.639.455	986.006	225.653.449
Travel Insurance	-	-	-
Special risk	19.756.945.037	18.644.029.610	1.112.915.427
Motor	-	-	-
Total	**498,053,700,021**	**19,122,214,156**	**478,931,485,865**

31-Dec-12

Product	Gross sum insured	Gross Re-Insured	Net sum insured
Fire	243,054,963,322	138,957,214,499	104,097,748,824
General Accident	191.034.891.451	28.277.269.069	162.757.622.382
Marine	76.305.069.720	51.658.962.764	24.646.106.956
Engineering	22.071.629.391	18.610.155.508	3.461.473.883
Bond	1.542.628.714	2.099.541.096	(556.912.382.46)
Special risk	3.828.677.782	172.621.850	3.656.055.932
Motor	13.914.103.014	21.110.000	13.892.993.014
Total	**551,751,963,395**	**239,796,874,787**	**311,955,088,608**

(ii) Sources of uncertainty in the estimation of future claim payments

Claims on non-life insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The reserves held for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unearned premiums at the end of the reporting period.

(iii) Process used to decide on assumptions

For non-life insurance risks, the Group uses different methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the Discounted Inflation-adjusted 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 additional claims. Large claims were projected separately as they can significantly distort patterns. Where there was insufficient claim data, large and additional 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 6 years cohorts – representing when they were paid after their underwriting year. These cohorts are called claim development years and the patterns for 6 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:

(i) The future claims follows a trend pattern from the historical data

(ii) 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.

(iii) The run off period is six (6) years and hence the method assumes no more claims will be paid after this.

(iv) That weighted past average inflation will remain unchanged into the future

Expected Loss Ratio method

This model assumes that the average delay in the payment of claims will continue into the future. Additionally, an estimate of the average ultimate loss ratio was assumed. The estimated average loss ratio was based on claims experience at the reporting date for accident years 2010, 2011 and 2012. For 3 of the classes of business namely Engineering, Workmen compensation, Bond and Oil & gas, there was very limited data. A Discounted Inflation-adjusted Basic Chain Ladder method was therefore inappropriate. The reserve was calculated as the expected average ultimate loss ratio for the assumed average delay period multiplied by earned premium for the assumed delay period minus current experience to the reporting date relating to the accident months that the delay affects.

Unearned premium provision was calculated using a time – apportionment basis. The same approach was taken for deferred acquisition cost as for the calculation of the UPR balance.

Sensitivity analysis

Sensitivity analysis is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact the Company's insurance liabilities. The correlation of assumptions will have a significant effect in determining the ultimate 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. Sensitivity information will also vary according to the current economic assumptions.

Non-Life Valuation Report as at 31st December, 2013
Sensitivity Analysis

Discounted LABCL

Class of Business	Base	Developmental Ratio (+5%)	Developmental Ratio (-5%)	Inflation Rate (+1%)	Inflation Rate (-1%)	Discount Rate (+1%)	Discount Rate (-1%)
Motor	57,881,463	145,182,188	33,695,906	58,585,783	57,181,470	57,187,757	58,592,265
General Accident	288,400,192	382,408,961	237,320,324	290,660,713	286,160,599	286,180,683	290,681,549
Marine	42,650,572	60,820,390	38,357,301	43,096,031	42,206,172	42,210,171	43,100,123
Fire	220,163,159	267,311,422	199,710,944	220,832,904	219,497,834	219,503,808	220,839,069
Bond	9,008,001	11,135,001	6,881,000	9,008,001	9,008,001	9,008,001	9,008,001
Aviation	12,120,029	15,150,036	9,090,022	12,120,029	12,120,029	12,120,029	12,120,029
Employers Liability	2,562,885	2,990,032	2,135,737	2,562,885	2,562,885	2,562,885	2,562,885
Oil & Gas	52,302,045	56,185,426	48,418,664	52,302,045	52,302,045	52,302,045	52,302,045
Travel Insurance	7,345,145	9,181,431	5,508,859	7,345,145	7,345,145	7,345,145	7,345,145
Total	**692,433,491**	**950,364,886**	**581,118,757**	**696,513,535**	**688,384,179**	**688,420,523**	**696,551,110**
Account Outstanding	615,659,495	615,659,495	615,659,495	615,659,495	615,659,495	615,659,495	615,659,495
IBNR	76,773,997	334,705,391	(34,540,738)	80,854,040	72,724,684	72,761,028	80,891,615
Percentage Change		**37.2%**	**-16.1%**	**0.6%**	**-0.6%**	**-0.6%**	**0.6%**

Non-Life Valuation Report as at 31st December, 2012
Sensitivity Analysis

Discounted LABCL

Class of Business	Base	Developmental Ratio (+5%)	Developmental Ratio (-5%)	Inflation Rate (+5%)	Inflation Rate (-5%)	Discount Rate (+5%)	Discount Rate (-5%)
Motor	78,378,335	181,851,734	44,739,435	79,346,929	77,416,178	77,741,439	79,030,022
General Accident	59,635,991	119,923,216	28,640,062	60,441,900	58,836,434	59,081,757	60,203,675
Marine	6,273,442	14,405,715	4,480,243	6,333,693	6,213,267	6,239,339	6,308,124
Fire	34,477,726	73,224,570	11,496,858	34,943,872	34,014,765	34,144,984	34,818,283
Bond	34,813,886	39,018,586	30,609,186	34,813,886	34,813,886	34,813,886	34,813,886
Aviation	21,094,266	26,186,066	16,002,466	21,094,266	21,094,266	21,094,266	21,094,266
Employers Liability	1,725,113	2,277,289	1,172,937	1,725,113	1,725,113	1,725,113	1,725,113
Oil	29,828,362	29,828,362	29,828,362	29,828,362	29,828,362	29,828,362	29,828,362
Total	**266,227,121**	**486,715,537**	**166,969,547**	**268,528,020**	**263,942,270**	**264,669,144**	**267,821,730**
Account Outstanding	133,920,000	133,920,000	133,920,000	133,920,000	133,920,000	133,920,000	133,920,000
IBNR	132,307,121	352,795,537	33,049,547	134,608,020	130,022,270	130,749,144	133,901,730
Percentage Change		**82.8%**	**-37.3%**	**0.9%**	**-0.9%**	**-0.6%**	**0.6%**

Insurance risk

The claims development history of the Group at the reporting date was as follows:

Marine

	Development Year				
Accident Year	1	2	3	4	5
2007	8,861	839,287	-	-	-
2008	4,956,595	-	-	-	
2009	-	3,898,100	7,405,991	322,385	
2010	1,488,484	3,376,985	184,493		
2011	3,012,040	4,915,686	4,701,682		
2012	4,342,821	13,434,905			
2013	868,434				

Fire

	Development				
Accident Period	1	2	3	4	5
2007	2,106,513	5,870,123	1,410,126	415,012	208,648
2008	1,048,024	3,426,468	675,707	1,637,620	
2009	4,753,122	2,772,484	513,464	172,859	396,747
2010	8,764,680	10,841,586	337,350	162,932	
2011	51,480,043	31,107,856	998,993		
2012	13,039,833	35,136,271			
2013	13,205,568				

Motor

	Development				
Accident Period	1	2	3	4	5
2007	10,141,047	17,365,136	1,737,270	1,025,332	
2008	43,788,205	19,518,288	8,320,681	357,956	2,258,579
2009	49,532,128	50,188,869	13,902,149	2,864,164	551,236
2010	43,788,617	33,524,160	1,581,264	1,905,000	
2011	73,165,218	39,735,548	646,466		
2012	56,757,875	22,791,247			
2013	57,210,072				

General Accident

	Development					
Accident Period	1	2	3	4	5	6
2007	10,801,575	33,750,834	14,701,270	1,088,408	5,631,885	100,846
2008	27,381,232	28,688,711	2,048,881	6,369,342	1,148,408	1,689,185
2009	43,699,334	30,310,139	1,178,454	1,584,080	1,187,804	
2010	4,253,999	40,114,749	40,869,917	1,729,098		
2011	10,306,994	25,931,618	34,201,265			
2012	13,267,628	62,406,277				
2013	20,837,078					

Cumulative Claims Development Pattern:

ACCIDENT

	Cumulative Development Pattern Annual Projections (Naira)						
A/Y year/ Dev Years	1	2	3	4	5	6	7
2007	10,801,575	44,552,408	59,253,678	60,342,086	65,973,971	66,074,817	66,074,817
2008	27,381,232	56,069,942	58,118,824	64,488,166	65,636,574	67,325,758	67,325,758
2009	43,699,334	74,009,473	75,187,927	76,772,007	77,959,811	79,020,140	79,020,140
2010	4,253,999	44,368,748	85,238,664	86,967,763	90,405,063	91,634,660	91,634,660
2011	10,306,994	36,238,612	70,439,877	73,170,998	76,062,997	77,097,528	77,097,528
2012	13,267,628	75,673,905	103,246,698	107,249,817	111,488,742	113,005,097	113,005,097
2013	20,837,078	92,684,684	126,455,579	131,358,562	136,550,357	138,407,575	138,407,575

FIRE

	Cumulative Development Pattern Annual Projections (Naira)						
A/Y year/ Dev Years	1	2	3	4	5	6	7
2007	2,106,513	7,976,636	9,386,762	9,801,774	10,010,422	10,010,422	10,010,422
2008	1,048,024	4,474,492	5,150,199	6,787,819	6,787,819	6,787,819	6,787,819
2009	4,753,122	7,525,606	8,039,070	8,211,929	8,608,676	8,608,676	8,608,676
2010	8,764,680	19,606,266	19,943,616	20,106,548	20,597,341	20,597,341	20,597,341
2011	51,480,043	82,587,899	83,586,832	88,282,090	90,437,021	90,437,021	90,437,021
2012	13,039,833	48,176,105	49,728,037	52,521,371	53,803,397	53,803,397	53,803,397
2013	13,205,568	51,724,646	53,390,890	56,389,975	57,766,432	57,766,432	57,766,432

MOTOR

	Cumulative Development Pattern Annual Projections (Naira)						
A/Y year/ Dev Years	1	2	3	4	5	6	7
2007	10,141,047	27,506,183	29,243,453	30,268,785	30,268,785	30,268,785	30,268,785
2008	43,788,205	63,306,493	71,627,174	71,985,130	74,243,709	74,243,709	74,243,709
2009	49,532,128	99,720,997	113,623,146	116,487,311	117,038,546	117,038,546	117,038,546
2010	43,788,617	77,312,776	78,894,041	80,799,041	81,836,935	81,836,935	81,836,935
2011	73,165,218	112,900,766	113,547,232	115,928,360	117,417,504	117,417,504	117,417,504
2012	56,757,875	79,549,122	85,020,519	86,803,431	87,918,454	87,918,454	87,918,454
2013	57,210,072	95,007,731	101,542,372	103,671,754	105,003,457	105,003,457	105,003,457

MARINE

	Cumulative Development Pattern Annual Projections (Naira)						
A/Y year/ Dev Years	1	2	3	4	5	6	7
2007	8,861	848,148	848,148	848,148	848,148	848,148	848,148
2008	4,956,595	4,956,595	4,956,595	4,956,595	4,956,595	4,956,595	4,956,595
2009		3,898,100	11,304,091	11,626,475	11,626,475	11,626,475	11,626,475
2010	1,488,484	4,865,469	5,049,962	5,049,962	5,049,962	5,049,962	5,049,962
2011	3,012,040	7,927,726	12,629,407	12,813,150	12,813,150	12,813,150	12,813,150
2012	4,342,821	17,777,726	51,553,588	52,303,632	52,303,632	52,303,632	52,303,632
2013	868,434	2,893,142	8,389,815	8,511,877	8,511,877	8,511,877	8,511,877

Life insurance contracts

Individual life insurance contracts offered by the Group include: whole life, term assurance, group life, credit life products, endowment assurances and immediate life annuity pensions.
Whole life and term assurance are conventional regular premium products where a lump sum benefit, either fixed or decreasing, is payable on death or permanent disability. Contracts with a deposit premium option acquire surrender values.

Immediate Life Annuity business offer regular income for life, guaranteed to be payable for a minimum period , in exchange for a lump sum or premium at retirement. The Group is exposed longevity and the re-investment risks. An asset-liability matching exercise is performed regularly to ensure that appropriate assets are held that match liabilities by nature, term, currency and cash-flow.
Other annuity products are similar to our endowment products in nature and don't carry any longevity risks.

Endowment products , such as the **IDA, PSP, LSP and LTP** offer a death benefit that is linked to the underlying value of the deposit premiums paid, after allowing for expenses, subject to a guaranteed minimum amount (where this option exists and/or is taken) plus the proceeds of life cover. The maturity value usually depends on the investment performance of the underlying assets.

To the extent that maturity values or investment returns are guaranteed, there is a risk that actual returns are lower than those expected/guaranteed.

Credit life products are variants of both the whole life and term assurance products for products sold through the banks. The death benefit cover is normally a decreasing term assurance policy linked to the outstanding debt with the bank at death.

Funeral products, the Family Benefit Plan and the Family Comfort Plan, offer a whole of life level benefit to cover funeral expenses for the insured members. The contract ceases on the first death. The Group's Life business provided death in service cover for employees and few contracts have also included cover for funeral.

There is a risk that expense will overrun as downward pressure on rates increases and the demand for better service increases. Also, brokers hold on to premiums for some time before remitting it to the insurers introducing default risk. There is also a risk that reinsurers will default on legitimate claims.

For contracts when death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.
Group wide reinsurance limits of N5m on any single life insured and N140m on all high risk individuals insured are in place.
The Group has the right to review its mortality and morbidity rates should experience worsen but may be undermined by increased competition.
The insurance risks described above can be exacerbated by the selective withdrawal or decision to pay reduced premiums by healthy lives assureds. As a result, the amount of insurance risk is also subject to contract holder behaviour.
For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity and the risk that actual interest rate differs from that guaranteed.

The following tables show the concentration of life insurance by type of contract.

		31-Dec-13	
Types of Life Insurance contracts	**Gross Life insurance and investment contract liabilities**	**Life Insurance and Investment contract liabilities ceded to Reinsurance**	**Life Insurance and Investment contract Liabilities (Net)**
	N	**N**	**N**
Whole life	-	-	-
Term assurance	379,162,263,000	136,582,410,640	242,579,852,360
Endowments	1,068,833,373	99,044,799	969,788,574
Guaranteed annuity products	951,694	-	951,694
Deposit based products	569,025,053	-	569,025,053
Total life insurance liabilities	**380,801,073,120**	**136,681,455,439**	**244,119,617,681**

31-Dec-12

Types of Life Insurance contracts	Gross Life insurance and investment contract liabilities	Life Insurance and Investment contract liabilities ceded to Reinsurance	Life Insurance and Investment contract Liabilities (Net)
	N	N	N
Whole life	121,501	-	121,501
Term assurance	258,809,211,162	2,488,754,299	256,320,456,863
Endowments	870,808,600	9,632,751	861,175,849
Guaranteed annuity products	-	-	-
Deposit based products	1,797,772,649	66,937,751	1,730,834,898
Total life insurance liabilities	**261,477,913,913**	**2,565,324,801**	**258,912,589,111**

Sensitivity Analysis

Sensitivity analysis is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on the Group's insurance liabilities. The correlation of assumptions will have a significant effect in determining the ultimate 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. Sensitivity information will also vary according to the current economic assumptions.

Key Assumptions

Material judgment is required in determining the liabilities and, in particular, in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable reserves are set aside to meet liabilities

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

Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the
An increase in rates will lead to a larger number of expected claims (and claims could occur sooner than anticipated), which will increase the reserve and reduce reported profits for the shareholders.

Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's experience.
An appropriate, but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type

An increase in longevity rates will lead to an increase in the expected number of annuity payments to be made, which will increase the reserve and reduce reported profits for the shareholders.

Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to a reduction in reserves and an increase in reported profits for the shareholders.

Expenses

Operating expense assumption reflects the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense

An increase in the level of expenses would result in an increase in expected expenditure thereby reducing reported profits for the shareholders.

Lapses and surrender rates

Lapses relate to the termination of risk policies or investment policies that have not acquired a value due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type.

expenses.

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on the long term risk free rate plus an adjustment for risk.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders with the exception of a perfectly matched annuity portfolio where both assets and liabilities will increase by the same magnitude.

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GREAT NIGERIA INSURANCE PLC

Sensitivity of Liabilities to changes in long term valuation assumptions

N'000	Base	VIR+ 1%	VIR - 1%	Expenses +10%	Expenses -10%	Exp. Infl + 2%	Exp Infl - 2%	Laspes +10%	Laspes -10%	Mortality +5%	Mortality -5%
Individual Risk Reserves	312,754	291,978	336,052	336,064	290,130	334,616	294,184	n/a	n/a	313,361	312,148
Investment Linked Products	529,275	529,275	529,275	529,275	529,275	529,275	529,275	n/a	n/a	529,275	529,275
Group life- UPR	913,442	913,442	913,442	913,442	913,442	913,442	913,442	n/a	n/a	913,442	913,442
Group life-IBNR	354,910	354,910	354,910	354,910	354,910	354,910	354,910	n/a	n/a	354,910	354,910
Group DA	119,574	119,574	119,574	119,574	119,574	119,574	119,574	n/a	n/a	119,574	119,574
Additional reserves	69,436	69,416	69,457	69,836	69,037	69,475	69,397	n/a	n/a	69,458	69,414
Reinsurance	(15,316)	(15,316)	(15,316)	(15,316)	(15,316)	(15,316)	(15,316)	n/a	n/a	(15,316)	(15,316)
Net Liability	**2,284,075**	**2,263,278**	**2,307,394**	**2,307,784**	**2,261,051**	**2,305,976**	**2,265,466**	**n/a**	**n/a**	**2,284,704**	**2,283,447**
% change in Liability		-0.91%	1.02%	1.04%	-1.01%	0.96%	-0.81%	n/a	n/a	0.03%	-0.03%

Summary	Base	Interest +1%	Interest -1%	Expenses +10%	Expenses -10%	Exp. Infl + 2%	Exp Infl - 2%	Laspes +10%	Laspes -10%	Mortality +5%	Mortality -5%
Individual	911,465	890,668	934,784	935,174	888,441	933,366	892,856	n/a	n/a	912,094	910,837
Group	1,372,610	1,372,610	1,372,610	1,372,610	1,372,610	1,372,610	1,372,610	n/a	n/a	1,372,610	1,372,610
Net Liability	**2,284,075**	**2,263,278**	**2,307,394**	**2,307,784**	**2,261,051**	**2,305,976**	**2,265,466**	**n/a**	**n/a**	**2,284,704**	**2,283,447**
% change in Liability		-0.91%	1.02%	1.04%	-1.01%	0.96%	-0.81%	n/a	n/a	0.03%	-0.03%

All stresses were applied independently
Stresses not applied to individual reinsurance asset due to immateriality

(f) Liquidity risks

Liquidity risk is the risk of loss due to insufficient liquid assets to meet cash flow requirements or to fulfil its financial obligation once claims crystallize. In respect of catastrophe events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Group mitigates this risk by monitoring cash activities and expected outflows. The Group has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claims payments are funded by current operating cash flow including investment income. The Group has no tolerance for liquidity risk and is committed to meeting all liabilities as they fall due.

The Group' s cash and short term investments make up about 55% of its investment portfolio. This highlights liquid marketable securities sufficient to meet its liabilities as at when due. Short term investments include treasury bills and term deposits with an original maturity of less than one year.

The following policies and procedures are in place to mitigate the Group`s exposure to liquidity risk:

- The liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, exposures and breaches are reported to the Group`s risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The Group maintains a portfolio of highly marketable assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs to assist users in understanding how assets and liabilities have been matched.

The following table summarizes the maturity profile of the non–derivative financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations.

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

Repayments which are subject to notice are treated as if notice were to be given immediately.

Reinsurance assets have been presented on the same basis as insurance liabilities. The gross nominal inflow/(outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

Residual contractual maturities of financial assets and liabilities

The table below shows the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow/ (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

Group
31-Dec-13

In thousands of Naira	Carrying amount	Contractual cashflow	0 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years
Non- derivative financial assets							
Cash and cash equivalents	2,128,957	2,128,957	2,128,957	-	-	-	-
Trade receivables	143,663	1,613,108	143,663	-	1,469,445	-	-
Reinsurance assets	454,821	454,821	-	454,821	-	-	-
Other receivables	194,448	707,857	24,047	123,490	88,021	472,299	-
Finance lease receivable	178,623	202,008	-	-	-	202,008	-
Total assets	**3,100,512**	**5,106,751**	**2,296,667**	**578,311**	**1,557,466**	**674,307**	**-**
Non- derivative financial liabilities							
Insurance contract liabilities	2,781,599	2,781,599	305,976	417,240	500,688	556,320	1,001,376
Investment contract liabilities	648,849	648,849	-	-	-	648,849	-
Trade payables	49,525	49,525	7,429	17,334	24,763	-	-
Other payables	531,152	531,152	34,315	40,836	65,123	390,878	-
Finance lease payable	108,927	107,985	-	-	49,584	58,401	-
Borrowings	43,823	43,823	43,823				
Total liabilities	**4,163,875**	**4,162,933**	**391,543**	**475,409**	**640,158**	**1,654,448**	**1,001,376**
Gap (assets - liabilities)	(1,063,363)	943,818	1,905,124	102,902	917,308	(980,141)	(1,001,376)
Cumulative liquidity gap			1,905,124	2,008,026	2,925,334	1,945,193	943,818

Company
31-Dec-13

In thousands of Naira	Carrying amount	Contractual cashflow	0 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years
Non- derivative financial assets							
Cash and cash equivalents	2,020,907	2,020,907	2,020,907	-	-	-	-
Trade receivables	143.663	1.613.108	143.663	-	1.469.445	-	-
Reinsurance assets	454,821	454,821	-	454,821			-
Other receivables	225,452	738,861	24,048	123,490	119,024	472,299	-
Finance lease receivable	178,623	202,008	-	-	-	202,008	-
Total assets	**3,023,466**	**5,029,705**	**2,188,618**	**578,311**	**1,588,469**	**674,307**	**-**
Non- derivative financial liabilities							
Insurance contract liabilities	2,781,599	2,781,599	305,976	417,240	500,688	556,320	1,001,375
Investment contract liabilities	648,849	648,849	-	-	-	648,849	-
Trade payables	49,525	49,525	7,429	17,334	24,763	-	-
Other payables	527,393	527,393	43,047	40,834	65,123	378,389	-
Finance lease obligation	108,927	107,985	-	-	49,584	58,401	-
Borrowings	43,823	43,823	43,823	-	-	-	-
Total liabilities	**4,160,116**	**4,159,174**	**400,275**	**475,408**	**640,158**	**1,641,959**	**1,001,375**
Gap (assets - liabilities)	(1,136,650)	870,531	1,788,343	102,904	948,311	(967,652)	(1,001,375)
Cumulative liquidity gap			1,788,343	1,891,247	2,839,558	1,871,906	870,531

31-Dec-12	**Carrying amount**	**Contractual cashflow**	**0 - 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**Over 5 years**
In thousands of Naira							
Non- derivative financial assets							
Cash and cash equivalents	1,531,163	1,531,163	1,531,163	-	-	-	-
Trade receivables	252,999	1,722,444	1,722,444	-	-	-	-
Reinsurance assets	174,603	174,603	-	174,603	-	-	-
Other receivables	161,956	557,456	22,054	37,585	56,378	441,440	-
Finance lease receivable	104,708	104,708	-	-	-	104,708	-
Total assets	**2,225,429**	**4,090,374**	**3,275,661**	**212,188**	**56,378**	**546,148**	**-**
Non- derivative financial liabilities							
Insurance contract liabilities	1,861,996	1,861,996	258,313	217,459	221,884	645,142	519,198
Investment contract liabilities	130,946	130,946	-	-	-	130,946	-
Trade payables	91,433	91,433	13,715	32,001	45,716	-	-
Other payables	338,827	338,827	12,074	36,223	24,149	266,382	-
Borrowings	72,007	72,007	72,007	-	-	-	-
Total liabilities	**2,495,209**	**2,495,209**	**356,109**	**285,683**	**291,749**	**1,042,470**	**519,198**
Gap (assets - liabilities)	(269,780)	1,595,165	2,919,552	(73,495)	(235,371)	(496,324)	(519,198)
Cumulative liquidity gap			2,919,552	2,846,057	2,610,687	2,114,363	1,595,165

The following table shows the amounts expected to be recovered or settled no more than twelve months after the reporting period (current) and amounts expected to be recovered or settled after more than twelve months (non-current) for each assets and liability line item.

	Group 31-Dec-13			Company 31-Dec-13			Company 31-Dec-12		
In thousands of Naira	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Asset									
Cash and cash equivalents	2,128,957	-	2,128,957	2,020,907	-	2,020,907	1,531,163	-	1,531,163
Financial assets	297,321	650,979	948,300	297,321	650,979	948,300	-	491,573	491,573
Trade receivables	143,663		143,663	143,663	-	143,663	252,999	-	252,999
Reinsurance assets	454,821	-	454,821	454,821	-	454,821	184,801	-	184,801
Deferred acquisition cost	-	146,204	146,204	-	146,204	146,204	-	54,568	54,568
Finance lease receivable	86,351	92,272	178,623	86,351	92,272	178,623	39,538	65,170	104,708
Other receivables and prepayments	138,333	56,115	194,448	169,337	56,115	225,452	137,580	40,018	177,598
Investment in subsidiary	-	-	-	-	225,000	225,000	-	-	-
Investment properties	-	4,380,865	4,380,865	-	4,380,865	4,380,865	-	4,175,330	4,175,330
Deferred tax assets	-		-	-	-	-	-	157,964	157,964
Intangible assets	-	162,252	162,252	-	132,252	132,252	-	3,952	3,952
Property, plant and equipment	-	818,762	818,762	-	700,091	700,091	-	773,559	773,559
Statutory deposit	-	500,000	500,000	-	500,000	500,000	-	524,187	524,187
Total assets	3,249,446	6,807,450	10,056,895	3,172,400	6,883,778	10,056,178	2,146,081	6,286,321	8,432,402
Liabilities									
Insurance contract liabilities	893,207	1,888,392	2,781,599	893,207	1,888,392	2,781,599	551,960	1,271,445	1,823,405
Investment contract liabilities	-	648,849	648,849	-	648,849	648,849	-	552,192	552,192
Trade payables	49,525	-	49,525	49,525	-	49,525	91,433	-	91,433
Gratuity payable	-	17,040	17,040	-	17,040	17,040	-	21,852	21,852
Provision and other payables	38,074	493,078	531,152	34,315	493,078	527,393	72,445	265,671	338,116
Borrowings	43,823	-	43,823	43,823	-	43,823	72,007	-	72,007
Finance lease obligations	54,463	54,464	108,927	54,463	54,464	108,927	-	-	-
Deferred tax liabilities	-	288,339	288,339	-	285,646	285,646	-	-	-
Current income tax liabilities	198,264	-	198,264	198,209	-	198,209	180,485	-	180,485
Total liabilities	1,277,356	3,390,162	4,667,518	1,273,542	3,387,469	4,661,011	946,353	1,777,720	3,079,490

(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 (foreign currency risk), market interest rates (interest rate risk) and market prices (price risk).

The Group'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 Group 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.

Foreign currency risk

Foreign Exchange risk is the exposure of the Group's financial condition to adverse movements in exchange rates. The Group is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

The Group's principal transactions are carried out in Naira and its exposure to foreign exchange risk arise primarily with respect to transactions done in other foreign currencies: UK pound sterling, Euro and US dollar.

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

The Board of Directors defines its risk tolerance levels and expectations for foreign exchange risk management and ensures that the risk is maintained at prudent levels. Foreign exchange risk is quantified using the net balance of assets and liabilities in each currency, and their total sum. The Group's exposure to foreign exchange risk is low.

The carrying amounts of the Group's foreign currency denominated assets and liabilities are as follows:

Group
31-Dec-13

		US Dollar	UK Pound Sterling	Euro	Total
		N'000	N'000	N'000	N'000
Assets (Cash & Cash Equivalent)		522	2,000	39	2,561
Liabilities					-
	-	**522**	**2,000**	**39**	**2,561**

Company
31-Dec-13

	US Dollar	UK Pound Sterling	Euro	Total
	N'000	N'000	N'000	N'000
Assets (Cash & Cash Equivalent)	522	2,000	39	2,561
Liabilities				-
	522	**2,000**	**39**	**2,561**

Company
31-Dec-12

		US Dollar N'000	UK Pound Sterling N'000	Euro N'000	Total N'000
Assets (Cash & Cash Equivalent)		101,500	6,910	-	108,410
Liabilities					
Total assets	-	**101,500**	**6,910**	-	**108,410**

Foreign currency sensitivity analysis

The following table details the Group`s sensitivity to a 10% increase and decrease in foreign currency rates against the Naira. A 10% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management`s assessment of the reasonably possible change in foreign exchange rates. For each sensitivity scenario, the impact of change in a single factor is shown, with other assumptions or variables held constant.

The following tables show the effect on the profit as at 31st December 2013 from N155.22/$ closing rate and as at 31st December 2012 from N155.70/$ closing rate respectively.

Group
31 December 2013

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
10% increase	52	200	4	256
10% decrease	(52)	(200)	(4)	(256)
Impact of increase on:				
Pre-tax Profit	-	-	-	449,946
Shareholders' Equity	-	-	-	5,389,633
Impact of decrease on:				
Pre-tax Profit	-	-	-	449,434
Shareholders' Equity	-	-	-	5,389,121

Company
31 December 2013

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
10% increase	52	200	4	256
10% decrease	(52)	(200)	(4)	(256)
Impact of increase on:				
Pre-tax Profit	-	-	-	466,965
Shareholders' Equity	-	-	-	5,395,423
Impact of decrease on:				
Pre-tax Profit	-	-	-	466,453
Shareholders' Equity	-	-	-	5,394,911

Company
31 December 2012

	Pounds sterling	Euro	US Dollars	Total
	N'000	N'000	N'000	N'000
10% increase	10,150	691	-	10,841
10% decrease	(10,150)	(691)	-	(10,841)
Impact of increase on:				
Pre-tàx (loss)	-	-	-	1,286,346
Shareholders' Equity	-	-	-	5,363,753
Impact of decrease on:				
Pre-tax Profit	-	-	-	1,264,664
Shareholders' Equity	-	-	-	5,342,071

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 Group 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 modelled 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 Group is also exposed to the risk of changes in future cash flows from fixed income securities arising from the changes in interest rates.

Sensitivity analysis on financial assets

As part of the Group's investment strategy, in order to reduce both insurance and financial risk, the Group 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. 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

In thousands of naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Financial instruments			
Cash and cash equivalents	2,128,957	2,020,907	1,531,163
Financial assets:			
-Held to maturity	297,321	297,321	-
Finance lease receivables	178,623	178,623	104,708
Borrowings	(43,823)	(43,823)	(72,007)
Finance lease obligations	(108,927)	(108,927)	-
	2,452,151	2,344,101	1,563,864

In thousands of naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Variable			
Increase in interest rate by 100 basis points (1.0%)	24,522	23,441	15,639
Decrease in interest rate by 100 basis point (-1.0%)	(24,522)	(23,441)	(15,639)
Impact of increase on:			
Pre-tax profit/(loss)	474,211	490,150	1,291,144
Shareholders' Equity	5,413,899	5,418,608	5,368,551
Impact of decrease on:			
Pre-tax profit/(loss)	425,168	443,268	1,259,867
Shareholders' Equity	5,364,856	5,371,726	5,337,273

Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity price risks arising from equity investments primarily from investments not held for unit-linked business. The shares included in financial assets represent investments in listed securities that present the Company with opportunity for return through dividend income and capital appreciation.

The carrying amounts of the Group's equity investments are as follows:

In thousands of naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
Equity Securities; - Unlisted	89,366	89,366	85,266
Equity Securities; - Listed	561,613	561,613	406,307
	650,979	650,979	491,573

Equity price sensitivity analysis
The sensitivity analyses set out below show the impact of a 10% increase and decrease in the value of equities on profit before tax and shareholders' equity based on the exposure to equity price risk at the reporting date.

In thousands of naira	Group 31-Dec-13	Company 31-Dec-13	Company 31-Dec-12
10% increase	65,098	65,098	49,157
10% decrease	(65,098)	(65,098)	(49,157)
Impact of increase on:			
Pre-tax profit/(loss)	514,788	531,807	1,324,662
Shareholders' Equity	5,454,475	5,460,265	5,402,069
Impact of decrease on:			
Pre-tax profit/(loss)	384,592	401,611	1,226,348
Shareholders' Equity	5,324,279	5,330,069	5,303,755

(h) Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group'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 Group'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 Group.

51 Capital Management Policies, Objectives and Approach

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

- To maintain the required level of financial stability thereby providing a degree of security to policyholders.
- To 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.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

Great Nigeria Insurance's operations are also subject to regulatory requirements within the jurisdictions in which it operates. The minimum paid up capital requirement as specified by National Insurance Commission (NAICOM) for life insurance business in Nigeria is N2 billion, N3 billion for Non-life insurance business, N5 billion for composite insurance business, N10 million for Health Maintenance Organization and N10 billion for Reinsurance business and insurers are also mandated to maintain 10% of this paid up capital with the Central Bank as Statutory Deposit. In addition, quarterly and annual returns must be submitted to NAICOM on a regular basis.

The regulations prescribed by NAICOM not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., solvency margin) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Group as at year end had complied with the regulators capital requirements for its life and composite business, however it had been unable to meet the capital requirement of N3 billion for non-life insurance business. This raises going concern issues and the Group faces the risk of having its non-life insurance license withdrawn.

The capital deficiency has however not significantly affected the operations of the Group as at the date of this report, liabilities continue to be discharged in the normal course of business.

The Board intends to recapitalize the non-life business by way of:

1. Raising additional capital through a private placement.
2. Aggressive recovery of trade receivable.

The Board and Management strongly believe that these steps will yield the desired result by the end of the year 2013, (based on the positive response received from potential investors based on preliminary inquiries with respect to the proposed private placement offer). Additionally in the medium to long term, the Board will be assessing possible opportunities to further strengthen the Group.

In reporting the Great Nigeria Insurance's solvency status, solvency margin are computed using the rules prescribed by the National Insurance Commission (NAICOM). The margin of solvency, according to NAICOM is defined as total admissible assets less total liabilities. This shall not be less than either 15% of net premium or the minimum paid up share capital whichever is higher. Great Nigeria Insurance's capital management policy for its business is to hold sufficient capital to cover the statutory requirements based on the NAICOM regulations, including any additional amounts required by the regulators.

Approach to capital management

Great Nigeria Insurance seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

Great Nigeria Insurance's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital level on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

The Group's primary source of capital used by is equity shareholders' funds and borrowings. Great Nigeria Insurance also utilises, where efficient to do so, sources of capital such as reinsurance in addition to more traditional sources of funding.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The Group has developed a framework to identify the risks and quantify their impact on the economic capital. The framework estimates how much capital is required to reduce the risk of insolvency to a remote degree of probability. The framework has also been considered in assessing the capital requirement.

The Group's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory and to best utilize capital allocations.

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 liabilities 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 income less reinsurance premiums paid out during the year under review or the minimum paid up capital, whichever is greater.

The Group's general business position is as follows:

		31-Dec-13
Admissible Assets		N'000
Financial assets:		
Cash and cash equivalents (including cash held as HTM)		465,119
Financial assets:		
- At fair value through profit or loss		262,344
Trade Receivables		39,896
Other Assets		
Reinsurance assets		437,502
Deferred acquisition cost		47,122
Investment in associates		-
Other receivables:		
- Staff Loan and advances		8,344
Investment properties		541,265
Land and building		214,951
Statutory deposit		300,000
Property, plant and equipment		46,530
Total Admissible Assets	A	**2,363,073**
LESS ADMISSIBLE LIABILITIES		
Borrowings		34,711
Trade and other payables		10,838
Gratuity payable		17,040
Provision and other payables		288,723
Insurance liabilities		1,056,213
Finance lease obligations		108,927
Income tax payable		83,638
Total Admissible Liabilities	B	**1,600,090**
Solvency Margin (A-B)		762,983
Higher of:		
Gross Premium Income		1,297,719
Less: Reinsurers		(355,286)
Net Premium		**942,433**
15% of Net Premium		141,365
Minimum Paid Up Capital		3,000,000
The higher thereof:		
Shortfall of solvency margin below minimum paid up capital		**(2,237,017)**

52 Valuation basis

Fair value 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. Fair values are determined at prices quoted in active markets. In our environment, such price information is typically not available for all instruments and the company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions could generate different results.

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independent of the risk taker. The Group has minimal exposure to financial assets which are valued at other than quoted prices in an active market.

The Group's accounting policy and basis of fair value measurements are disclosed under notes 3

Fair value measurements recognised in the statement of financial position.

The table below analyses financial instruments measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly

Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally

Group

31-Dec-13

In thousands of Naira	*Notes*	Level 1	Level 2	Level 3	Total
Assets					
Equity securities - At fair value through P&L	6	561,613	-	-	561,613
Total financial assets measured at fair value		**561,613**	-	-	**561,613**

Company

31-Dec-13

In thousands of Naira	*Notes*	Level 1	Level 2	Level 3	Total
Assets					
Equity securities - At fair value through P&L	6	561,613	-	-	561,613
Total financial assets measured at fair value		**561,613**	-	-	**561,613**

31-Dec-12

In thousands of Naira	*Notes*	Level 1	Level 2	Level 3	Total
Assets					
Equity securities - At fair value through P&L	6	406,307	-	-	406,307
Total financial assets measured at fair value		**406,307**	-	-	**406,307**

There are no financial instruments measured in level 3 of the fair value hierarchy, hence no reconciliation of level 3 fair value hierarchy has been presented

Financial instruments not measured at fair value

No fair value disclosures are provided for cash and cash equivalents, loans and receivables, trade receivables, other receivables, bank borrowings, trade payables, provision and other payables and finance lease obligations that are measured at cost because their carrying amount reasonably approximate their fair value.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and current balances with banks. The carrying amounts of current balances with banks is a reasonable approximation of fair value which is the amount receivable on demand.

Trade receivables and Other receivables

The carrying amounts of trade receivables and other receivables are reasonable approximation of their fair values which are receivable on demand.

Bank borrowings, Trade payables, Provision and other payables and Finance lease obligations

The carrying amounts of bank borrowings, trade payables, provision and other payables and finance lease obligations are reasonable approximation of their fair values which are repayable on demand.

53 Financial assets and liabilities

Accounting classification measurement basis and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities.

Group

31-Dec-13 *In thousands of Naira*	Notes	**Designated at fair value through P/L**	**Held to Maturity**	**Loans and receivables**	**Available for sale**	**Other financial liabilities at amortised cost**	**Total carrying amount**
Financial assets							
Cash and cash equivalents	5		-	2,128,957	-	-	2,128,957
Financial assets	6	561,613		271,321	89,366	-	922,300
Trade receivables	7	-	-	143,663	-	-	143,663
Reinsurance assets	8	-	-	454,821	-	-	454,821
Finance lease receivable	10	-	-	178,623	-	-	178,623
Other receivables excluding prepayments	11	-	-	182,033	-	-	182,033
		561,613	-	3,359,418	89,366	-	4,010,397
Financial liabilities							
Insurance contract liabilities	18	-	-	-	-	2,781,599	2,781,599
Investment contract liabilities	19	-	-	-	-	648,849	648,849
Trade payable	20	-	-	-	-	49,525	49,525
Provision and other payables	22	-	-	-	-	531,152	531,152
Borrowings	23	-	-	-	-	43,823	43,823
Finance lease obligation	24		-	-	-	108,927	108,927
		-	-	-	-	4,163,875	4,163,875

The carrying amount of these financial assets and liabilities are reasonable approximation of their fair values.

Company

31-Dec-13 *In thousands of Naira*	Notes	Designated at fair value through P/L	Held to Maturity	Loans and receivables	Available for sale	Other financial liabilities at amortised cost	Total carrying amount
Financial assets							
Cash and cash equivalents	5	-	-	2,020,907	-	-	2,020,907
Financial assets	6	561,613	297,321		89,366		948,300
Trade receivables	7	-	-	143,663	-	-	143,663
Reinsurance assets	8	-	-	454,821	-	-	454,821
Finance lease receivable	10	-	-	178,623	-	-	178,623
Other receivables excluding prepayments	11	-	-	213,037	-	-	213,037
		561,613	297,321	2,798,014	89,366	-	3,959,351
Financial liabilities							
Insurance contract liabilities	18	-	-	-	-	2,781,599	2,781,599
Investment contract liabilities	19	-	-	-	-	648,849	648,849
Trade payable	20	-	-	-	-	49,525	49,525
Provision and other payables	22	-	-	-	-	527,393	527,393
Borrowings	23	-	-	-	-	43,823	43,823
Finance lease obligation	24	-	-	-	-	108,927	108,927
		-	-	-	-	4,160,116	4,160,116

The carrying amount of these financial assets and liabilities are reasonable approximation of their fair values.

Company

31-Dec-12 *In thousands of Naira*	Notes	Designated at fair value through P/L	Held to Maturity	Loans and receivables	Available for sale	Other financial liabilities at amortised cost	Total carrying amount
Financial assets							
Cash and cash equivalents	5		-	1,531,163	-	-	1,531,163
Financial assets	6	406,307	-	-	85,266	-	491,573
Trade receivables	7	-	-	252,999	-	-	252,999
Reinsurance assets	8	-	-	184,801	-	-	184,801
Finance lease receivable	10	-	-	104,708	-	-	104,708
Other receivables excluding prepayments	11	-	-	161,956	-	-	161,956
		406,307	-	2,235,627	85,266	-	2,727,200
Financial liabilities							
Insurance contract liabilities	18	-	-	-	-	1,823,405	1,823,405
Investment contract liabilities	19	-	-	-	-	552,192	552,192
Trade payable	20	-	-	-	-	91,433	91,433
Provision and other payables	21	-	-	-	-	338,116	338,116
Borrowings	22	-	-	-	-	72,007	72,007
		-	-	-	-	2,877,153	2,877,153

The carrying amount of these financial assets and liabilities are reasonable approximation of their fair values.

54 ASSET AND LIABILITY MANAGEMENT (COMPANY)

HYPOTHECATION OF ASSETS AS AT 31 DECEMBER 2013

In thousands of Naira

	Non Life			Life				
	Shareholder's fund	Policy holder's Fund	Others	Shareholder's fund	Policy holder's Fund	Deposit Administration	Others	TOTAL
TOTAL	1,562,725	1,056,213	575,572	3,832,445	1,725,385	648,849	654,989	10,056,178
INVESTMENTS:								
Fixed Assets:								
Real Estate	214,951	-	-	397,390				612,341
Office Equipment's	-	-	-					-
Computer Equipment	11,231			3,417				14,648
Generator set	1,319			670				1,989
Furniture and Equipment	19,458			10,114				29,572
Motor Vehicles	5,765			26,205				31,970
Fixture and Fittings	8,757			814				9,571
Other Assets	-	-						-
Others (see (a) below)	158,931	226,924	360,063	129,554		38,861	188,059	1,102,392
Other Investments :					-	-		-
Mortgage Loans								-
Statutory Deposit	300,000			200,000				500,000
Government Bonds							-	-
Held-to-maturity	304,423	147,500		70,398				522,321
Quoted Securities	70,398	35,420		153,043	146,226	156,526	-	561,613
Unquoted Securities				89,366				89,366
Bank Placements	134,820	309,392	200,663	149,308	921,517	149,308	155,899	2,020,907
Bank and Cash Balances						-		-
Related Companies Securities					-	-		-
Finance Lease Receivable	143,230			35,393				178,623
Investment Properties	189,442	336,977	14,846	2,566,773	657,642	304,154	311,031	4,380,865
TOTAL	1,562,725	1,056,213	575,572	3,832,445	1,725,385	648,849	654,989	10,056,178

(a) Give details

Others		
	GEN. BUSINESS	LIFE
Intangible Assets	132,252	-
Deferred taxation	-	-
Deferred Acquisition Expenses	47,122	99,082
Reinsurance Assets	442,226	12,595
Premium Debtors	39,896	103,767
Investment in subsidiary		
Other Receivables and Prepayments	84,422	141,030
TOTAL	745,918	356,474

ASSET AND LIABILITY MANAGEMENT

HYPOTHECATION OF ASSETS AS AT 31 DECEMBER 2012

In thousands of Naira

	Non Life			Life				
	Shareholder's fund	**Policy holder's Fund**	**Others**	**Shareholder's fund**	**Policy holder's Fund**	**Deposit Administration**	**Others**	**TOTAL**
TOTAL	**1,826,721**	**621,313**	**338,968**	**3,656,124**	**1,061,963**	**552,192**	**554,456**	**8,611,738**
INVESTMENTS:								
Fixed Assets:								
Real Estate	289,563			151,315			235,948	676,826
Office Equipment's	-			-				-
Computer Equipment	12,526			319			-	12,844
Generator set	4,495			1,517				6,012
Furniture and Equipment	13,316			2,323				15,639
Motor Vehicles	20,997			32,176				53,173
Furniture and Fittings	7,801			1,265				9,066
Other Assets	-		-	-	-	-	-	-
Others (see (a) below)	353,742		338,968		-	-	318,508	1,011,218
Other Investments :					-	-		-
Mortgage Loans					-	-		-
Statutory Deposit	309,187			215,000	-	-		524,187
Government Bonds					-	-	-	-
Quoted Securities	103,728	132,306		19,268	151,005	-		406,307
Unquoted Securities					85,266	-		85,266
Bank Placements	251,481	317,855		148,896	454,005	358,925		1,531,162
Bank and Cash Balances						-		-
Related Companies Securities					-	-		-
Related Companies Loans	104,708				-	-		104,708
Investment Properties	355,177	171,152		3,084,046	371,687	193,267	-	4,175,330
TOTAL	**1,826,721**	**621,313**	**338,968**	**3,656,124**	**1,061,963**	**552,192**	**554,456**	**8,611,738**

(a) Give details

Others		
	GEN. BUSINESS	**LIFE**
Intangible Assets	3,952	-
Deferred taxation	130,330	27,634
Deferred Acquisition Expenses	54,568	-
Reinsurance Assets	171,907	12,895
Premium Debtors	110,798	142,201
Other Receivables and Prepayments	221,155	135,778
TOTAL	**692,710**	**318,508**

55 Segment information

Segment information is presented in respect of the Company's business segments which represents the primary segment reporting format and is based on the Company's management and reporting structure.

No geographical segment information has been provided in these financial statements as there is only one geographical segment.

Business segments charge and earn interest among themselves on a transfer pricing arrangement to reflect the of assets and liabilities.

Business Segments

The Company operates the following main business segments:

Non-life (General) Business - Includes general insurance transactions with individual and corporate customers

Life Business - Includes life insurance policies with individual and corporate customers. and private customers

The segment information provided by the Management Underwriting Investment Committee for the reporting segments for the year ended 31 December 2013

	Non-life		Life Business		GNI Healthcare	Elimination Adjustments	Group	Company	
In thousands of Naira	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-13	31-Dec-13	31-Dec-13	31-Dec-12
Gross premium earned	1,297,719	1,550,180	1,130,886	1,232,013	4,550		2,433,155	2,428,605	2,782,193
Insurance premium ceded to re-insurer	(355,286)	(305,268)	(44,215)	(32,308)	-		(399,502)	(399,502)	(337,576)
Net insurance premium revenue	942,433	1,244,912	1,086,670	1,199,705	4,550		2,033,653	2,029,103	2,444,617
Fee income	44,437	66,432	9,307	7,437	-		53,744	53,744	73,869
Investment income	137,475	213,120	224,202	289,421	5,413		367,090	361,677	502,541
Other operating income	17,073	92,786	209,003	415,814	-		226,076	226,076	508,600
Net income	1,141,418	1,617,250	1,529,182	1,912,377	9,963		2,680,563	2,670,600	3,529,627
Insurance benefits and claims	739,509	194,037	405,591	481,004	-		1,145,100	1,145,100	675,041
Insurance claims recovered from re-insurer	(355,321)	(170,680)	(7,400)	(9,534)	-		(362,721)	(362,721)	(180,214)
Net insurance benefits and claims	384,188	23,357	398,191	471,470	-		782,379	782,379	494,827
Expenses on the acquisition and maintenance of insurance contracts	324,385	353,018	320,127	225,442	50		644,562	644,510	578,460
Other expenses	523,487	624,516	255,849	366,415	26,932		806,268	779,336	990,931
Net expenses	1,232,060	1,000,891	974,167	1,063,327	26,982	-	2,233,207	2,206,227	2,064,218
Reportable segment profit	(90,642)	616,359	555,015	849,050	(17,019)	-	447,354	464,373	1,465,409
Profit before tax	(90,642)	616,359	555,015	849,050	(17,019)	-	447,354	464,373	1,465,409
Depreciation and amortisation	39,382	41,317	25,971	25,508	2,807	-	68,160	65,353	66,825
Income tax expenses	127,669	165,459	334,657	206,948	55	-	462,382	462,327	372,407
Assets and liabilities:									
Total assets	3,162,815	2,787,000	7,444,878	5,824,737	230,133	(780,929)	10,056,897	9,826,764	8,611,737
Total liabilities	1,600,090	1,010,058	3,612,433	2,248,766	240,923	(780,929)	4,672,517	4,431,594	3,258,824

Value Added Statement
for the year ended 31 December 2013

	Group 31-Dec-13 ₦'000	%	Company 31-Dec-13 ₦'000	%	Company 31-Dec-12 ₦'000	%
Gross premium (Local)	3,147,970		3,143,420		2,881,139	
Bought in materials and services						
- Local	(2,251,706)		(2,243,458)		(1,213,406)	
Value added	896,264	100.00	899,962	100	1,667,733	100
Distribution of value added						
To government						
Taxation	462,382	52	462,327	51	372,406	22
To employees						
Employee cost	378,415	42	367,901	41	325,404	20
Retained in the business						
Depreciation	65,467	7	62,660	7	64,718	4
Amortisation	2,692	0	2,692	0	2,106	0
To contingency reserve	62,239	7	62,239	7	180,620	11
To retained earnings	(74,931)	(8)	(57,857)	(6)	722,479	43
Value added	896,264	100	899,962	100	1,667,733	100

Five-Year financial summary

In thousands of Naira

	Group	Company			
	2013	2013	2012	2011	2010
Statement of financial position					
Assets					
Cash and cash equivalents	2,128,957	2,020,907	1,531,163	1,139,658	952,247
Financial assets	948,300	948,300	491,573	317,429	299,886
Trade receivable	143,663	143,663	252,999	20,358	31,463
Reinsurance assets	454,821	454,821	184,801	133,768	86,611
Deferred acquisition cost	146,204	146,204	54,568	70,223	65,416
Finance lease receivable	178,623	178,623	104,708	-	-
Other receivables and prepayment	194,448	225,452	177,598	138,916	136,348
Investment in subsidiary	-	225,000			
Investment property	4,380,865	4,380,865	4,175,330	3,706,370	3,583,401
Deferred tax asset			157,964	475,511	433,116
Intangible assets	162,252	132,252	3,952	4,105	1,978
Property, plant and equipment	818,762	700,091	773,559	735,378	695,429
Statutory deposit	500,000	500,000	524,187	524,187	500,000
Total assets	10,056,895	10,056,178	8,432,402	7,265,903	6,785,895
Insurance contract liabilities	2,781,599	2,781,599	1,823,405	1,790,444	1,709,827
Investment contract liabilities	648,849	648,849	552,192	483,648	310,132
Trade Payables	49,525	49,525	91,433	152,409	76,664
Gratuity payable	17,040	17,040	21,852	22,185	26,109
Borrowings	43,823	43,823	72,007	-	147,986
Finance lease obligations	108,927	108,927	-	5,640	32,409
Provisions and other payables	531,152	527,393	338,116	272,044	281,444
Current income tax liabilities	198,264	198,209	180,485	144,206	139,500
Deferred tax liabilities	288,339	285,646	-	-	
Total liabilities	4,667,518	4,661,011	3,079,490	2,870,576	2,724,071
Net assets	5,389,377	5,395,167	5,352,912	4,395,327	4,061,824
Financed by:					
Issued and paid up capital	1,913,742	1,913,742	5,024,406	5,029,051	1,161,482
Share premium	3,110,664	3,110,664	(626,011)	(1,348,490)	(1,704,903)
Contingency reserve	568,724	568,724	-	-	625,245
Retained earnings	(700,515)	(683,868)	954,517	714,766	3,980,000
Assets revaluation reserve	492,032	485,905	-	-	-
NCI	4,730	-	-	-	-
Shareholders' fund	5,389,377	5,395,167	5,352,912	4,395,327	4,061,824

Statement of comprehensive income

Gross premium written	3,147,970	3,143,420	2,881,139	2,403,889	1,062,095
Investment & other income	722,164	716,751	1,011,142	451,100	176,220
Profit/(loss) before taxation	449,690	466,709	1,275,505	379,835	(409,106)
Taxation	(462,382)	(462,327)	(372,406)	30,776	205,579
Profit/(loss) after taxation	(12,692)	4,382	903,099	410,611	(203,527)
Earnings per share-basic	(0.33)	0.11	23.60	10.73	(14.00)
Earnings per share-diluted	(0.33)	0.11	23.60	10.73	(14.00)

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.

GENERAL BUSINESS ACCOUNTS

Statements of financial position
As at 31 December 2013

In thousands of Naira	31-Dec-13	31-Dec-12
Assets		
Cash and cash equivalents	527,825	569,335
Financial assets	332,742	236,034
Trade receivables	39,896	110,798
Reinsurance assets	437,502	171,907
Deferred acquisition costs	47,122	54,568
Finance lease receivable	143,230	104,708
Other receivables and prepayment	393,078	221,155
Investment property	541,265	526,330
Deferred tax asset	6,423	130,330
Intangible assets	132,252	3,952
Property, plant and equipment	261,480	348,696
Statutory deposit	300,000	309,187
Total assets	3,162,815	2,787,000
Liabilities		
Insurance contract liabilities	1,056,213	681,289
Trade Payables	10,838	62,081
Gratuity Payable	17,040	21,852
Provisions and other payable	288,723	156,360
Borrowings	34,711	10,687
Finance lease obligations	108,927	-
Current income tax liabilities	83,638	77,789
Total liabilities	1,600,090	1,010,058
Net assets	1,562,725	1,776,942
Equity		
Equity attributable to owners of the parent		
Ordinary shares	1,292,982	1,292,982
Share premium	2,016,905	2,016,905
Contingency reserve	380,239	341,047
Retained earnings	(2,291,084)	(2,025,807)
Asset revaluation reserve	163,683	151,815
Shareholders funds	1,562,725	1,776,942

GENERAL BUSINESS ACCOUNTS

Statement of comprehensive income
For the year ended 31 December 2013
In thousands of Naira

	31-Dec-13	31-Dec-12
Gross premium income	1,306,412	1,493,810
Unearned premium	(8,693)	56,370
Net premium earned	1,297,719	1,550,180
Reinsurance expenses	(355,286)	(305,268)
Net insurance premium revenue	942,433	1,244,912
Fee and Commission income:		
– Insurance contracts	44,437	66,432
Net underwriting Income	986,870	1,311,344
Net claims expense	(384,188)	(133,108)
Acquisition expenses	(217,844)	(226,578)
Maintenance costs	(106,541)	(126,440)
Underwriting profit	278,297	825,218
Underwriting result	278,297	825,218
Investment income	111,165	95,902
Net fair value gains/(loss) on financial assets at fair value through profit or loss	26,310	117,217
Other operating income	17,073	92,786
Employee benefit expense	(308,458)	(209,221)
Management expenses	(215,029)	(292,559)
Impairment losses	(7,774)	(122,737)
Results of operating activities	(98,416)	506,607
Profit before taxation	(98,416)	506,607
Income taxes	(127,669)	(165,459)
Profit after taxation	(226,085)	341,148
Profit attributable to:		
– Shareholders	(226,085)	341,148
	(226,085)	341,148
Other comprehensive income, net of tax		
Items within OCI that will not be reclassified to the profit or loss:		
Gain/(loss) on revaluation of land and building, net of tax	11,868	10,030
Other comprehensive income for the year	11,868	10,030
Total comprehensive income for the year	(214,217)	351,178
Profit attributable to:		
– Shareholders	(226,085)	341,148
	(226,085)	341,148
Total comprehensive income attributable to:		
– Shareholders	(214,217)	351,178
	(214,217)	351,178
Earnings per share		
– Basic/diluted (loss)/ earning per share	(8.28)	13.58

LIFE BUSINESS ACCOUNTS

Statements of financial position
As at 31 December 2013

In thousands of Naira	31-Dec-13	31-Dec-12
Assets		
Cash and cash equivalents	1,493,082	961,827
Financial assets	615,559	255,539
Trade receivable	103,767	142,201
Reinsurance assets	17,319	12,895
Deferred acquisition costs	99,082	-
Finance lease receivable	35,393	-
Other receivables and prepayment	377,465	135,778
Investment in subsidiary	225,000	-
Investment property	3,839,600	3,649,000
Deferred tax asset	-	27,634
Property, plant and equipment	438,611	424,863
Statutory deposit	200,000	215,000
Total assets	7,444,878	5,824,737
Liabilities		
Insurance contract liabilities	1,725,385	1,142,117
Investment contracts liabilities	648,849	552,192
Trade payables	38,687	29,352
Provisions and other payables	783,760	361,089
Borrowings	9,112	61,320
Current income tax liabilities	114,571	102,697
Deferred Tax liabilities	292,069	-
Total liabilities	3,612,433	2,248,767
Net assets	3,832,445	3,575,970
Equity		
Equity attributable to owners of the parent		
Ordinary shares	620,760	620,760
Share premium	1,093,759	1,093,759
Contingency reserve	183,809	165,439
Retained earnings	1,611,894	1,399,794
Asset revaluation reserve	322,223	296,218
Shareholders' funds	3,832,445	3,575,970

LIFE BUSINESS ACCOUNTS

Statement of comprehensive income
For the year ended 31 December 2013
In thousands of Naira

	31-Dec-13	31-Dec-12
Gross premium income	1,837,007	1,387,329
Unearned premium	(706,122)	(155,316)
Net premium earned	1,130,886	1,232,013
Reinsurance expenses	(44,215)	(32,308)
Net insurance premium revenue	1,086,670	1,199,706
Fee and Commission income:		
– Insurance contracts	9,307	7,437
Net underwriting Income	1,095,977	1,207,142
Net Claims expense	(398,190)	(551,623)
Acquisition expenses	(81,624)	(82,901)
Maintenance costs	(238,503)	(142,541)
Underwriting profit	377,660	430,077
Investment income	224,202	232,494
Net fair value gains/(loss) on financial assets at fair value through profit or loss	128,998	56,926
Other operating income	209,003	415,814
Employee benefit expense	(59,444)	(103,461)
Management expenses	(315,293)	(119,927)
Impairment losses	-	(143,027)
Results of operating activities	565,126	768,896
Profit before tax	565,126	768,896
Income taxes	(334,657)	(206,948)
Profit after taxation	230,469	561,948
Other comprehensive income, net of tax		
Items within OCI that will not be reclassified to the profit or loss:		
Gain on revaluation of land and building, net of tax	26,005	49,102
Other comprehensive income for the year	26,005	49,102
Total comprehensive income for the year	256,474	611,050
Profit attributable to:		
– Shareholders	230,469	561,948
Profit for the year	230,469	561,948
Total comprehensive income for the year		
Attributable to shareholders	256,474	611,050
Total comprehensive income for the year	256,474	611,050
Earnings per share		
– Basic/diluted earning per share	20.66	49.22