GUINEA INSURANCE PLC
Lagos, Nigeria

REPORT OF THE DIRECTORS

AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

GUINEA INSURANCE PLC

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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GUINEA INSURANCE PLC

DIRECTORS AND ADVISERS

FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTOR	CAPACITY
Sir Emeka Offor	Chairman
Mr. Polycarp Didam	Managing Director/CEO (Appointed 14 Oct 2013
Mr. Soji Emiola	Managing Director/CEO (Resigned 25 Aug 2013)
Mr. Emeka Onuselogu	Deputy Managing Director (Resigned 1 Sept 2013)
Mr. Nasiru Isyaku	Executive Director Finance & Admin (Resigned 31 July 2013)
Mr. Fred Udechukwu	Non-Executive Director
HRH. Eze Smart Eze	Non-Executive Director
Engr. Emeka Agusiobo	Non-Executive Director
Prof. E.C.L Nnabuife	Non-Executive Director
Alhaji A.O. Kadiri	Non-Executive Director

COMPANY SECRETARY	Isioma Omoshie
REGISTERED OFFICE	Guinea House 33, Ikorodu Road, Jibowu - Lagos.
CONTACT DETAILS	01-4622050 info@guineainsurance.com www.guineainsurance.com
AUDITORS	Ernst & Young 2A, Bayo Kuku Road, Ikoyi, Lagos.
REGISTRAR	City Securities (Registrars) Limited Primrose Tower 14A Tinubu Street, Lagos.

GUINEA INSURANCE PLC

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 ₦'000	2011 ₦'000
Major Statement of Financial Position items:		
Total assets	3,958,154	3,738,687
Total equity	2,562,012	2,492,239
Insurance contract liabilities	555,434	488,755
Major Income Statement items:		
Gross premium written	1,138,741	1,105,890
Gross premium income	1,237,920	888,518
Net premium income	1,129,573	835,215
Claims expenses	281,270	183,339
Profit/(loss) before taxation	175,933	(192,321)
Profit/(loss) after taxation	50,090	(438,592)
Per 50K Share Data		
Earnings/(loss) per share (Kobo)	0.9	(8.1)
Net asset per share (Kobo)	47	46
Stock Exchange quotation (Kobo) as at 31 December	50	50

GUINEA INSURANCE PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2012

In compliance with the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Insurance Act 2003, the Directors have pleasure in submitting to members their report together with the audited financial statement of Guinea Insurance Plc for the year ended 31 December 2012.

1. LEGAL FORM AND PRINCIPAL ACTIVITY

The Company is a public limited liability Company incorporated as a Private Limited Liability Company on 3rd December 1958 in accordance with the provisions of the Companies and Allied Matters Act, transacting primarily General Insurance business. On 17th January, 1991 it was listed on the Nigerian Stock Exchange.

2. RESULTS

	2012 N'000	2011 N'000
Gross Premium Written	1,138,741	1,105,890
Net premium income	1,129,573	835,215
Claims expenses	281,270	183,339
Profit/(Loss) after taxation	50,090	(438,592)

3. DIVIDEND

No dividend was proposed in respect of the current year (2011: Nil).

4. BUSINESS REVIEW AND FUTURE DEVELOPMENT

The Company carried out insurance activities in accordance with its Memorandum and Articles of Association. A comprehensive review of the business for the year and prospects for the ensuing year is contained in the Managing Director's Report.

5. DIRECTORS AND THEIR INTERESTS

The following are the names of Director as at the date of this report and those who held offices during the year under review:

DIRECTORS	CAPACITY
Sir Emeka Offor	Chairman
Mr. Polycarp Didam	Managing Director/CEO (Appointed 14 Oct 2013)
Mr. Soji Emiola	Managing Director/CEO (Resigned 25 Aug 2013)
Mr Emeka Onuselogu	Deputy Managing Director (Resigned 1 Sept 2013)
Mr Nasiru Isyaku	Executive Director (Resigned 31 Jul 2013)
Mr. Fred Udechukwu	Non-Executive Director
HRH. Eze Smart Eze	Non-Executive Director
Engr. Emeka Agusiobo	Non-Executive Director
Prof. E.C.L Nnabuife	Non-Executive Director
Alhaji A.O Kadiri	Non-Executive Director

5. DIRECTORS AND THEIR INTERESTS - continued

The names of the Directors and their interests in the issued share capital of the company as recorded in the Register of Directors' Shareholding as at 31 December 2012 are as follows:

DIRECTORS NAME	Number of Ordinary Shares held (2012)	Number of Ordinary Shares held (2011)
Sir Emeka Offor	Direct (1) - 30,000	Direct (1) - 30,000
	Indirect (2) - 2,291,781,010	Indirect (2) - 2,291,781,010
	(Chrome Oil Services Limited)	(Chrome Oil Services Limited)
Mr. Fred Udechukwu	Direct - 21,600,000	Direct - 21,600,000
HRH Eze Smart Eze	Indirect - 2,545,454	Indirect - 2,545,454
	(Edysmart Nigeria Limited)	(Edysmart Nigeria Limited)
Engr. Emeka Agusiobo	Indirect - 15,181,818	Indirect - 15,181,818
	(Valanz Holdings)	(Valanz Holdings)

None of the Directors has notified the Company for the purposes of Section 277 of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004 of any disclosable interests in contracts in which the Company was involved as at 31 December 2012.

6. EMPLOYMENT AND EMPLOYEES

i. Employee Involvement and Training

The Company is committed to keeping its employees fully informed, as much as possible on its performance and progress and seeking their views whenever practicable on matters which practically affect them as employees. Management's professional and technical expertises are the Company's major assets and investment in their further development continues. The Company's expanding skill-base has been extended by a range of training programmes for its employees and opportunities for career development within the Company have thus been enhanced.

ii. Employment of Disabled Persons

The Company in recognition of its special obligation to employ disabled persons maintains a policy of giving fair consideration to application for employment made by disabled persons with due regard to their abilities and aptitude. All employees are given equal opportunities to develop themselves. As at 31 December 2012, no disabled person was employed in the Company.

iii. Health Safety and Welfare at Work

Employees are made aware of the health and safety regulations that are in force within the premises of the Company. The Company provides subsidy to all employees for transportation, housing, lunch and medical expenses etc.

iv. Research and Development

The Company in its determination to maintain its status as one of the best insurance companies in the industry continues to encourage research and development of existing and new products aimed at consistently improving the company's position.

7. POST BALANCE SHEET EVENTS

There were no post balance sheet events which could have a material effect on the state of affairs of the Company as at 31 December 2012 or the financial performance for the year ended on that date that have not been adequately provided for or disclosed.

8. EQUITY RANGE ANALYSIS

The range of shareholding as at 31 December 2012 is as follows:

Range	No. of Holders	Percent (%)	Units	Percent (%)
1-10,000	8,595	47.41	40,660,789	0.75
10,001 - 100,000	7,798	43.01	309,393,758	5.73
100,001 - 1,000,000	1,555	8.58	479,375,840	8.88
1,000,001 - 10,000,000	160	0.88	417,552,408	7.73
10,000,001 - 100,000,000	16	0.09	275,954,674	5.11
100,000,001 - 1,000,000,000	3	0.02	530,295,544	9.82
1,000,000,001 - 99,999,999,999	2	0.01	3,346,766,987	61.98
Grand Total	18,129	100	5,400,000,000	100

9. SHAREHOLDERS WITH 5% UNITS AND ABOVE

Chrome Oil Services Limited	42.44%
Nimek Investments Limited	19.54%

10. SHAREHOLDING HISTORY

The changes in the share capital of the Company since incorporation are summarized below:

	Authorized Share Capital Increase				Issued & Fully Paid Capital Increase				
DATE	UNITS	PRICE	FROM AMOUNT	TO AMOUNT	UNITS	PRICE	FROM AMOUNT	TO AMOUNT	CONSIDERATION
	"000"	N	N(000)	N(000)	"000"	N	N(000)	N(000)	
1959	100	2.00	-	200	76	2.00	-	152	Cash
1973	-	2.00	-	200	0.5	2.00	1	153	Bonus
1974	50	2.00	100	300	38.25	2.00	76.5	229.5	Bonus
1977	100	2.00	200	500	57.375	2.00	114.75	344.25	Bonus
1981	250	2.00	500	1,000	240.975	2.00	481.95	826.2	Bonus
1985	500	2.00	1,000	2,000	344.25	2.00	688.5	1,514.7	Bonus
1986	500	2.00	1,000	3,000	504.9	2.00	1,009.8	2,524.5	Bonus
1989	6,000	0.50	3,000	6,000	2,524.5	0.50	1,262.25	3,786.75	Bonus
1991	18,000	0.50	9,000	15,000	-	0.50	-	3,786.75	Bonus
1992	30,000	0.50	15,000	30,000	15,147	0.50	7,573.5	11,360.25	Rights
1993	40,000	0.50	20,000	50,000	14,496.408	0.50	7,248.204	18,608.454	Rights
1997	140,000	0.50	70,000	120,000	37,016.908	0.50	18,508.454	37,216.908	Bonus
2001	-	0.50	-	120,000	165,566.184	0.50	82,783.092	120,000	Rights
2002	260,000	0.50	130,000	250,000	-	0.50	-	120,000	-
2003	500,000	0.50	250,000	500,000	-	0.50	-	120,000	-
2004	-	0.50	250,000	500,000	480,000	0.50	240,000	360,000	Rights
2005	-	0.50	-	500,000	-	0.50	-	360,000	Nil
2006	-	0.50	-	500,000	-	0.50	-		Nil
2007	-	0.50	-	3,000,000		0.50			Nil
2008	-	0.50	-	3,000,000		0.50		2,550,000	Nil
2011		0.50		3,000,000	300,000	0.50	150,000	2,700,000	Absorption of Life business

On 24 May 2010, a major shareholder made a deposit for share capital in the sum of N370 million in order to remedy the deficiency in solvency margin and share capital of the company. The N370 million deposit for shares has now been fully allotted following SEC approval of Feb 21, 2013. The allocated shares have also been listed on the floor of NSE on 28 March 2013.

11. DONATIONS AND SPONSORSHIP

There were no donations to charitable organizations during the year (2011: Nil).

12. PROPERTY, PLANT AND EQUIPMENT INFORMATION

Information relating to the Company's Assets is detailed in the Notes 23 to the Financial Statements.

12. PROPERTY, PLANT AND EQUIPMENT INFORMATION

Information relating to the Company's Assets is detailed in the Notes 23 to the Financial Statements.

13. AUDITORS

Emst and Young were appointed as auditors on 6 Dec 2012 and having expressed their willingness, will continue in office as auditors of the Company in accordance with Section 357 (2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004

BY ORDER OF THE BOARD

ISIOMA OMOSHIE
FRN No: FRC/2013/NBA/00000000928

COMPANY SECRETARY/LEGAL ADVISER
Guinea House
33, Ikorodu Road Jbwu Lagos

22 Oct 2013

GUINEA INSURANCE PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2012

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the company:

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards issued by the International Accounting Standard Board and the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

....	....
Alhaji Abdulkerim Oshioke Kadiri	Mr. Polycarp Osee Didam
Director	Managing Director/CEO
FRN No: FRC/2013/ICAN/00000004049	FRN No: FRC/2013/CIIN/00000005294

22 Oct. 2013

GUINEA INSURANCE PLC

REPORT OF THE STATUTORY AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2012

To the members of Guinea Insurance Plc:

In accordance with the provision of Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the members of the Statutory Audit Committee of Guinea Insurance Plc hereby report as follows:

- We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and we acknowledge the co-operation of management and staff in the conduct of these responsibilities.

- We confirm 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 audit for the year ended 31 December 2012 were satisfactory and reinforce the Company's internal control systems

- We have deliberated with the external auditors, who have confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with the management's response to the external auditor's recommendations on accounting and internal control matters and with the effectiveness of the Company's system of accounting and internal control.

....
Peter Mgbeahuru
Chairman, Audit Committee
FRCN/2013/CIBN/00000005314
28 September 2013

Members of the Audit Committee are:

Mr Peter Mgbeahuru	Shareholder Representative - Chairman
Mr. Sonibare Waheed Akani	Shareholder Representative
Prof. E.L.C Nnabuife	Non-Executive Director
Mr. Nasiru Isyaku	Executive Director (Resigned 31 July 2013)

Secretary to the Committee
Isioma Omoshie

Ernst & Young
2A Bayo Kuku Road,
Ikoyi, Lagos

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

GUINEA INSURANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Guinea Insurance Plc, which comprise the statement of financial position as at 31 December 2012, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003 and Financial Reporting Council of Nigeria Act, No 6 2011 and for such internal control as the Directors determines necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Guinea Insurance Plc as at 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No 6, 2011.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 38 of the financial statements which indicates that the Company's shareholders funds of N2.6 billion (2011: N2.5 billion, 2010: N2.8 billion) as at 31 December 2012 is, which is less than the minimum regulatory capital requirement. These conditions indicate the existence of an uncertainty on the Company's ability to continue as a going concern. However, in view of various mitigating factors mentioned in the note above, these financial statements have been prepared on a going concern basis.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

GUINEA INSURANCE PLC - Continued

Report on Other Legal and Regulatory Requirements
In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
iii) the Company's statement of financial position and statement of profit or loss account are in agreement with the books of account;

Compliance with National Insurance Commission (NAICOM) Guidelines on Finance Companies and circular BSD/1/2004

i) During the year, the Company contravened a section of the NAICOM Guidelines on Insurance Companies. Details of these are stated in Note 36 of the financial statements.

Ernst & Young

Lagos, Nigeria
FRN No: FRC/2012/ICAN/00000000155
20 January 2014

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1 Corporate information

Guinea Insurance Plc was incorporated on 3 December 1958 as a Limited Liability Company and became a Public Liability Company on 17 January 1991. The overseas shareholders divested their 40% shareholding to existing Nigerian shareholders in 1998 thereby making the company 100% owned by Nigerians. The Company was established for the purpose of carrying on insurance business. Up till 31 December 2006, the Company operated as an insurer for all classes of insurance business in Nigeria i.e. Life and pension, General business and Special risks. From 2007, it underwrites all classes of general insurance business and pays vouched claims arising.

The financial statements of the Company for the year ended 31 December 2012 were authorised for issue in accordance with the resolution of the Directors on 22 October, 2013.

1.1 Going Concern

The financial statements have been prepared on the going concern basis and there is no intention to curtail business operations. Capital adequacy and liquidity ratios are continuously reviewed and appropriate action taken to ensure that there are no going concern threats to the operation of the Company.

2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), Insurance Act 2003 and are in compliance with the Listings Requirement of the Nigerian Stock Exchange (NSE) and the Companies and Allied Matters Act of Nigeria (CAMA) to the extent that they are not in conflict with the International Financial Reporting Standards. These are the Company's first financial statements prepared in accordance with IFRSs, and IFRS 1 *First-time adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company are provided in note 43. This note includes reconciliations of equity and profit or loss for comparative periods reported under Nigerian GAAP (previous GAAP) to those reported for this period under IFRS.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the respective notes.

3 Basis of preparation

(a) Basis of measurement

The financial statements are prepared on the historical cost basis except for the following:

- available-for-sale financial assets are measured at fair value
- investment property is measured at fair value

(b) Functional and presentation currency

The financial statements are presented in Nigerian Naira, which is the Company's functional currency. Except where expressly indicated, financial information presented in Naira has been rounded to the nearest thousand.

(c) First-time adoption of IFRS

These financial statements, for the year ended 31 December 2012, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2011, the Company prepared its financial statements in accordance with local generally accepted accounting practice (Nigerian GAAP).

3. Basis of preparation - continued

(c) First-time adoption of IFRS - continued

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2012, together with the comparative period data as at and for the year ended 31 December 2011, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2011, the Company's date of transition to IFRS. Note 42 explains the principal adjustments made by the Company in restating its Local GAAP statement of financial position as at 1 January 2011 and its previously published Local GAAP financial statements as at and for the year ended 31 December 2011.

Exemptions applied

IFRS 1 ***First-Time Adoption of International Financial Reporting Standards*** allows first-time adopter exemptions from the retrospective application of certain IFRS.

- The Company has elected to designate certain investments in quoted and unquoted equities as available-for-sale financial assets at the date of transition to IFRS despite the fact that such investments were not hitherto classified as such under Nigerian GAAP.

Insurance contracts

The Company has elected to disclose only five years of claims experience data in its claims development table as permitted in the first financial year in which it adopts IFRS 4 *Insurance Contracts.*

Estimates

The estimates at 1 January 2011 and at 31 December 2011 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies).

The estimates used by the Company to present this amount in accordance with IAS 8 reflect conditions at 1 January 2011, the date of transition to IFRS and as of 31 December 2011.

(d) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the 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.

3. Basis of preparation - continued

Fair value of financial assets

i. Impairment of available-for-sale equity financial assets
The Company determined that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluated among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such qualitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

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

Valuation of employee benefit obligation
The cost of defined benefit pension plans and other post-employments benefits and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rate of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in Note 28 to the financial statements.

4. Significant accounting policies

Critical 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. Guinea Insurance Plc believes that its critical accounting policies are limited to those described below.

The accounting policies set out below have been consistently applied to all periods presented in these financial statements and in preparing an opening IFRSs statement of financial position at 1 January 2011 for the purposes of the transition to IFRSs.

The accounting policies have been applied consistently by the Company.

(a) Classification of Insurance contracts

IFRS 4 requires contracts written by insurers to be classified as either 'insurance contracts' or 'investment contracts' depending on the level of insurance risk transferred. Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policy holder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer.

Contracts that transfer financial risks but not significant insurance risk are termed investment contracts. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(a) Classification of Insurance contracts - continued

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

(b) Recognition and measurement of insurance contracts

(i) *Premiums*
Gross premium written 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. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Premium income includes adjustments to premiums written in prior accounting periods.

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

(ii) *Unexpired risk provision*
The provision for unexpired risk represents the proportion of premiums written which is estimated to be earned in subsequent financial years, computed separately for each insurance contract using a time proportionate basis, or another suitable basis for uneven risk contracts.

(iii) *Reinsurance*
The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the transferral of risks. Premium ceded comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the gross provision for the unearned premiums. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.
Premium ceded, claims reimbursed and commission recovered are presented in the statement of profit or loss and statement of financial position separately from the gross amounts.

Premiums, losses and other amounts relating to reinsurance treaties are recognized over the period from inception of a treaty to expiration of the related business. The actual profit or loss on reinsurance business is therefore not recognized at the inception but as such profit or loss emerges. In particular, any initial reinsurance commissions are recognized on the same basis as the acquisition costs incurred.

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company 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 gross provision for claims represents the estimated liability arising from claims in current and preceding financial years which have not yet given rise to claims paid. The provision includes an allowance for claims management and handling expenses. The gross provision for 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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(b) Recognition and measurement of insurance contracts -continued

(iv) *Claims incurred - continued*
In setting the provisions for claims outstanding, a best estimate is determined on an undiscounted basis and then a margin of prudence (usually required by regulation) is added such that there is confidence that future claims will be met from the provisions.

The methods used and estimates made for claims provisions are reviewed regularly.

(v) *Acquisition costs*
Acquisition costs represent commissions payable and other expenses related to the acquisition of insurance contracts revenues written during the financial year. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the unearned premium provision.

(vi) *Liabilities and related asset under liability adequate test*
The net liability recognized 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 period.

(c) Deferred expenses

Deferred acquisition costs (DAC)
Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, DAC for general insurance are amortized over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortized in the same manner as the underlying asset amortization is recorded in the profit or loss.
Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the profit or loss. DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognized when the related contracts are either settled or disposed of.

Deferred expenses - Reinsurance commissions
Commissions receivable on outwards reinsurance contracts are deferred and amortized on a straight line basis over the term of the expected premiums payable.

(d) Foreign currency translation

The Nigerian Naira is the company's functional and reporting currency. Foreign currency transactions are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the statement of financial position date; the resulting foreign exchange gain or loss is recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currency at historical cost are translated using the exchange rate at the date of the transaction; no exchange differences therefore arise. Non-monetary assets and liabilities denominated in foreign currency at fair value are translated using the exchange rate ruling at the date that the fair value was determined. Foreign exchange differences arising on retranslation are recognized in the income statement.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(e) Financial assets and liabilities

(i) Recognition
The Company has classified its financial instruments into the following categories: at fair value through profit and loss, available-for-sale, held to maturity, and loans and receivables. Management determines the classification at initial recognition.

All financial instruments are initially recognized at fair value, which includes transaction costs for financial instruments not classified as at fair value through profit and loss. Financial instruments are derecognized when the rights to receive cash flows from the financial instruments have expired or where the Company has transferred substantially all risks and rewards of ownership.

(ii) Subsequent measurement
Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

- *Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intention and ability to hold to maturity. Where the Company sells more than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale assets and the difference between amortised cost and fair value will be accounted for in equity.

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

- ***Financial assets held at fair value through profit or loss***

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

The investments are carried at fair value, with gains and losses arising from changes in this value recognized in the income statement in the period in which they arise. The fair values of quoted investments in active markets are based on current bid prices. The fair values of unlisted securities, and quoted investments for which there is no active market, are established using valuation techniques corroborated by independent third parties. These may include reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

- *Available-for-sale financial asset*

Financial assets classified by the Company as available-for-sale financial assets are generally those that are not designated as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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

(e) Financial assets and liabilities - continued

- *Available-for-sale financial asset*

Interest income, calculated using the effective interest method, is recognised in the income statement. Dividends received on available-for-sale instruments are recognised in income statement when the Company's right to receive payment has been established.

- *Loans and receivables*

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

Loans and advances consist primarily of staff loans and advances. These loans and advances are managed in accordance with a documented policy and information is provided internally on this basis.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans granted at below market rates are fair valued and the difference between the historical cost and fair value is accounted for as employee benefits under staff costs.

(f) Fair value measurement

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets.

Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is an unlisted instrument, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market-related rate at the statement of financial position date from a financial asset with similar terms and conditions.

Where pricing models are used, inputs are based on observable market indicators at the statement of financial position date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in a setting price.

(g) Impairment of financial assets

Financial assets comprise financial investments, and trade and other receivables. The carrying amounts of the Company's financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if the objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset and can be reliably estimated.

(i) Assets carried at amortised cost

An impairment loss in respect of a financial investment measured at amortised cost is calculated as the difference between its carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(g) Impairment of financial assets - continued

(i) Assets carried at amortised cost - continued
All impairment losses are recognized through profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Available-for-sale financial assets
Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the statement of financial position date, that have an impact on the future cash flows of the asset.

An available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been re-measured to fair value directly through equity, is impaired the impairment loss is recognized in the income statement. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognized in equity is transferred to the income statement and is recognized as part of the impairment loss. The amount of the loss recognized in the income statement is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through the income statement. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through the income statement but accounted for directly in equity.

(iii) Trade receivable
A provision for impairment on trade receivables is made when there is an objective evidence that the Company will not be able to collect the amount due under the original terms of the invoice. Allowances are made based on an impairment model which consider the loss given default for each customer, probability of default for the sectors in which the customer belongs and emergence period which serves as an impairment trigger based on the age of the debt. Impaired debts are derecognized when they are assessed as uncollectible.

(h) Impairment of non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any intangible asset allocated to the units and then to reduce the carrying amount of the other assets in the unit (company of units) on a *pro rata* basis. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(h) Impairment of non-financial assets - continued

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

(i) Offsetting financial instruments

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

(j) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') remain on the statement of financial position; the counterparty liability is included in amounts due to other companies, deposits from companies, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell (reverse repos) are recorded as loans and receivables to other companies or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognized in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

(k) De-recognition of financial instruments

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Company enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Company 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.

(l) Interest

Interest income and expense for all interest bearing financial instruments, except for those classified at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the income statement 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 liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. The effective interest rate is calculated on initial recognition of the financial asset and liability and is not revised subsequently.

(l) Interest - continued

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

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense presented in the income statement include interest on financial assets and liabilities at amortised cost on an effective interest basis.

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments and carried at fair value in the income statement.

(m) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(n) Net income from other financial instruments at fair value

Net income from other financial instruments at fair value relates to non-qualifying financial assets and liabilities designated as at fair value through profit or loss and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(o) Dividends

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of net trading income, net income on other financial instruments at fair value or other operating income depending on the underlying classification of the equity instrument.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank, unrestricted balances held with Central Bank, call deposits and short term highly liquid financial assets (including money market funds) with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

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

(q) Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is made when there is an objective evidence (such as the probability of solvency or significant financial difficulties of the debtors) that the Company will not be able to collect the amount due under the original terms of the invoice. Allowances are made based on an impairment model which consider the loss given default for each customer, probability of default for the sectors in which the customer belongs and emergence period which serves as an impairment trigger based on the age of the debt. Impaired debts are derecognized when they are assessed as uncollectible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversed date. Any subsequent reversal of an impairment loss is recognized in the profit and loss.

(r) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognized in the profit or loss in the year of retirement or disposal. Transfers are made to or from investment properties only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

(s) Property, plant and equipment

(i) Recognition and 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. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) 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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

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

Leasehold improvements	Over the shorter of the useful life of item or lease period
Buildings	20 years
Computer hardware	3 years
Furniture and office equipment	5 years
Motor vehicles	4 years
Capital work in progress	Not depreciated

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(s) Property, plant and equipment - continued

(iv) De-recognition
An item of property 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.

(t) Intangible assets

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period (five years) and the amortization method (straight line) for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized

Present value of acquired in-force business (PVIF)

When a portfolio of insurance contracts is acquired, whether directly from another insurance company or as part of a business combination, the difference between the fair value and the value of the insurance liabilities measured using the Company's existing accounting policies is recognized as the value of the acquired in-force business.

Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortization and accumulated impairment losses. The intangible asset is amortized over the useful life of the acquired in-force policy during which future premiums are expected, which typically varies between five and 50 years.
Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and they are treated as a change in an accounting estimate.

An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the profit or loss. PVIF is also considered in the liability adequacy test for each reporting period.

PVIF is derecognized when the related contracts are settled or disposed of.

(u) Leased assets - lessee

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and depreciated over the shorter of their useful economic life and the lease term. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and are not recognised on the Company's statement of financial position.

(v) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term 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 leases 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. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(w) Income tax expenses

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

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

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(w) Income tax expenses - continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(x) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(y) Financial guarantee contracts

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, which is the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment and the unamortised premium when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

(z) Employee benefits

(i) Defined contribution plans
Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

(ii) Defined benefit (staff gratuity) scheme
A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(z) Employee benefits - continued

(ii) Defined benefit (staff gratuity) scheme - continued
The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The Company has a Gratuity Scheme for its employees. The scheme is non - contributory and employees qualify for benefits after five years service. Provision for gratuity is made when it is determined that there is a shortfall in the assets funding liabilities.

(aa) Share capital and reserves

(i) Share issue costs
Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

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

(iii) Treasury shares
Where the Company or any member of the Company purchases the Company's share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

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

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

(ab) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

(ac) Statutory deposit

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

(ad) Deferred revenue

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms and is included in investment income.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretation issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation - Presentation of items of Other Comprehensive Income
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental change such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013. However, this standard will not have impact on the financial statements.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to Investments in Joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. However, this standard will not have impact on these financial statements.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counter parties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The amendments become effective for annual periods beginning on or after 1 January 2014. However, this standard will not have impact on these financial statements.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures will provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with *IAS 32 Financial Instruments*: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether that is set off in accordance with IAS 32. The amendment becomes effective for annual periods beginning on or after 1 January 2013. However, this standard will not have impact on these financial statements.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Standards issued but not yet effective - Continued

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the change introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.
The standard becomes effective for annual periods beginning on or after 1 January 2013. However, this standard will not have impact on these financial statements.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venture. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
This standard becomes effective for annual periods beginning on after 1 January 2013. However, this standard will not have impact on these financial statements.

IFRS 12 Disclosure of Involvements with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosure that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.
A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013. However, this standard will not have impact on these financial statements.

IFRS 13 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 Company is currently assessing the impact that this standard will have on the financial position and performance.
This standard becomes effective for annual periods beginning on or after 1 January 2013. However, this standard will not have impact on these financial statements.

Annual improvements project - effective 1 January 2013

IAS 1 Presentation of Financial Statements
The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.

An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements.

The opening statement of financial position (known as 'the third balance sheet') must be presented when an entity changes its accounting policies (making retrospective restatements or reclassifications) and those changes have a material effect on the preceding period. For example, the beginning of the preceding period for a 31 December 2014 year-end would be 1 January 2013. However, unlike the voluntary comparative information, the related notes are not required to include comparatives as of the date of the third balance sheet.

IAS 16 Property, Plant and Equipment
The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipments are not inventory.

IAS 32 Financial Instruments: Presentation
The amendment removes exiting income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distribution to equity holders

IAS 34 Interim Financial Reporting
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in *IFRS 8 Operating Segments.*

Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

GUINEA INSURANCE PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012	Note	2012 =N=000	2011 =N=000
Gross premium written	1.1	1,138,741	1,105,890
Changes in unearmed income	1.1	99,179	(217,372)
Gross premium income	1.1	1,237,920	888,518
Reinsurance expenses	1.2	(108,347)	(53,303)
Net premium income		1,129,573	835,215
Fees and commission income	2	31,611	20,457
Net underwriting Income		1,161,184	855,672
Claims expenses	3	(281,270)	(183,339)
Underwriting expenses	4	(301,347)	(145,643)
Underwriting result		578,567	526,690
Investment Income	5	172,535	68,046
Net realized gains and losses	6	105	-
Net fair value gains	7	60,000	60,000
Other operating income	8	104,141	357
Impairment loss	9	(6,969)	(311,024)
Management expenses	10	(732,445)	(536,390)
Profit/(loss) before taxation		175,933	(192,321)
Income tax expenses	11	(125,843)	(246,271)
Profit/(loss) after taxation		50,090	(438,592)
Other comprehensive income			
Net gain/(loss) on available-for-sale financial assets	14	19,683	(2,687)
Other comprehensive income/(loss) for the year, net of tax		19,683	(2,687)
Total comprehensive income/(loss) for the year, net of tax		69,773	(441,279)
Earning/(loss) per share			
Basic(kobo)	13	0.9	(8.1)

GUINEA INSURANCE PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012 =N=000	2011 =N=000	1 January 2011 =N=000
Assets				
Cash and cash equivalents	15	1,288,245	698,206	530,668
Financial assets:				
Available-for-sale financial assets	16	129,947	70,340	63,334
Trade receivables	17	215,304	200,071	74,864
Reinsurance assets	18	127,589	82,191	46,362
Deferred acquisition costs	19	25,384	45,293	34,953
Other receivables and prepayments	20	774,617	1,302,755	1,821,413
Investment properties	21	1,030,000	970,000	860,000
Deferred tax assets	22.2	-	-	18,204
Property, plant and equipment	23	52,068	54,831	77,115
Statutory deposit	24	315,000	315,000	300,000
Total assets		**3,958,154**	**3,738,687**	**3,826,913**
Liabilities and Equity				
Liabilities				
Insurance contract liabilities	25	555,434	488,755	179,185
Trade payables	26	86,301	68,338	47,986
Other payables and accruals	27	247,342	267,345	328,569
Employee benefit obligations	28	18,096	25,694	65,145
Current tax payable	22.1	104,964	25,471	72,074
Deferred tax liabilities	22.2	14,005	845	-
Deposits for shares	29	370,000	370,000	370,000
Total liabilities		**1,396,142**	**1,246,448**	**1,062,959**
Equity				
Issued share capital	30	2,700,000	2,700,000	2,550,000
Share premium	31	337,545	337,545	317,981
Contingency reserve	32	273,739	239,577	206,401
Retained losses		(778,062)	(793,990)	(322,222)
Available-for-sale reserve		28,790	9,107	11,794
Total equity		**2,562,012**	**2,492,239**	**2,763,954**
Total liabilities and equity		**3,958,154**	**3,738,687**	**3,826,913**

ALHAJI KADIRI ABDULKARIM OSHIOKE	MR DIDAM OSEE POLYCARP	MR OBANO OSAYANDE FERGUSO
DIRECTOR	MANAGING DIRECTOR/CEO	CHIEF FINANCE OFFICER
FRC/2013/ICAN/00000004049	FRC/2013/CIIN/00000005294	FRC/2013/ICAN/00000000778

GUINEA INSURANCE PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

For the year ended 31 December 2012	Issued share capital	Retained earnings	Share premium	Contingency reserve	Available-for-sale financial assets	Total equity
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
As at 1 January 2012	2,700,000	(793,990)	337,545	239,577	9,107	2,492,239
Profit for the year	-	50,090	-	-	-	50,090
Transfer to contingency reserve	-	(34,162)	-	34,162	-	-
Other comprehensive income	-	-	-	-	19,683	19,683
As at 31 December 2012	2,700,000	(778,062)	337,545	273,739	28,790	2,562,012

For the year ended 31 December 2011	Issued share capital	Retained earnings	Share premium	Contingency reserve	Available-for-sale financial assets	Total equity
As at 1 January 2011	2,550,000	(322,222)	317,981	206,401	11,794	2,763,954
Loss for the year	-	(438,592)	-	-	-	(438,592)
Transfer to contingency reserve	-	(33,176)	-	33,176	-	-
Life share capital absorped by Non life	150,000	-	19,564	-	-	169,564
Other comprehensive income		-	-	-	(2,687)	(2,687)
As at 31 December 2011	2,700,000	(793,990)	337,545	239,577	9,107	2,492,239

GUINEA INSURANCE PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 =N=000	2011 =N=000
Operating activities:			
Premium received		1,116,943	945,815
Commission received		31,611	20,457
Commission paid		(281,438)	(155,983)
Reinsurance premium paid		(130,394)	(88,119)
Gross claim paid net of recoveries		(138,763)	(92,153)
Payments to employees		(284,885)	(268,536)
Other operating cash receipts		93,851	6,307
Other income received		104,141	357
Tax paid		(33,190)	(279,085)
Net cash flow from operating activities	34	477,875	89,059
Investing activities:			
Investment income received		172,535	68,046
Purchase of property and equipment		(28,988)	(9,805)
Proceed from sale of property and equipment		9,591	-
Purchase of investments	16	(40,974)	(3,202)
Cash and cash equivalents absorbed from life business		-	23,440
Addtions to investment properties		-	-
Net cash flows from investing activities		112,164	78,479
Net increase in cash and cash equivalents		590,039	167,538
Cash and cash equivalents at 1 January	33	698,206	530,668
Cash and cash equivalents at 31 December	33	1,288,245	698,206

NOTES TO THE FINANCIAL STATEMENTS

1.1 Gross Premium Written And Gross Premium Income per class of insurance business	Gross premium written 2012 =N=000	Decrease in Unearned premium 2012 =N=000	Gross premium Income 2012 =N=000
Motor	269,945	36,037	305,982
Fire	214,435	9,578	224,013
Marine & Aviation	136,444	6,827	143,271
Miscellaneous General Accident	517,917	46,737	564,654
	1,138,741	99,179	1,237,920

Changes In Unearned Premium per class of insurance business	Unearned Premium 2011 =N=000	Decrease in Unearned premium in 2012 =N=000	Unearned Premium 2012 =N=000
Motor	94,164	(36,037)	58,127
Fire	47,280	(9,578)	37,702
Marine & Aviation	73,458	(6,827)	66,631
Miscellaneous General Accident	71,709	(46,737)	24,972
	286,611	(99,179)	187,432

Gross Premium Written And Gross Premium Income per class of insurance business	Gross premium written 2011 =N=000	Increase in Unearned premium 2011 =N=000	Gross premium Income 2011 =N=000
Motor	321,891	75,534	246,357
Fire	106,032	30,112	75,920
Marine & Aviation	118,183	67,301	50,882
Miscellaneous General Accident	559,784	44,425	515,359
	1,105,890	217,372	888,518

Changes In Unearned Premium per class of insurance business	Unearned Premium 2010 =N=000	Increase in Unearned premium in 2011 =N=000	Unearned Premium 2011 =N=000
Motor	18,630	75,534	94,164
Fire	17,168	30,112	47,280
Marine & Aviation	6,157	67,301	73,458
Miscellaneous General Accident	27,284	44,425	71,709
	69,239	217,372	286,610

		2012 =N=000	2011 =N=000
1.2	**Net insurance premium revenue**		
1.2.1	**Gross premium income on insurance contracts**		
	Gross premium written in the year	1,138,741	1,105,890
	Change in unearned premiums provision	99,179	(217,372)
	Total gross premium income	1,237,920	888,518
1.2.2	**Re-insurance expenses**		
	Premiums ceded to reinsurers	(115,084)	(88,119)
	Change in unearned premiums provision - reinsurers	6,737	34,816
	Total reinsurance expenses	(108,347)	(53,303)
	Total net insurance premium revenue	1,129,573	835,215
2	**Fees and commission income**		
	Reinsurance commission income	31,611	20,457
	Total fees and commission income	31,611	20,457
3	**Claims expenses**		
	Gross claims paid	151,498	106,162
	Claims ceded to reinsurers	(12,735)	(14,009)
	Gross change in outstanding claims	165,858	92,199
	Change in outstanding claims ceded to reinsurers	(23,351)	(1,013)
		281,270	183,339
4	**Underwriting expenses**		
	Amortized Acquisition cost (Note 19)	213,073	128,516
	Maintenance expenses	88,275	17,127
		301,347	145,643
5	**Investment income**		
	Rental income from investment properties	8,700	8,050
	Available-for-sale financial assets:		
	Dividend income	15,925	10,550
	Others:		
	Interest income on statutory deposit	57,403	19,554
	Cash and cash equivalents interest income (Note 5.1)	90,507	29,892
	Total investment income	172,535	68,046
5.1	**Cash and cash equivalents interest income:**		
	Due to Policy holders	51,244	29,892
	Due to shareholders	39,263	-
		90,507	29,892

6 Net realised gains and losses	2012 =N=000	2011 =N=000
Property, plant and equipment:		
Realised gains on disposal	105	-
Total net realised gains and losses	105	-

7 Fair value gains		
Fair value gains on investment properties (Note 21)	60,000	60,000

8 Other operating income		
Recoveries from trade receivable	37,286	-
Recoveries from deposit on computerization (other receivables and prepayment)	60,428	
Sundry income	6,427	357
	104,141	357

9 Impairment loss		
Impairment loss on trade receivable	6,566	34,868
Impairment loss on availaible for sale financial assets (Note 16b)	403	800
Impairment loss on other receivables (Note 20)	-	275,356
	6,969	311,024

10 Management expenses		
Depreciation on property, plant and equipment	30,402	32,089
Auditors' remuneration	8,000	8,500
Employee benefits expense (Note 10.1)	277,287	229,085
Exchange losses	1,800	-
Legal and professional fees	40,278	20,227
Provision for litigation	33,753	-
Write-off of trade and other receivables	161,893	-
Rent and rates	27,367	26,232
Administrative	151,664	220,257
Total other operating and administrative expenses	732,445	536,390

10.1 Employee benefits expense		
Wages and salaries	268,736	217,007
Defined contribution pension costs	8,551	12,078
Total employee benefits expense	277,287	229,085

11 Income tax expenses

The major components of income tax expense for the year ended 31 December 2012 and 31 December 2011 are:

(a) Current tax year charge

	2012 =N=000	2011 =N=000
Current tax		
Company income tax	90,643	19,762
Education tax	8,386	448
Back duty charge on prior years	13,654	207,011
Total current tax	112,683	227,222
Deferred tax		
Fair value gains/losses on investment properties	-	15,913
Origination of temporary difference	13,160	3,136
Total deferred tax	13,160	19,049
Total income tax expense	125,843	246,271

(b) Reconciliation of tax charge

	N'000	N'000
Profit/(Loss) before taxation	175,933	(192,321)
Tax at Nigerian's statutory income tax rate of 30%	52,780	-
Income not subject to tax	(7,896)	-
Non-deductible expenses	80,913	-
Minimum tax	-	20,210
Tax effect of capital allowance	(16,873)	19,049
Education tax @ 2% of assessable profit	8,386	-
Unused tax losses	(5,121)	-
Adjustment in respect of current income tax of prior years	13,654	207,011
Total tax charge for the year	125,843	246,271

The Company was assessed based on minimum tax in 2011: In line with Section 33, of Companies Income Tax Act 2004 of Federation of Republic of Nigeria, where in any year of assessment, the ascertainment of total assessable profits from all sources of a company results in a loss or where a company's ascertained total profits results in no tax payable or tax payable which is less than the minimum tax there shall be levied and paid by the company the minimum tax as prescribed in subsection (2) of this sections. The minimum tax was assessed as the 0.5% of net assets (N3,738,687,000) and 0.125 per cent of turnover above 500,000 (N855,172,000) being the higher of the four options. There is no education tax for the year due to assessable loss position of the company.

12 Dividends paid and proposed

No dividend was proposed or paid by the Company for the year ended 31 December 2012 (2011: Nil) as the company has retained losses as at date.

13 Gain/(Loss) per share

Basic loss per share amounts is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the reporting date.

The following reflects the income and share data used in the basic earnings per share computations:

	2012 =N=000	2011 =N=000
Net gain/(loss) attributable to ordinary shareholders for basic gains/(losses)	50,090	(438,592)
Weighted average number of ordinary shares for basic gains/(losses) per share	5,400,000	5,400,000
Net assets	0.47	0.46
Basic earning/(loss) per ordinary share (kobo)	0.9	(8.1)

There have been no other transactions involving ordinary shares or potential ordinary shares betweer the reporting date and the date of completion of these financial statements.

14 Components of other comprehensive income

	2012 =N=000	2011 =N=000
Available-for-sale financial assets:		
Gains/loss arising during the year	19,683	(2,687)
	19,683	(2,687)
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income for the year, net of tax	19,683	(2,687)

NOTES TO THE FINANCIAL STATEMENTS - Continued

15 Cash and cash equivalents

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Cash at hand	187,354	191,933	309,487
Short-term deposits (including demand and time deposits)	1,100,891	506,273	221,181
Total cash and cash equivalents	1,288,245	698,206	530,668
Representing:			
Policyholder's fund	623,315	506,273	221,181
Shareholder's fund	664,930	191,933	309,487
	1,288,245	698,206	530,668

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company. All deposits are subject to an average variable interest rate of 8.00% (2011: 9.08%) (1 January, 2011: 5.02%)

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

The cash and cash equivalents position for cash flow purposes, as per note 33, is N1,288,245,000 for 2012 (2011: N698,206,000, 1 January 2011: N530,668,000)

16 Financial assets

The Company's financial assets are summarised by categories as follows:

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Available-for-sale financial assets	129,947	70,340	63,334
Total financial instruments	129,947	70,340	63,334

a) **Available-for-sale financial assets comprises:**

Listed equity securities at fair value	92,143	51,353	50,241
Unlisted equity securities at cost	37,804	18,987	13,093
Total available-for-sale financial assets	129,947	70,340	63,334

16 Financial assets - continued

b) Carrying values of financial instruments

	Available-for-sale =N=000	Total =N=000
At 1 January 2011	63,334	63,334
Purchases	3,202	3,202
Disposals	-	-
Additions arising from absorption of Life business	7,290	7,290
Fair value (losses) recorded in other comprehensive income	(2,687)	(2,687)
Movement in impairment allowance (Note 9)	(800)	(800)
Amortisation adjustment	-	-
At 31 December 2011	70,340	70,340
Purchases	40,974	40,974
Maturities		-
Disposals	(647)	(647)
Fair value gains recorded in other comprehensive income	19,683	19,683
Movement in impairment allowance (Note 9)	(403)	(403)
Amortisation adjustment	-	-
At 31 December 2012	129,947	129,947

Assets for which fair value approximates carrying value

For financial assets that have a short-term maturity (less than three months), demand deposits and savings accounts without a specific maturity, the carrying amounts approximate to their fair value.

(c) **Determination of fair value and fair values hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

► Level 1: Quoted (unadjusted) prices in active markets for identical assets

► Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

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

16 Financial assets - continued

(d) 31 December 2012

	Level 1 =N=000	Level 2 =N=000	Level 3 =N=000	Total =N=000
Available-for-sale financial assets:				
Equity securities	92,143	-	-	92,143
Total financial assets	92,143	-	-	92,143

31 December 2011	Level 1 =N=000	Level 2 =N=000	Level 3 =N=000	Total =N=000
Available-for-sale financial assets:				
Equity securities	51,353	-	-	51,353
Total financial assets	51,353	-	-	51,353

1 January 2011	Level 1 =N=000	Level 2 =N=000	Level 3 =N=000	Total =N=000
Available-for-sale financial assets:				
Equity securities	50,241	-	-	50,241
Total financial assets	50,241	-	-	50,241

17 Trade receivables

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Gross trade receivables	221,870	234,939	297,735
Impairment allowance	(6,566)	(34,868)	(222,871)
Total net trade receivables	215,304	200,071	74,864
Impairment allowance:			
At beginning	34,868	222,871	-
Additions	6,566	34,868	222,871
Write-back	(34,868)		-
Write-off	-	(222,871)	-
At ending	6,566	34,868	222,871

The carrying amounts disclosed above approximate fair value at the reporting date and are net of impairment charges of N6,566,000 (2011: N34,868,000)(2010: N222,871,000) charged during the year. N221m of the current receivables was collected after the year end.

18 Reinsurance assets

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Reinsurance share of outstanding claims	59,264	33,403	32,390
Prepaid re-insurance	68,325	48,788	13,972
Total reinsurance asset	127,589	82,191	46,362

i) At 31 December 2012, the Company conducted an impairment review of the reinsurance assets but no impairment loss resulted from this exercise. The carrying amounts disclosed above approximate fair value at the reporting date.

ii) Re-insurance assets are not impaired as balance are set-off against payables from retrocession at the end of every quarter.

19 Deferred acquisition costs

This represents commission on unearned premium relating to the unexpired tenure of risk.

	Fire =N=000	Motor =N=000	General accident =N=000	Workmen Compensatio =N=000	Marine and aviation =N=000	Total =N=000
At 1 January 2011	6,184	9,866	15,935	1,033	1,935	34,953
Expenses deferred	15,022	30,340	70,493	1,381	21,620	138,856
Amortisation (Note 4)	(16,324)	(28,490)	(73,291)	(1,523)	(8,888)	(128,516)
At 31 December 2011	4,882	11,716	13,137	891	14,667	45,293
Expenses deferred	44,616	35,805	81,436	1,847	29,461	193,164
Amortisation (Note 4)	(46,794)	(41,265)	(91,559)	(1,743)	(31,712)	(213,073)
At 31 December 2012	2,704	6,257	3,013	994	12,416	25,384

20 Other receivables and prepayments

	2012	2011	As at 1 January 2011
	=N=000	=N=000	=N=000
Due from starcrest	482,254	922,254	1,222,254
Deposit for computerization	264,451	264,451	264,451
Accrued interest	19,641	-	-
Due from chrome group	189,232	358,232	308,232
Prepayments	15,761	21,401	21,987
Others	7,301	20,955	14,533
	978,640	1,587,293	1,831,457
Impairment loss on other receivables	(204,023)	(284,538)	(10,044)
	774,617	1,302,755	1,821,413
Impairment on other receivables:			
At beginning	284,538	10,044	-
Additions (Note 9)	-	275,356	10,044
Write-back of recovery from deposit on computerization	(60,428)	(862)	-
Write-off of DVCF investment	(20,087)	-	-
At ending	204,023	284,538	10,044

The carrying amounts disclosed above reasonable approximate the fair value at the reporting date. All other receivable amounts are collectible within one year and the prepayment utilisable within one year. Of the current N775m outstanding, N482m receivable from Starcrest was received on 3 Dec 2013 and N189m receivable from Chrome Group was received on 21 May 2013.

21 Investment properties

	2012	2011	As at 1 January 2011
	=N=000	=N=000	=N=000
At the beginning of the year	970,000	860,000	860,000
Additions	-	50,000	-
Fair value gains and losses (Note 7)	60,000	60,000	-
At the end of the year	1,030,000	970,000	860,000

Investment properties are stated at fair value, which has been determined based on valuations performed by Yemi Olugbile & Co (FRC/2013/NIESV/00000001814 & FRC/2013/0000000000/1227) who is the accredited independent valuers, as at 31 December 2012, 31 December 2011 and 1 January 2011. These valuers are specialists in valuing these types of investment properties. The fair value of the properties have not been determined on transactions observable in the market because of the nature of the property and the lack of comparable data. Instead, a valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the income statement.

The Company enters into operating leases for one of its investment properties. The rental income arising during the period amounted to N8,700,000 (Year ended 31 December, 2011: N8,050,000) and (Year ended 31 December, 2010: N5,700,000), which is included in investment income.

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal. The Company has no contractual obligations to purchase, construct or develop investment property or for repairs or enhancement.

NOTES TO THE FINANCIAL STATEMENTS - Continued

22 Taxation	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
22.1 Current tax payable			
At the beginning of the year	25,471	72,074	55,292
Amounts recorded in the income statements	112,683	227,222	16,781
Tax on extra-ordinary item	-	5,260	-
Payments made on-account during the year	(33,190)	(279,085)	-
At the end of the year	104,964	25,471	72,074
	Income Statement		
Deferred tax expense/(credit)			
Fair value gains/(losses) on investment properties	-	15,913	(9,913)
Origination of temporary difference	13,160	3,136	(24,052)
Total deferred tax expense/(credit)	13,160	19,049	(33,965)
22.2 Deferred tax liabilities/(assets)	Statement of financial position		
Fair value gains/(losses) on investment properties	6,000	6,000	(9,913)
Origination of temporary difference	8,005	(5,155)	(8,291)
Deferred tax liabilities/(assets)	14,005	845	(18,204)
Reconciliation of deferred tax liabilities is as shown below:			
At the beginning of the year	845	-	15,761
Amounts recorded in the income statement	13,160	-	(33,965)
Reclassified to/from deferred tax asset	-	845	18,204
At the end of the year	14,005	845	-
Reconciliation of deferred tax asset is as shown below:			
At the beginning of the year	-	18,204	-
Amounts recorded in the income statement	-	(19,049)	-
Reclassified from/to deferred tax asset	-	845	18,204
At the end of the year	-	-	18,204

23 Property, plant and equipment

	Note	Motor Vehicles	Computer Equipment	Household Equipment, Office Furniture and Fittings	Total
Cost		=N=000	=N=000	=N=000	=N=000
At 1 January 2011		149,473	22,875	26,123	198,471
Additions		352	5,374	4,079	9,805
At 31 December 2011		149,825	28,249	30,202	208,276
Additions		20,934	2,278	5,776	28,988
Disposals		(9,386)	(100)	-	(9,486)
At 31 December 2012		161,373	30,427	35,978	227,778
Accumulated depreciation					
At 1 January 2011		83,730	18,355	19,271	121,356
Depreciation for the year	10	25,733	3,465	2,891	32,089
At 31 December 2011		109,463	21,820	22,162	153,445
Depreciation for the period	10	23,261	3,481	3,660	30,402
Disposals		(8,063)	(74)	-	(8,137)
At 31 December 2012		124,661	25,227	25,822	175,710
Carrying amount					
At 31 December 2012		36,712	5,200	10,156	52,068
At 31 December 2011		40,362	6,429	8,040	54,831
At 1 January 2011		65,743	4,520	6,852	77,115

24 Statutory deposit

This represents the ammount deposited with the Central Bank of Nigeria as at 31 December, 2012 (31 December, 2011: N315,000,000; 1 January, 2011: N300,000,000.00) in accordance with Section 10 (3) of Insurance Act 2003. Interest income was earned at an average rate of 15.01% (2011: 6.03%) and this has been included within investment income.

25 Insurance contract liabilities	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Insurance contract liabilities consist of the following:			
Provision for reported claims by policyholders	277,235	116,806	49,318
Provisions for claims incurred but not reported (IBNR)	90,767	85,339	60,628
Outstanding claims provisions (Note 25.1)	368,002	202,145	109,946
Provision for unearned premiums (Note 25.2)	187,432	286,610	69,239
Total insurance contract liabilities	555,434	488,755	179,185

The cash and cash equivalents as described in Note 14 serves as a cash cover for the insurance contract liabilities.

25.1 Outstanding claims provision

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
At 1 January	202,145	109,946	76,181
Claims incurred in the current accident period year	317,355	198,361	175,923
Claims paid during the year	(151,498)	(106,162)	(142,158)
At the end of the year	368,002	202,145	109,946

25.2 Provision for unearned premiums

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
At 1 January	286,610	69,239	336,757
Premiums written in the year (Note 1)	1,138,741	1,105,890	1,012,624
Premums earned during the year (Note 1)	(1,237,920)	(888,518)	(1,418,620)
At the end of the year	187,432	286,610	69,239

26 Trade payables

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
This represents the amount payable to insurance and reinsurance companies on facultative and treaty placements.	86,301	68,338	47,986

27 Other payables and accruals

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Accrued expenses	67,453	16,343	-
Rent Received in advance (Note 27.1)	20,300	29,000	37,050
Other payables	159,589	222,002	291,519
	247,342	267,345	328,569

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. All amounts are payable within one year (with the exception of deferred revenue).

27.1 Rent received in advance

	2012	2011	As at 1 January 2011
	=N=000	=N=000	=N=000
At the beginning	29,000	37,050	-
Amount deferred	-	-	42,750
Amount released to the income statement	(8,700)	(8,050)	(5,700)
Total deferred revenue	20,300	29,000	37,050

28 Employee benefit obligations

The company operates a defined benefit pension scheme as well as a defined pension contribution scheme for its employees. The company operates a non-contributory lump sum defined benefit gratuity scheme. Employees are entitled to gratuity payments on exit after full years of service with the company. The gratuity benefits of each employee was calculated and crystallized as at 30th April 2011. In particular, future company service after this date does not attract gratuity benefits. Employees upon exit from the company shall receive the value of their crystallized gratuity benefit without interest credit. The scheme was closed to new entrants beginning from 30th April 2011. There are no plan assets explicitly segregated to meet gratuity benefits. The company meets benefits on a pay-as-you-go-basis. An actuarial valuation is conducted by a qualified independent actuary. The last actuarial valuation was carried out by Messrs HR Nigeria Limited (Consultants and Actuaries - FRC/NAS/00000000738) as at 31 December 2012. New employees joining the company from 1 April 2011 will only be entitled to the defined pension contribution scheme. The gratuity balance is disclosed on the face of the statement of financial position. The company ensures that adequate provisions are made to meet its obligations under the scheme.

In accordance with the Pension Reform Act of 2004, the company introduced defined contributory scheme to complement the funded defined benefit scheme. Under the contributory scheme, the employee contributes 7.5% of basic salary, housing and transport allowances and the employer contributes 7.5% on the same basis. Pension remittances are made to various PFAs on behalf of the company's staff on a monthly basis.

The amounts recognised in the income statement are as follows:

	2012	2011
	=N=000	=N=000
Interest cost	2,157	1,594

28 Employee benefit obligations - continued

The amounts recognised in the statement of financial position at the reporting date are, as follows:	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Defined Pension Obligation	3,339	7,749	2,302
Present Value of the defined benefit	14,757	17,945	62,843
	18,096	25,694	65,145

The movement in the defined benefit obligation is, as follows:

	2012	2011
At 1 January	17,945	62,843
Service Cost	-	16,904
Interest Cost	2,157	7,441
Actuarial (Gains)/Losses - Assumption	630	(852)
Actuarial (Gains)/Losses - Experience	3,189	8,713
Curtailment (Gains)/Losses	-	(43,020)
Benefit Paid by the fund	(9,164)	(34,084)
At 31 December	14,757	17,945

The movement in the plan assets is as

	2012	2011
At 1 January	-	-
Employer Contributions made in the financial year	9,164	34,084
Benefit paid by the employer	(9,164)	(34,084)
At 31 December	-	-

The principal actuarial assumptions used in determining the pension benefit obligation for the Group's plan are, as follows:

	2012 %	2011 %	As at 1 January 2011 %
Discount rate per annum	13	12	12
Average per increase per annum	-	-	12
Average rate of inflation per annum	10	10	10

In order to measure the liability, the projected benefit must be discounted to a net present value as at the current balance sheet date, using the interest assumption (called the discount rate under IAS 19). The discount rate was determined on the company's balance sheet date by reference to market yields on high quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate should be based on market yields on government bonds). The discount rate reflects the duration of the liabilities of the benefit programme.

The weighted average liability duration for the Plan is 5.53 years (At 1 January 2011: 6.13 years). The average weighted duration of the closest Nigerian Government bond as at the valuation date, 31st December 2011 and 2012, is about 6.74years and 4.96 years respectively with a gross redemption yield of about 13.46% and 11.87% respectively.

NOTES TO THE FINANCIAL STATEMENTS - Continued

29 **Deposit for shares**

On 24 May 2010, a major shareholder made deposit for share capital in the sum of N370 million (Three hundred and Seventy million naira only) with Guinea Insurance Plc in order to remedy the deficiency in solvency margin and share capital of the Company. In 2011, the Company obtained the approval of the Board of Directors to increase the authorised share capital to N3.2billion (Three billion, two hundred million naira only) and Corporate Affairs Commission (CAC) has subsequently given approval. It was fully alloted after the Securities Exchange Commission's approval on 21 February 2013 and has been listed on the Nigerian Stock Exchange as at date.

30 **Issued share capital**

Authorised and issued share capital	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Authorised share capital 6.4 billion Ordinary shares of N0.50k each	3,200,000	3,000,000	3,000,000
Ordinary shares issued and fully paid			
At 1 January	2,700,000	2,550,000	2,550,000
Issued during the year (Note 31.1)	-	150,000	-
At 31 December	2,700,000	2,700,000	2,550,000

31 **Share premium**

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
At 1 January	337,545	317,981	317,981
Absorption of Life Business (Note 31.1)	-	19,564	-
At 31 December	337,545	337,545	317,981

31.1 **This represents the net gain on the absorption of the life assets and extinguishing of its liabilities during 2011 financial year.**

	=N=000
Net assets of Life business absorbed	159,624
Due to Life business no longer required	114,370
Due to from Non-Life business no longer required	(99,069)
	174,925
Less:	
Consideration - Market value of share issued	(150,000)
Cost of disposal of Life business	(100)
Pre-tax gain on absorption	24,825
Tax payable	(5,261)
Net gain on absorption	19,564

32 Contingency reserve

Contingency reserve in respect of non-life business is the higher of 20% of net profit and 3% of premium as specified in Section 21(2) of the Insurance Act 2003.

33 Cash and cash equivalents for the purpose of statements of cash flows consist of the following:

	2012	2011	As at 1 January 2011
	=N=000	=N=000	=N=000
Cash and cash equivalents per statement of financial position (Note 15)	1,288,245	698,206	530,668

34 Reconciliation of profit/(loss) before taxation to cash flows provided by operating activities

		2012	2011
		=N=000	=N=000
Profit/(loss) before taxation		175,933	(192,321)
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	9	30,402	32,089
Profit from sale of property, plant and equipment	6	(105)	-
Exchange losses on transactions		1,800	-
Investment income	5	(172,535)	(68,046)
Fair value gains	7	(60,000)	(60,000)
Impairment loss on insurance receivables	9	6,566	34,868
Impairment loss on other receivables		-	275,356
Impairment loss on available-for-sale financial asse	9	403	800
Write-off of impaired receivables		161,893	-
(Decrease)/increase in provision for unearned premium		(99,179)	217,372
Decrease in employee benefit obligation		(7,598)	(39,451)
Decrease in other receivables and prepayment		356,955	342,570
Increase/(decrease) in deferred expenses		19,909	(10,340)
Increase in other payables and accruals		17,963	177
Increase in trade receivables		(21,799)	(160,075)
Increase in reinsurance assets		(45,398)	(35,829)
Decrease in trade payables		(20,003)	(61,224)
Increase in provision for outstanding claim		165,857	92,199
Tax paid		(33,190)	(279,085)
Net cash flows from operating activities		477,875	89,059

35 Related party disclosures

(a) Transactions with related parties

The Company entered into transactions with parent company (Chrome Group) and other affiliates and key management personnel during the year in the normal course of business. The sales to and purchases from related parties are made at normal market prices.

	2012	2011
Sale of	=N=000	=N=000
Insurance contracts to fellow subsidiaries and other key management personnel:		
- Chrome Oil Services Limited	15,192	50
- Chrome Insurance Brokers	453,267	378,688
- Kaztech Engineering Nigeria Limited	48,694	78,007
- Kaztech Marine Services Limited	28,483	-
- Sir Emeka Offor Foundation	5	210
- Sir Emeka Offor	110	70
- Mr Soji Emiola	129	207
- Mr Fred Udechukwu	15	20
- Prof E.C.L Nnabuife	20	25
- Mr Emeka Onuselogu	43	50
- Mr Nasiru Isyaku	129	-
Purchase of		
Financial services from affiliates:		
- Chrome Insurance Brokers	84,181	21,653

(b) Balances with related parties

	2012	2011	As at 1 January 2011
	=N=000	=N=000	=N=000
i) Receivables from and payables to related parties are as follows:			
Receivables from related parties			
- Chrome Oil Services Limited	50	-	-
- Chrome Group	189,232	358,232	308,232
- Ethanig Nigeria Limited	204,024	204,024	264,451
- Chrome Insurance Brokers	30,421	326,081	-
- Kaztech Marine Services Limited	26,597	-	-
- Starcrest Nigeria Limited	482,254	922,254	
Payables to related parties			
- Chrome Insurance Brokers	6,927	-	-

Outstanding balances at the reporting date are unsecured. Settlement will take place in cash. A total of N671m was received after the year end. However, some of the receivable from related parties are impaired. The impaired receivables are as follows:

	2012	2011	As at 1 January 2011
	=N=000	=N=000	=N=000
- Ethanig Nigeria Limited	204,024	264,451	-

35 Related party disclosures - continued

(c) Compensation of key management personnel:

	2012 =N=000	2011 =N=000
Salaries	66,215	66,259
Post employment pension benefits	2,977	2,362
Total compensation of key management personnel	69,192	68,621

36 Contravention of the NAICOM and other guidelines:

Nature of contravention	Number of Infractions	Penalty =N=000
Late submission of audited financial statements to National Insurance Commission	1	355
Delay/ Non filing of quarterly,half yearly and annual returns with the Securities Exchange Commission	1	17,730
Late filling of assessment of the statement of shares capital with the Corporate Affairs Commission	1	16
Staff Retrenchment with ASSIBIFI	1	1,000
Late filling of the Company's return with the Nigerian Stock Exchange	1	2,700

37 Events after the reporting date

No significant events has occurred since the reporting date which requires adjustment of, or further disclosure in, the financial statement.

38 Going Concern

The Company's shareholders funds as at 31 December 2012 is 2.6 billion (2011: N2.5 billion, 2010: N2.8 billion), which is less than the minimum regulatory capital requirement. These conditions indicate the existence of an uncertainty on the Company's ability to continue as a going concern. However, with the absorption of deposit for shares of N370m and expected recovery from deposit from computerization in 2013, the gap in solvency is remedied.

39. Risk management framework

a. Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Company policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

b. **Capital management objectives, policies and approach**

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

1. To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;

2. 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;

3. To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;

4. To align the profile of assets and liabilities taking account of risks inherent in the business;

5. To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders;

6. To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the National Insurance Commission. These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

39. Risk management framework - continued

b. Capital management objectives, policies and approach continued

The Company's capital management policy for its insurance business is to hold sufficient capital to cover the statutory requirements based on the NAICOM directives, including any additional amounts required by the regulator. The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds.

The Company has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

Available capital resources as at 31 December 2012

	=N='000
Total shareholders' funds per financial statements	2,562,012
Adjustments to a regulatory basis	(57,872)
Available capital resources	2,504,140

Available capital resources as at 31 December 2011	
Total shareholders' funds per financial statements	2,492,239
Adjustments to a regulatory basis	86,539
Available capital resources	2,578,778

The adjustments onto a regulatory basis represent assets inadmissible for regulatory reporting purposes. However, current
year available capital resources are subject to Regulator's review and approval.

The company has a solvency gap which it plans to address through:
- Allotment of N370 million deposit for shares approved by Securities and Exchange Commission on 21 February 2013 and listed on the floor of the Nigerian Stock Exchange on 28 March 2013.
- Recovery of the balance of N204 million due from Ethanig Nigeria Limited on deposit for computerization of new office
- Profit on its 2013 operations

c. **Regulatory framework**

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

39. **Risk management framework - continued**

d. **Asset liability management (ALM) framework - continued**

The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. For each category of liabilities, a separate portfolio of asses is maintained.

The Company's ALM is:

- An integral part of the insurance risk management policy, to ensure in each period sufficient cash flows is available to meet liabilities arising from insurance contracts.

40. **Insurance and financial risk**

a. **Insurance risk**

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

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company 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 Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 20% of total reinsurance assets at the reporting date.

The Company principally issues the following types of general insurance contracts: fire, motor, general accident, engineering, marine and aviation, bond and credit and oil and gas. Risks under non-life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

40. Insurance and financial risk - continued

a. Insurance risk - continued

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

The Company has taken advantage of the transitional rules of IFRS 4 that permit only five years of information to be disclosed upon adoption of IFRS.

40. Insurance and financial risk - continued

a. **Insurance risk - continued**

In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each triangulation below illustrates how the Company's estimate of total claims outstanding for each year has changed at successive year-ends.

Claims Paid Triangulations as at December 2012

	Development Years				
Motor	1 ₦'000	2 ₦'000	3 ₦'000	4 ₦'000	5 ₦'000
Accident year					
2008	22,171	38,860	40,506	42,108	42,108
2009	19,518	37,913	39,830	39,830	
2010	12,429	23,516	28,537		
2011	9,652	30,748			
2012	12,623				

	Development Years				
Fire	1 ₦'000	2 ₦'000	3 ₦'000	4 ₦'000	5 ₦'000
Accident year					
2008	467	6,611	6,641	6,669	6,669
2009	155	708	2,075	4,315	
2010	311	3,092	3,602		
2011	167	9,607			
2012	90				

	Development Years				
General Accident	1 ₦'000	2 ₦'000	3 ₦'000	4 ₦'000	5 ₦'000
Accident year					
2008	3,867	9,749	22,629	30,308	33,416
2009	4,589	57,047	61,748	63,879	
2010	27,848	56,477	58,302		
2011	14,855	34,541			
2012	63,948				

40. Insurance and financial risk - continued

b. Financial risks - continued

(i). Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

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

- 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 director and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The Company sets the maximum amounts and limits that may be advances to corporate counterparties by reference to their long-term credit ratings.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid or fully provided for and Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.
- Net exposure limits are set for each counterparty i.e limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held.
- A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Credit exposure

The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2012 and 2011 is the carrying amounts as presented in Note 15, 16 & 17.

The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit risk exposure based on the carrying value of the financial instruments.

40. Insurance and financial risk - continued

Industry analysis

31 December 2012	Financial services ₦'000	Government ₦'000	Other ₦'000	Total ₦'000
Other receivables and prepayment	-	-	774,617	774,617
Statutory deposit	-	315,000	-	315,000
Available for sale financial assets	129,947	-	-	129,947
	129,947	315,000	774,617	1,219,564
Reinsurance assets	-	-	127,589	127,589
Trade receivables	-	-	215,304	215,304
Cash and cash equivalents	1,288,245	-	-	1,288,245
Total credit risk exposure	1,418,192	315,000	1,117,510	2,850,702

31 December 2011	Financial services ₦'000	Government ₦'000	Other ₦'000	Total ₦'000
Other receivables and prepayments	-	-	1,302,775	1,302,775
Statutory deposit	-	315,000	-	315,000
Available for sale financial assets	70,340	-	-	70,340
	70,340	315,000	1,302,775	1,688,115
Reinsurance assets	-	-	82,191	82,191
Trade receivables	-	-	200,071	200,071
Cash and cash equivalents	698,206	-	-	698,206
Total credit risk exposure	768,546	315,000	1,585,037	2,668,583

40. Insurance and financial risk - continued

Industry analysis

1 January 2011	Financial services N'000	Government N'000	Others N'000	Total N'000
Other receivables and prepayment	-	-	1,821,413	1,821,413
Statutory deposit	-	300,000	-	300,000
Available for sale financial assets	63,334	-	-	63,334
	63,334	300,000	1,821,413	2,184,747
Reinsurance assets	-	-	46,362	46,362
Trade receivables	-	-	74,864	74,864
Cash and cash equivalents	530,668	-	-	530,668
Total credit risk exposure	594,668	300,000	1,942,639	2,836,641

40. Insurance and financial risk - continued

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counter parties:

	Neither past-due nor impaired				
31 December 2012	Investment Grade ₦'000	Non-investment grades satisfactory ₦'000	Non-investment grades unsatisfactory ₦'000	Past-due but not impaired ₦'000	Total ₦'000
Other receivables and prepayments	-	774,617	-	-	774,617
Statutory deposit	315,000	-	-	-	315,000
Reinsurance assets	-	-	127,589		127,589
Trade receivables	-	-	-	215,304	215,304
Cash and cash equivalents	1,100,891	187,354	-	-	1,288,245
Total	1,415,891	961,971	-	342,893	2,720,755
31 December 2011					
Other receivables and prepayments	-	1,302,775	-	-	1,302,775
Statutory deposit	315,000	-	-	-	315,000
Reinsurance assets	-	-	-	82,191	82,191
Trade receivables	-	-	-	200,071	200,071
Cash and cash equivalents	506,273	191,933	-	-	698,206
Total	821,273	1,494,708	-	282,262	2,598,243

40. Insurance and financial risk - continued

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counter parties:

1 January 2011	Investment Grade ₦'000	Neither past-due nor impaired Non-investment grades satisfactory ₦'000	Non-investment grades unsatisfactory ₦'000	Past-due but not impaired ₦'000	Total ₦'000
Other receivables and prepayment	-	1,821,413	-	-	1,821,413
Statutory deposit	300,000	-	-	-	300,000
Reinsurance assets	-	-	-	46,362	46,362
Trade receivables	-	-	-	74,864	74,864
Cash and cash equivalents	221,181	309,487	-	-	530,668
Total	521,181	2,130,900	-	121,226	2,773,307

40. Insurance and financial risk - continued

Age analysis of financial assets past due but not impaired

31 December 2012	< 30 days ₦'000	31 to 60 days ₦'000	61 to 90 days ₦'000	Total past due but not impaired ₦'000
Other receivables and prepayment	-	-	-	-
Reinsurance assets	58,346	15,438	53,805	127,589
Trade receivables	208,614	5,933	757	215,304
Total	**266,960**	**21,371**	**54,562**	**342,893**
31 December 2011				
Other receivables and prepayment	-	-	-	-
Reinsurance assets	-	-	82,191	82,191
Trade receivables	78,322	21,486	100,263	200,071
Total	**78,322**	**21,486**	**182,454**	**282,262**
1 January 2011				
Other receivables and prepayment	-	-	-	-
Reinsurance assets	-	-	46,362	46,362
Insurance receivables	2,788	13,074	59,002	74,864
Total	**2,788**	**13,074**	**105,364**	**121,226**

Impaired financial assets

At 31 December 2012, there are no impaired reinsurance assets (2011: Nil)(1 January 2011: Nil), impaired other receivables of ₦204,023,000 (2011: ₦284,538,000)(1 January 2011: ₦10,044,000 and trade receivable ₦ 6,566,000 (2011: ₦34,868,000)(1 January 2011: ₦222,871,000)

For assets to be classified as 'past-due and impaired' contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

40. Insurance and financial risk - continued

(ii). **Liquidity risk**

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

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

- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meeting insurance and investment contracts obligations.

- The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

- Contingency funding plans are place, which specify minimum proportions of funds to meet emergency calls well as specifying events that would trigger such plans.

Maturity profiles

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

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

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Company 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. Reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual interest receivable.

40. Insurance and financial risk - continued

Maturity analysis (contractual undiscounted cash flow basis)

31 December 2012	Carrying amount ₦'000	Up to 1 year ₦'000	1-3 years ₦'000	3-5 years ₦'000	Over 5 years ₦'000	No maturity date ₦'000	Total ₦'000
Financial assets							
Other receivables and prepayments	774,617	774,617	-	-	-	-	774,617
Available-for-sales financial assets	129,947	-	-	-	-	129,947	129,947
Reinsurance assets	127,589	127,589	-	-	-	-	127,589
Trade receivables	215,304	215,304	-	-	-	-	215,304
Cash and cash equivalents	1,288,245	1,288,245	-	-	-	-	1,288,245
Total assets	2,535,702	2,405,755	-	-	-	129,947	2,535,702
Financial liabilities							
Insurance contract liabilities	555,434	555,434	-	-	-	-	555,434
Trade payables	86,301	86,301	-	-	-	-	86,301
Other payables and accruals	247,342	244,442	2,900	-	-	-	247,342
Total liabilities	889,077	886,177	2,900	-	-	-	889,077
Total liquidity gap	1,646,625	1,519,578	(2,900)[1]	-	-	129,947	1,646,625

[1] The shortfall was due to amounts received in advance with respect to rental of investment property, this can be financed through the disposal of available-for-sale instruments during the period.

40. Insurance and financial risk - continued

Maturity analysis (contractual undiscounted cash flow basis)

31 December 2011	Carrying amount ₦'000	Up to 1 year ₦'000	1-3 years ₦'000	3-5 years ₦'000	Over 5 years ₦'000	No maturity date ₦'000	Total ₦'000
Financial assets							
Other receivables and prepayments	1,302,755	1,302,755	-	-	-	-	1,302,755
Available-for-sales financial assets	70,340	-	-	-	-	70,340	70,340
Reinsurance assets	82,191	82,191	-	-	-	-	82,191
Trade receivables	200,071	200,071	-	-	-	-	200,071
Cash and cash equivalents	698,206	698,206	-	-	-	-	698,206
Total assets	2,353,663	2,283,323	-	-	-	70,340	2,353,663
Financial liabilities							
Insurance contract liabilities	488,755	488,755	-	-	-	-	488,755
Trade payables	68,338	68,338	-	-	-	-	68,338
Other payables and accruals	267,345	256,345	11,600	-	-	-	267,345
Total liabilities	824,438	813,438	11,600	-	-	-	824,438
Total liquidity gap	1,529,225	1,469,885	(11,600)[2]	-	-	70,340	1,529,225

[2] The shortfall was largely due to amount received in advance with respect to rental of investment property; this can be financed through the disposal of available-for-sale instruments during the period.

40. Insurance and financial risk - continued

Maturity analysis (contractual undiscounted cash flow basis)

1 January 2011	Carrying amount ₦'000	Up to 1 year ₦'000	1-3 years ₦'000	3-5 years ₦'000	Over 5 years ₦'000	No maturity date ₦'000	Total ₦'000
Financial assets							
Other receivables and prepayment	1,821,413	1,821,413	-	-	-	-	1,821,413
Available-for-sales financial assets	63,334	-	-	-	-	63,334	63,334
Reinsurance assets	46,362	46,362	-	-	-	-	46,362
Trade receivables	74,864	74,864	-	-	-	-	74,864
Cash and cash equivalents	530,668	530,668	-	-	-	-	530,668
Total assets	2,536,641	2,473,307	-	-	-	63,334	2,536,641
Financial liabilities							
Insurance contract liabilities	179,185	179,185	-	-	-	-	179,185
Trade payables	47,986	47,986	-	-	-	-	47,986
Other payables and accruals	328,569	325,269	20,300	-	-	-	328,569
Total liabilities	555,740	535,440	20,300	-	-	-	555,740
Total liquidity gap	1,980,901	1,937,867	(20,300)[3]	-	-	63,334	1,980,901

[3] The shortfall was largely due to amounts received in advance with respect to rental of investment property; this can be financed through the disposal of available-for-sale instruments during the period.

40. Insurance and financial risk - continued

The table below summarises the expected utilisation or settlement of assets and liabilities

Maturity analysis on expected maturity bases

31 December 2012	Current ₦'000	Non- Current ₦'000	Total ₦'000
Cash and cash equivalents	1,288,245	-	1,288,245
Trade receivables	215,304	-	215,304
Reinsurance assets	127,589	-	127,589
Financial assets:			
Available-for-sale financial assets	-	129,947	129,947
Investment properties	-	1,030,000	1,030,000
Property, plant and equipment	-	52,068	52,068
Other receivables and prepayments	774,617	-	774,617
Deferred acquisition costs	25,384	-	25,384
Statutory deposit	-	315,000	315,000
Total Assets	**2,431,139**	**1,527,015**	**3,958,154**
Liabilities and Equity			
Liabilities			
Other payables and accruals	227,042	20,300	247,342
Trade payables	86,301	-	86,301
Current tax payable	104,964	-	104,964
Deferred tax liability	-	14,005	14,005
Employee benefit obligations	18,096	-	18,096
Insurance contract liabilities	555,434	-	555,434
Deposit for shares	370,000	-	370,000
Total liabilities	**1,361,837**	**34,305**	**1,396,142**

40. Insurance and financial risk - continued

The table below summarises the expected utilisation or settlement of assets and liabilities

Maturity analysis on expected maturity bases

31 December 2011	Current ₦'000	Non- Current ₦'000	Total ₦'000
Cash and cash equivalents	698,206	-	698,206
Trade receivables	200,071	-	200,071
Reinsurance assets	82,191	-	82,191
Financial assets:			
Available-for-sale financial assets	-	70,340	70,340
Investment properties	-	970,000	970,000
Property, plant and equipment	-	54,831	54,831
Other receivables and prepayments	1,302,755	-	1,302,755
Deferred acquisition costs	45,293	-	45,293
Statutory deposit	-	315,000	315,000
Total Assets	2,328,516	1,410,171	3,738,687
Liabilities and Equity			
Liabilities			
Other payables and accruals	238,345	29,000	267,345
Trade payables	68,338	-	68,338
Current tax payable	25,471	-	25,471
Deferred tax liability	-	845	845
Employee benefit obligations	25,694	-	25,694
Insurance contract liabilities	488,755	-	488,755
Deposit for shares	-	370,000	370,000
Total liabilities	846,603	399,845	1,246,448

40. Insurance and financial risk - continued

The table below summarises the expected utilisation or settlement of assets and liabilities

Maturity analysis on expected maturity bases

1 January 2011	Current ₦'000	Non- Current ₦'000	Total ₦'000
Cash and cash equivalents	530,668	-	530,668
Trade receivables	74,864	-	74,864
Reinsurance assets	46,362	-	46,362
Financial assets:			
Available-for-sale financial assets	-	63,334	63,334
Investment properties	-	860,000	860,000
Property, plant and equipment	-	77,115	77,115
Deferred tax asset	-	18,204	18,204
Other receivables and prepayments	1,821,413	-	1,821,413
Deferred acquisition cost	34,953	-	34,953
Statutory deposit	-	300,000	300,000
Total Assets	**2,508,260**	**1,318,653**	**3,826,913**
Liabilities and Equity			
Liabilities			
Other payables and accruals	291,519	37,050	328,569
Trade payables	47,986	-	47,986
Current tax payable	72,074	-	72,074
Deferred tax liability	-	649	-
Employee benefit obligations	-	65,145	65,145
Insurance contract liabilities	179,185	-	179,185
Deposit for shares	370,000	-	370,000
Total liabilities	**960,764**	**102,844**	**1,062,959**

(iii). **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk). The risk management frameworks for each of its components are discussed below:

(a). **Currency risk**

Currency risk is the risk that fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Our currency risk exposure is minimal and we are currently putting framework to manage our exposures to exchange rate risks emanating from our underwriting some foreign transactions.

40. Insurance and financial risk - continued

Foreign Exchange risk

Guinea Insurance is exposed to foreign exchange currency risk primarily through certain transactions denominated in foreign currency. The company is exposed to foreign currency through bank balances in other foreign currencies.

The carrying amounts of the company's foreign currency-denominated assets as at end of the year are as follows:

	Cash & Cash Equivalents	Available-for-sale	Total
	₦'000	₦'000	₦'000
Dollars	94,988	-	94,988

The Company limits its exposure to foreign exchange to 10% of total investment portfolio. Foreign currency changes are monitored by the investment committee and holdings are adjusted when offside of the investment policy. The Group further manages its exposure to foreign exchange risk using sensitivity analysis to assess potential changes in the value of foreign exchange positions and impact of such changes on the Group's investment income. At the year end, the foreign currency investments held in the portfolio are cash and cash equivalents.

There have been no major changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

The following table details the effect on the profit as at 31st, December 2012 from a N155.77/$ closing rate favorable/unfavorable change in US dollars against the naira with all other variables held constant.

	Increase by 1%	Increase by 4%	Decrease by 1%	Decrease by 4%
	₦'000	₦'000	₦'000	₦'000
Financial assets:				
Cash and cash equivalents	950	3,800	(950)	(3800)
Available-for-sale	-	-	-	-
Impact on financial assets before tax	950	3,800	(950)	(3800)
Impact on financial assets after tax	665	2660	(665)	(2660)

The method used to arrive at the possible risk of foreign exchange rate was based on both statistical and non-statistical analyses. The statistical analysis was based on movement in main currencies for the last five years. This information was then revised and adjusted for reasonableness under the current economic circumstances.

40. Insurance and financial risk - continued

(b). **Interest rate risk**

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.

Fixed interest rate instruments expose the Company to fair value interest risk. The risks arising from fluctuations in our interest rate is managed in line with the investment risk policy. We also manage this risk by reducing the portfolio of our interest rate risk sensitive securities as well as fixed most of interest rate income.

The table below details the interest rate sensitivity analysis of Guinea Insurance Plc as at 31st December 2012, holding all other variable constant. Based on historical date, 100 & 500 basis points changes are deemed to be reasonably possible and are used when reporting interest rate risk.

Interest earning assets	Amount	Increase by 100bp	Increase by 500bp	Decrease by 100bp	Increase by 500bp
	₦'000	₦'000	₦'000	₦'000	₦'000
Fixed term deposit	1,100,891	1,101	5,504	(1,101)	(5,504)

(c) Equity Price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or 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 Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.
The risks arising from change in price of our investment securities is managed through our investment desk and in line with the investment risk policy.

The Company's management of equity price risk is guided by the following:

- Investment Quality and Limit Analysis
- Stop Loss Limit Analysis
- Stock to Total Loss Limit Analysis

Investment quality and limit analysis

The Board through its Board Investment Committee set approval limits for taking investment decision approval limits are illustrated using an approval hierarchy that establishes different levels of authority necessary to approve investment decisions of different naira amounts. The approval limits system: sets a personal discretionary limit for Chief Executive Officer; requires that investment decisions above this personal discretionary limit requires approval by the Board of Directors and; sets out lower limits for Chief Finance Officer (CFO) and, or provides the CFO with the authority to assign limits to subordinates.

Stop loss limit analysis

The eligible stocks are further categorized into class A, B and C based on market capitalizations, liquidities and market volatilities. These classes are assigned stop loss limits and maximum holding days for trading as a measure of the amount of loss the Group is willing to accept. Periodic reviews and reassessments are undertaken on the performance of the stocks. The stop loss limits on classes' basis that guide the monitoring of investment in capital markets depicted below:

40. Insurance and financial risk - continued

(b). Interest rate risk continued

The Company's ERM function monitors compliance of the Investment arm to these limits and reports to Management periodically.

A summary of the Company's Stop Loss Limit position on trading equities as at 31 December 2012 is as follows:

STOCK TO TOTAL LIMIT ON COMPANY'S INVESTMENT PORTFOLIO					
SECTOR OF STOCK	COST PRICE	MARKET PRICE	STOCK CLASS	GAIN/LOSS	Bench Mark
BREWERIES	90	417	A	363%	25%
PETROLEUM(MARKETING)	147	33	A	-78%	25%
BANKING	105	86	A	-18%	25%
INSURANCE	4	1	C	-75%	20%
CONGLOMERATE	11	120	A	991%	25%

STOCK TO TOTAL LIMIT ON COMPANY'S PORTFOLIO		
SECTOR OF STOCK	MARKET PRICE	%
BREWERIES	417	63%
PETROLEUM(MARKETING)	33	5%
BANKING	86	13%
INSURANCE	1	0%
CONGLOMERATE	120	18%

Operational risks

Our operational risk exposure arises from inadequately controlled internal processes or systems, human error or non-compliance as well as from external events. Operational risk management framework includes strategic, reputation and compliance risks. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

41. Contingencies and commitments

(a). **Legal proceedings and regulations**

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material affect on its results and financial position.

The Company is also subject to insurance solvency regulations of NAICOM. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

(b). **Capital commitments and operating leases**

The Company has no capital commitments at the reporting date.

42. **Admissible assets**

The admissible assets representing insurance funds are included in the Statement of Financial Position as follows:

Total assets representing Insurance funds	₦'000	₦'000
Cash and cash equivalents:		
Cash	187,354	
Short-term deposits	1,100,891	

Total cash and cash equivalents		1,288,245
Available-for-sale financial assets:		
Quoted equities	45,102	
Total Available-for-sale financial assets		45,102

Total Assets representing insurance funds		1,333,347
Total Insurance funds		555,434

Balance due to shareholders' funds		777,913
		=======

NOTES TO THE FINANCIAL STATEMENT - Continued

43. First-time adoption of IFRS continued

Reconciliation of equity as at 1 January 2011

	Note	Local GAAP ₦'000	Reclassifi - cation ₦'000	Remeasure - ment ₦'000	IFRS as at 1 January 2011 ₦'000
ASSETS					
Cash and bank balances	i	309,486	(309,486)	-	-
Cash and cash equivalents	A (I & ii)	-	530,668	-	530,668
Short-term placements	ii	221,182	(221,182)	-	-
Debtors and prepayments	iii	928,219	(928,219)	-	-
Financial assets:					
Available-for-sale financial assets	B (iv)	-	63,334	-	63,334
Trade receivables	C (iii)	-	304,191	(229,327)	74,864
Reinsurance assets	D	-	-	46,362	46,362
Deferred acquisition costs	E (iii)	-	34,953	-	34,953
Other receivables and prepayments	F (iii,iv,vi)	-	1,821,413	-	1,821,413
Long-term investments	iv	1,295,630	(1,295,630)	-	-
Investment properties	G	959,127	-	(99,127)	860,000
Deferred tax assets	H	-	(10,561)	28,765	18,204
Fixed assets	v	77,115	(77,115)	-	-
Property, plant and equipment	I (v)	-	77,115	-	77,115
Statutory deposit		300,000	-	-	300,000
Total assets		4,090,759	(10,519)	(253,327)	3,826,913
Liabilities and Equity					
Insurance funds	vii	118,125	(118,125)	-	-
Insurance contract liabilities	J (vii)	-	118,125	61,060	179,185
Creditors and accruals	vi	378,815	(378,815)	-	-
Trade payables	K (vi)	-	47,986	-	47,986
Other payables and accruals	L (vi)	-	328,569	-	328,569
Employee benefit obligations	M (vi)	-	2,302	62,843	65,145
Taxation/Current tax payable	N	72,074	-	-	72,074
Deferred tax liabilities	O	10,561	(10,561)	-	-
Deposit for shares		370,000	-	-	370,000
Total liabilities		949,575	(10,519)	123,903	1,062,959
Issued share capital		2,550,000	-	-	2,550,000
Share premium	P	317,981	-	-	317,981
Available-for-sale-reserve	Q	-	-	11,794	11,794
Contingency reserve		206,401	-	-	206,401
Revaluation reserves	viii	149,107	(149,107)	-	-
Retained earnings	R (C,D,G,H,J,,M,viii,Q)	(82,305)	-	(239,917)	(322,222)
Total equity		3,141,184	-	(377,230)	2,763,954
Total liabilities and equity		4,090,759	(10,519)	(253,327)	3,826,913

43. First-time adoption of IFRS continued

Reconciliation of equity as at 31 December 2011

	Note	Local GAAP N'000	Reclassifi-cation N'000	Remeasure-ment N'000	IFRS as at 31 December 2011 N'000
ASSETS					
Cash and bank balance	i	191,933	(191,933)	-	-
Cash and cash equivalents	A(i & ii)	-	698,206	-	698,206
Short-term placements	ii	506,273	(506,273)	-	-
Debtors and prepayments	iii	1,667,179	(1,667,179)	-	-
Financial instruments:					
Available-for-sale financial assets	B (iv)	-	59,310	11,030	70,340
Trade receivables	C (iii)	-	316,492	(116,421)	200,071
Reinsurance assets	D	-	-	82,191	82,191
Deferred acquisition cost	E (iii)	-	45,293	-	45,293
Other receivables and prepayments	F (iii,iv,vi)	-	1,306,261	(3,506)	1,302,755
Long-term investments	iv	59,310	(59,310)	-	-
Investment properties	G	1,009,127	-	(39,127)	970,000
Fixed assets	v	54,831	(54,831)	-	-
Property, plant and equipment	I (v)	-	54,831	-	54,831
Statutory deposit		315,000	-	-	315,000
Total assets		3,803,653	867	(65,833)	3,738,687
Liabilities and Equity					
Insurance funds	vii	415,033	(415,033)	-	-
Insurance contract liabilities	J (vii)	-	415,033	73,722	488,755
Creditors and accruals	vi	342,563	(342,563)	-	-
Trade payables	K (vi)	-	68,338	-	68,338
Other payables & accruals	L (vi)	-	267,345	-	267,345
Employee benefit obligations	M (vi)	-	7,747	17,947	25,694
Taxation/Current tax payable	N	20,060	-	5,411	25,471
Deferred tax liabilities	O	8,280	-	(7,435)	845
Deposit for shares		370,000	-	-	370,000
Total liabilities		1,155,936	867	89,645	1,246,448
Issued share capital		2,700,000	-	-	2,700,000
Share premium	P	317,981	12,274	7,290	337,545
Revaluation reserves	viii	149,107	(149,107)	-	-
Available-for-sale-reserve	Q	-	-	9,107	9,107
Contingency reserve		239,577	-	-	239,577
Retained earnings	R (B,C,D,G,F,M,H,I,L,O,P,viii,Q)	(758,948)	136,833	(171,875)	(793,990)
Total equity		2,647,717	-	(155,478)	2,492,239
Total liabilities and equity		3,803,653	867	(65,833)	3,738,687

43. First-time adoption of IFRS continued

Reconciliation of total comprehensive income for the year ended 31 December 2011

	Note	Local GAAP ₦'000	Reclassifi - cation ₦'000	Remeasure - ment ₦'000	IFRS as at 31 December 2011 ₦'000
Gross premium written	(i)	1,105,889	(1,105,889)	-	-
Increase/decrease in unearned premium	(ii)	(222,671)	222,671	-	-
Gross premium income		-	883,218	5,300	888,518
Gross premium income	A		883,218	5,300	888,518
Re-insurance premium paid	(iii)	(88,121)	88,121	-	-
Re-insurance expenses	B	-	(88,121)	34,818	(53,303)
Commission received	(iv)	20,457	(20,457)	-	
Fees and commission income	C	-	20,457	-	20,457
Net underwriting income		815,554	-	40,118	855,672
Direct claims paid	(v)	(106,162)	106,162	-	-
Increase in outstanding claims reserve	(vi)	(74,237)	74,237	-	-
Claims expenses	D	-	(166,389)	(16,950)	(183,339)
Reinsurance recoveries	(vii)	14,010	(14,010)	-	-
Acquisition expenses - commission	(viii)	(128,516)	128,516	-	-
Maintenance expenses	(ix)	(269,287)	269,287	-	-
Underwriting expenses	E	-	(145,643)	-	(145,643)
Underwriting profit		251,362	252,160	23,168	526,690
Investment income		68,046	-	-	68,046
Fair value gains and losses	F	-	-	60,000	60,000
Other operating revenue		357	-	-	357
Impairment loss	G	(419,624)	108,600	(311,024)	-
Management expenses	H	(329,130)	(259,387)	52,127	(536,390)
Diminution in value of quoted investments	(x)	(7,227)	7,227	-	-
Provision for doubtful balances	(xi)	(419,624)	419,624	-	-
Loss before tax		(436,216)	-	243,895	(192,321)
Taxation/Income tax expense	I	(219,528)	-	(26,743)	(246,271)
Loss after taxation		(655,744)	-	217,152	(438,592)
Extra-ordinary item		12,275	-	(12,275)	-
Contingency reserve		(33,177)	-	-	(33,177)
Loss for the year		(676,646)	-	204,877	(471,769)

43. First-time adoption of IFRS continued

Reconciliation of total comprehensive income for the year ended 31 December 2011

	Note	Local GAAP ₦'000	Reclassifi - cation ₦'000	Remeasure - ment ₦'000	IFRS as at 31 December 2011 ₦'000
Other comprehensive income:					
Net loss on available-for-sale assets	I	-	-	(2,687)	(2,687)
Other comprehensive income for the year net of tax		-	-	(2,687)	(2,687)
Total comprehensive income for The year net of tax		(676,646)	-	202,190	(474,456)

43. First-time adoption of IFRS continued

Notes to the reconciliation of equity as at 1 January 2011 and 31 December 2011

		31 December 2011 ₦'000	1 January 2011 ₦'000
A	Cash and cash equivalents		
	Reclassification from cash and bank balances (i)	191,933	309,486
	Reclassification from short-term placements (ii)	506,273	221,182
	Per IFRS	698,206	530,668

Under Nigerian GAAP, cash at bank and cash in hand are classified as cash and bank balance while short term placement is a line item. IFRS recognises cash in hand and cash at bank as cash and cash equivalents while it does not recognise short-term placement as a line item. If the placement days are less than 90 days then it qualifies as cash and cash equivalents and if more than 90 days then it is classified as financial assets held to maturity. In both cases (2010 and 2011) the placement days were less than 90 days so they qualify as cash and cash equivalents.

		31 December 2011 ₦'000	1 January 2011 ₦'000
iii	Debtors and prepayments		
	Per Nigerian GAAP	1,667,179	928,219
	Reclassification to Deferred acquisition cost (Note E)	(45,293)	(34,953)
	Reclassification to Other receivables and prepayments (Note F)	(1,305,394)	(589,075)
	Reclassification to Trade receivables (Note C)	(316,492)	(304,191)
	Per IFRS	-	-

Under Nigerian GAAP debtors and prepayments reclassified in (iii) consist of:

	31 December 2011 ₦'000	1 January 2011 ₦'000
Agent balances and outstanding premium	1,600,219	1,433,686
Staff loan and advances	4,476	1,571
Prepaid rent	17,786	11,737
Sundry debtors and prepayment	-	9,540
Deferred commission cost	45,293	34,953
Advance payment for computerization of new head office	264,451	264,451
Amount due from Chrome group	358,232	308,232
Amount due from Starcrest	922,254	-
Provision for doubtful amounts	(1,545,532)	(1,135,951)
Per Nigerian GAAP	1,667,179	928,219

		31 December 2011 ₦'000	1 January 2011 ₦'000
B.	Financial assets		
	Reclassification from Long-term investments per Nigerian GAAP	59,310	1,295,630
	Adjustment arising on re-measurement	11,030	-
	Reclassification from long term investment to other receivables and prepayments	-	(1,232,296)
	Per IFRS	70,340	63,334

43. First-time adoption of IFRS continued

Notes to the reconciliation of equity as at 1 January 2011 and 31 December 2011 - continued

B. Financial assets - continued

Under Nigerian GAAP, financial assets are classified as long term investments. Under IFRS, after consideration of management intention, financial assets previously recognised as long term investments were reclassified as available for sale financial assets. The re-measurement adjustment arose as a result of the omission of the financial assets of the Life's business as a result of the absorption exercise which took place in 2011. This amounted to N7.29million. The balance was as result of fair valuation of the financial assets held.

iv. Long Term Investment

Under Nigerian GAAP Long term investment consist of:	31 December 2011 ₦'000	1 January 2011 ₦'000
Quoted investments in stock at market price	43,014	50,241
Unquoted investment in Starcrest Oil block	-	1,222,254
Unquoted investment in DVCF jack-up barge	20,087	20,087
Ordinary shares in unquoted Companies	19,419	16,216
Unquoted debenture	76	76
Provision for diminution in value of investment	(23,286)	(13,243)
Per Nigerian GAAP	59,310	1,295,631

C. Trade receivable

	31 December 2011 ₦'000	1 January 2011 ₦'000
Reclassified from Debtors and prepayments (Note iii)	316,492	304,191
Impairment loss adjustments (Note R)	(116,421)	(229,327)
Per IFRS	200,071	74,864

Under Nigerian GAAP, trade receivables are classified as debtors and prepayments. Under IFRS, trade receivables previously recognised as debtors and prepayment were re-classified and those with indication for impairment were tested for impairment. At the date of transition to IFRS, there were objective evidences that some of the trade receivables had been impaired by N229 million (2011: N116 million). This has been recognised to reduce both the trade receivables and retained earnings. The effect on earnings for the year ended 31 December 2011 is also recognised in the profit for the year under IFRS.

D. Reinsurance assets

	31 December 2011 ₦'000	1 January 2011 ₦'000
Adjustment arising from actuaries' valuation of Reinsurance assets	82,191	46,362
Per IFRS	82,191	46,362

The impact of changes in reinsurance assets from the Nigerian GAAP to IFRS balance were mainly attributable to the actuarial valuation of reinsurance assets of ₦82 million (2010: ₦46 million) in order to conform with the IFRSs presentation requirements of disclosing insurance liabilities gross re-insurance.

43. First-time adoption of IFRS continued

Notes to the reconciliation of equity as at 1 January 2011 and 31 December 2011 - continued

		31 December 2011 ₦'000	1 January 2011 ₦'000
E.	Deferred acquisition costs		
	Reclassification from Debtors and prepayments (Note C)	45,293	34,953
	Per IFRS	45,293	34,953
F.	Other receivables and prepayments		
	Reclassification from debtors and prepayments (Note iii)	1,305,394	589,075
	Reclassification from long term investments (Note iv)	-	1,232,296
	Reclassification from creditors and accruals (Note vi)	867	42
	Re-measurement of other receivable	(3,506)	-
	Per IFRS	1,302,755	1,821,413

Under Nigerian GAAP, other receivables and prepayments are classified as debtors and prepayment. Under IFRS, other receivables and prepayment previously recognised as debtors and prepayment were reclassified and re-measured.

		31 December 2011 ₦'000	1 January 2011 ₦'000
G.	Investment properties		
	Per Nigerian GAAP	1,009,127	959,127
	Fair value loss at the date of transition to IFRS (Note R)	(39,127)	(99,127)
	Per IFRS	970,000	860,000

Under Nigerian GAAP, the Company measured investment properties at re-valued amount. evaluation of Investment properties is not done on an annual basis. Previous increase in fair value of these investments has been recognised in investment property revaluation reserve. Under IFRS, the Company has opted to use fair value model for subsequent measurement of all investment properties. As a result, all Investment properties were fair valued at the date of transition to IFRS and changes in fair value of these Investment properties were recognised in retained earnings. The previous Investment properties revaluation reserves were equally reclassified to retained earnings. The effect of using fair value model on 2011 has been recognised both in Profit or loss for the year ended 31 December 2011 and in the Investment property.

43. First-time adoption of IFRS continued

Notes to the reconciliation of equity as at 1 January 2011 and 31 December 2011 - continued

		31 December 2011	1 January 2011
I.	Property, plant and equipment	₦'000	₦'000
v.	Per Nigerian GAAP - Fixed assets	54,831	77,115
	Per IFRS	54,831	77,115

J.	Insurance contract liabilities		
	Insurance fund per Nigerian GAAP (vii)	415,033	118,125
	Deficiency in outstanding claims at date of transition (Note R)	73,722	61,060
	Per IFRS	488,755	179,185

The impact of changes in Insurance liabilities from the Nigerian GAAP to IFRS balance were mainly attributable to the additional provision of ₦73.7 million (2010: ₦61 million). The additional provisions were recognised by Company in line with the result of the liability adequacy test carried out by the Company. As a result additional provisions were made for claims incurred by not reported which impacted on equity.

		31 December 2011	1 January 2011
K.	Trade payables	₦'000	₦'000
	Reclassification from creditors and accruals (Note vi)	68,338	47,986
	Per IFRS	68,338	47,986

This represents amount payable to insurance and reinsurance companies

		31 December 2011	1 January 2011
L.	Other payables & Accruals	₦'000	₦'000
	Per Nigerian GAAP - Creditors and accruals (vi)	342,563	378,815
	Reclassification to Trade payables (Note K)	(68,338)	(47,986)
	Reclassification to Employee benefit obligation (Note M)	(7,747)	(2,302)
	Reclassification to other receivables and prepayment (Note F)	867	42
	Per IFRS	267,345	328,569

Under Nigerian GAAP, trade and other payables are classified as creditors and accruals. Under IFRS, other payables and accruals previously recognised as creditors and accruals were re-classified. The details are:

43. First-time adoption of IFRS continued

Notes to the reconciliation of equity as at 1 January 2011 and 31 December 2011 - continued

L. Other payables & Accruals - continued	31 December 2011 ₦'000	1 January 2011 ₦'000
Rent received in advance	29,000	37,050
Sundry creditors and accruals	135,126	94,486
Amount due to Niger Insurance / Life current account	54,810	176,193
Accrued audit fees	8,674	8,974
Statutory deductions (PAYE, NSITF, ITF, ICT levy)	13,829	11,825
Amount due to disengaged staff	25,037	-
Debit balance in staff Glo post paid	867	42
Per IFRS	267,345	328,569

M. Employee benefit obligations

Reclassification from creditors and accruals	7,747	2,302
Adjustment arising from actuarial valuation	17,947	62,843
Per IFRS	25,694	65,145

The company operates a defined gratuity scheme as well as a defined pension contribution scheme. The gratuity scheme was closed to new entrants effective 30th April 2011 by which date the gratuity benefits of each employee was calculated and crystalised. An actuarial valuation was conducted by Messrs HR Nigeria Limited to arrive at the present value of defined gratuity N17.9milloin (2010: N62.8 million). The outstanding contributory pension is N7.7 million (2010: N2.3 million).

N. Current tax payable	31 December 2011 ₦'000	1 January 2011 ₦'000
Per Nigerian GAAP - Taxations	20,060	72,074
IFRS Adjustment on tax re-measurement (Note R)	5,411	-
Per IFRS	25,471	72,074

Under IFRS, the results of operations changed based on changes in the basis of measurement. The tax re-assessment revealed an additional liability which has been duly accrued.

O & M. Deferred Tax Liabilities/(Assets)	31 December 2011 ₦'000	1 January 2011 ₦'000
Per Nigerian GAAP	8,280	10,561
IFRS adjustment as a result of deferred tax effects of fair value		
Gains/losses on investment property at the date of transition (Note R)	6,034	(9,912)
Employee benefit obligation	(13,469)	(18,853)
Per IFRS	845	(18,204)

43. First-time adoption of IFRS continued

Notes to the reconciliation of equity as at 1 January 2011 and 31 December 2011 - continued

O & M. Deferred tax liabilities/(assets) - continued

The transition adjustment relating to Investment properties and employee benefit obligation leads to different temporary differences. According to the accounting policies, the Company has to account for such differences. These deferred tax adjustments are recognised in correlation to the underlying transaction in retained earnings. The effect of the adjustments in 2011 has been recognised in the profit for 2011.

		31 December 2011 ₦'000	1 January 2011 ₦'000
P.	Share Premium		
	Per Nigerian GAAP	317,981	317,981
	IFRS reclassification from retained earnings as a result of gain arising on absorption of the life business through issue of non-life shares	12,274	-
	IFRS adjustment as a result of assets (shares) acquired from life business not initially recognized	7,290	-
	Per IFRS	337,545	317,981

Under Nigerian GAAP the net gain on the absorption of life assets and extinguishing of its liabilities through the issue of non life shares was accounted as extra ordinary item. This has been reclassified from retained earnings to share premium ₦12.2million (2010: NIL). So also changes in the market valuation of the quoted shares (assets) of life business included in the available for sale financial assets, ₦7.2million (2010: Nil).

		31 December 2011 ₦'000	1 January 2011 ₦'000
Q.	Available-for-sale reserve		
	Per Nigerian GAAP	-	-
	IFRS adjustment as a result of increase in fair value changes on available-for-sale financial assets	9,107	11,794
	Per IFRS	9,107	11,794

Under Nigerian GAAP, the Company accounted for investments in quoted equity at fair value. Decrease in the fair value of these investments is usually recognised in Profit or loss net of any increase in fair value of other equity Investments during the same period. At the date of transition to IFRS, the Company has elected to designate these Investments including unquoted equity Investments as available-for-sale. In accordance with the accounting policies selected for subsequent measurement of available-for-sale financial assets, the Company distinguished between those investments that have been impaired as a result of prolonged or significant decline in fair value at the date of transition to IFRS from those that merely have a change in fair value. The fair value changes of those Investments without objective evidence of impairment have been reclassified from retained earnings to available-for-sale reserve. The effect of this in 2011 is a reclassification from other operating and administrative expenses in Profit or loss to other comprehensive Income with subsequent accumulation in available-for-sale reserve in equity.

43. First-time adoption of IFRS continued

Notes to the reconciliation of equity as at 1 January 2011 and 31 December 2011 - continued

		31 December 2011 ₦'000	1 January 2011 ₦'000
R.	Retained earnings		
	Per Nigerian GAAP	(758,948)	(82,305)
	Impairment allowance - trade receivables (Note C)	(116,421)	(229,327)
	Impairment allowance - Other debtors (Note F)	(3,506)	-
	Available for sales financial assets	(5,367)	(11,794)
	Impairment Allowance - Investment Properties (Note G)	(39,127)	(99,127)
	Deferred taxation - investment property (Note O)	(6,034)	9,912
	Deferred taxation - employee benefit obligation (Note O)	13,469	18,853
	Revaluation Reserve (viii)	149,107	149,107
	Employee benefit obligation (Note M)	(17,947)	(62,843)
	IFRS adjustment on adequacy of insurance liabilities (Note J)	(73,722)	(61,060)
	IFRS adjustment on adequacy of re-insurance assets (Note D)	82,191	46,362
	Share premium (Note P)	(12,274)	-
	IFRS adjustment on revised tax (Note N)	(5,411)	-
	Per IFRS	(793,990)	(322,222)

43. First-time adoption of IFRS continued

Notes to the reconciliation of total comprehensive income for the year ended 31 December 2011

		31 December 2011 ₦'000
A	Gross premium income	
	Gross premium written	1,105,889
	Change in unearned premium income	(222,671)
	Adjustment arising on re-measurement	5,300
	Per IFRS	888,518
B	Premium ceded to reinsurers	
(iii)	Reclassification from outward reinsurance premium	88,121
	Re-measurement of movement in reserve for unexpired risk ceded to reinsurer	(34,818)
	Per IFRS	53,303
C	Fees and commission income	
(iv)	Reclassification from commission received	20,457
	Per IFRS	20,457
D	Net benefits and claims	
(v)	Reclassification from gross claims paid	106,162
(vi)	Reclassification from increase/decrease in outstanding claims	74,237
(vii)	Reclassification from recoveries	(14,010)
	IFRS adjustment on adequacy of insurance liabilities	16,950
	Per IFRS	183,339
E	Underwriting expenses	
(viii)	Reclassification from acquisition expenses - commission	128,516
	Reclassification from other operating and administrative expenses	17,127
		145,643
F	Fair value gains and losses	
	Fair value gains on investment property during the year	60,000
	Per IFRS	60,000

43. First-time adoption of IFRS continued

Notes to the reconciliation of total comprehensive income for the year ended 31 December 2011

Under Nigerian GAAP, the Company measured investment properties at re-valued amount. Revaluation of Investment properties is not one on an annual basis. Previous increase in fair value of these investments has been recognised in investment property revaluation reserve. Under IFRS, the Company has opted to use fair value model for subsequent measurement of all investment properties. As a result, all Investment properties were fair valued at the date of transition to IFRS and changes in fair value of these Investment properties were recognised in retained earnings. The previous Investment properties revaluation reserves were equally reclassified to retained earnings. The effect of using fair value model on 2011 has been recognised both in Profit or loss for the year ended 31 December 2011 and in the Investment property.

		31 December 2011 ₦'000
G.	Impairment loss	
(xi)	Reclassification from provision for doubtful accounts	419,624
	IFRS adjustment to recognize write-back on impairment charge for the year	(109,400)
(x)	IFRS adjustment to recognise fair value change of AFS investment	7,227
	IFRS adjustment to recognise fair value change of AFS investment	(6,427)
	Per IFRS	311,024
H.	Other operating and administrative expense	
	Reclassification from management expenses	329,130
(ix)	Reclassification from maintenance cost	269,287
	Reclassification to underwriting expenses	(17,127)
	IFRS adjustment to recognize re-measurement of gratuity	(44,892)
	Per IFRS	536,390
I	Income tax expense	
	Taxation per Nigerian GAAP	219,528
	IFRS adjustment resulting to deferred tax implication of fair value gains on investment property recognised for 2011	15,948
	IFRS adjustment resulting to deferred tax implication on employee benefit obligation	5,384
	IFRS adjustment on revised tax	5,411
	Per IFRS	246,271

The transition adjustment relating to Investment properties leads to different temporary differences. According to the accounting policies, the Company has to account for such differences. These deferred tax adjustments are recognised in correlation to the underlying transaction in retained earnings. The effect of the adjustments in 2011 has been recognised in the profit for 2011.

43. First-time adoption of IFRS continued

Notes to the reconciliation of total comprehensive income for the year ended 31 December 2011

		31 December 2011 ₦'000
J	Net loss on available-for-sale assets	
	Adjustment to recognise fair value changes on AFS assets	(2,687)
	Per IFRS	(2,687)

Under Nigerian GAAP, the Company accounted for investments in quoted equity at fair value. Decrease in the fair value of these investments is usually recognised in Profit or loss net of any increase in fair value of other equity Investments during the same period. At the date of transition to IFRS, the Company has elected to designate these Investments including unquoted equity Investments and Investments in bonds as available-for-sale. In accordance with the accounting policies selected for subsequent measure of available-for-sale financial assets, the Company distinguished between those investments that have been impaired as a result of prolonged or significant decline in fair value at the date of transition to IFRS from those that merely have a change in fair value. The fair value changes of those Investments without objective evidence of impairment have been reclassified from retained earnings to available-for-sale reserve. The effect of this in 2011 is a reclassification from other operating and administrative expenses in Profit or loss to other comprehensive Income with subsequent accumulation in available-for-sale reserve in equity.

GUINEA INSURANCE PLC

NON-LIFE REVENUE ACCOUNT

FOR THE YEAR ENDED 30 DECEMBER 2012

	Fire Business =N=000	Motor Business =N=000	Individual General Accident =N=000	Marine and Aviation =N=000	2012 =N=000	2011 =N=000
INCOME						
Gross premium	214,435	269,945	517,917	136,444	1,138,741	1,105,889
Decrease/(increase) in reserve for unexpired risks	9,578	36,037	46,669	6,894	99,178	(217,372)
Gross premium earned	224,013	305,982	564,586	143,339	1,237,920	888,517
Reinsurance premium paid	(14,450)	-	(28,240)	(65,657)	(108,346)	(53,303)
Net premium earned	209,563	305,982	536,347	77,682	1,129,573	835,214
Commission received	6,477		4,664	20,469	31,611	20,457
Total income	216,040	305,982	541,011	98,151	1,161,184	855,671
EXPENSES						
Gross claims paid	12,458	38,830	90,730	9,479.88	151,498	106,162
Adjustment for movement in outstanding claims	15,272	1,735	115,181	33,668	165,856	92,199
Gross claims incurred	27,730	40,565	205,911	43,148	317,354	198,361
Change in insurance contract liabilities ceded to reinsurers	(5,383)	(156)	(16,877)	(935)	(23,351)	(1,013)
Reinsurance recoveries	(5,718)	(2,175)	(2,210)	(2,631)	(12,735)	(14,010)
Net claims incurred	16,629	38,233	186,824	39,581	281,268	183,338
Acquisition expenses	46,759	41,300	93,302	31,712	213,073	128,515
Maintenance expenses	111,472	141,026	269,236	70,930	88,275	17,127
Total expenses	174,861	220,559	549,362	142,223	582,617	328,980
Underwriting profit						
Transfer to profit and loss account	41,179	85,423	(8,351)	(44,072)	578,567	526,691

GUINEA INSURANCE PLC

STATEMENT OF VALUE ADDED

FOR THE YEAR ENDE 31 DECEMBER 2012

	2012 ₦'000	%	2011 ₦'000	%
Gross premium written	1,138,741		1,105,890	
Claims	(281,270)		(183,339)	
Reinsurances	(108,347)		(53,303)	
Other charges and expenses	(519,953)		(858,766)	
Fees and commission	31,611		20,457	
Investment and other income	276,676		68,403	
Value added	537,458	100	99,342	100
Applied as follows:				
Salaries, wages and other benefits	277,287	52	229,085	231
In payment to Government:				
Taxation	125,843	23	246,271	248
Retained in the business:				
Depreciation	30,402	6	32,089	32
Contingency reserve	34,162	6	33,176	33
Available for sale reserve	19,683	4	(2,687)	(3)
Transfer to general reserve	50,090	9	(438,592)	(442)
	537,458	100	99,342	100

Value added is the wealth created by the efforts of the company and its employees. This statement shows the allocation of that wealth among the employees, shareholders, government and amount re-invested for future creation of further wealth.

GUINEA INSURANCE PLC

FIVE-YEAR FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION/BALANCE SHEET

	← IFRS →			← NGAAP →	
	2012	2011	2010	2009	2008
	₦'000	₦'000	₦'000	₦'000	₦'000
Assets					
Cash and bank balances	-	-	-	51,698	30,074
Cash and cash equivalents	1,288,245	698,206	530,668	-	-
Short term funds	-	-	-	109,997	134,902
Debtors and prepayments	-	-	-	1,296,359	1,106,518
Long term investments	-	-	-	1,403,954	1,497,441
Trade receivables	215,304	200,071	74,864	-	-
Reinsurance assets	127,589	82,191	46,362	-	-
Financial instruments:					
AFS financial assets	129,947	70,340	63,334	-	-
Investment properties	1,030,000	970,000	860,000	959,127	954,127
Deferred tax assets	-	-	18,204	-	-
Fixed assets	-	-	-	100,502	67,810
Property and equipment	52,068	54,831	77,115	-	-
Receivables and prepayments	774,617	1,302,755	1,821,413	-	-
Deferred acquisition costs	25,384	45,293	34,953	-	-
Statutory deposit	315,000	315,000	300,000	300,000	300,000
Total assets	**3,958,154**	**3,738,687**	**3,826,913**	**4,221,637**	**4,090,872**
Liabilities and Equity					
Bank Overdraft	-	-	-	-	4,473
Creditors and accruals	-	-	-	307,167	279,516
Insurance payables	86,301	68,338	47,986	-	-
Other payables and accruals	247,342	267,345	328,569	-	
Taxation/Current tax payable	104,964	25,471	72,074	71,053	72,119
Deferred tax liability	14,005	845	-	-	-
Employee benefit obligations	18,096	25,694	65,145	-	-
Insurance fund	-	-	-	546,053	396,769
Insurance contract liabilities	555,434	488,755	179,185	-	-
Deposit of Shares	370,000	370,000	370,000	-	-
Total liabilities	**1,396,142**	**1,246,448**	**1,062,959**	**924,273**	**752,877**
Issued share capital	2,700,000	2,700,000	2,550,000	2,550,000	2,550,000
Share premium	337,545	337,545	317,981	317,981	317,981
Revaluation reserves	-	-	-	149,107	149,107
Available-for-sale-reserve	28,790	9,107	11,794	-	-
Quoted investment revaluation reserve	-	-	-	-	27,237
Contingency reserve	273,739	239,577	206,401	176,022	140,926
Retained earnings	(778,062)	(793,990)	(322,222)	104,255	152,745
Total equity	**2,562,012**	**2,492,239**	**2,763,954**	**3,297,364**	**3,337,995**
Total liabilities and equity	**3,958,154**	**3,738,687**	**3,826,913**	**4,221,637**	**4,090,872**

GUINEA INSURANCE PLC

FIVE YEAR FINANCIAL SUMMARY

INCOME STATEMENT/PROFIT AND LOSS

	← IFRS	→	←	NGAAP	→
	2012	2011	2010	2009	2008
	₦'000	₦'000	₦'000	₦'000	₦'000
TURNOVER AND PROFIT					
Gross premium written	1,138,741	1,105,890	1,012,623	1,169,852	935,472
Premium earned	1,237,920	888,518	1,418,620	1,069,308	2,412,027
Profit/(loss) before taxation	175,933	(192,321)	(94,420)	19,663	63,289
Profit/(loss) after taxation	50,090	(438,592)	(106,002)	(13,394)	75,348
Per 50k share data (kobo):					
Basic earnings/ (loss)	0.9	(8.1)	(2.7)	(0.3)	1
Net assets	47	46	62	65	65
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