INTRODUCTION

The Company's Corporate Governance principles, the NAICOM and SEC Codes of Corporate Governance, the Company's Articles of Association and the Companies and Allied Matters Act continue to form the basis for how the Board and Board Committees operate. The Board also maintains its resolve to achieve international best practices in the governance of the Company, enhance shareholder value and respect minority rights in its business decisions.

RESPONSIBILITIES OF THE BOARD

The Board of Directors has ultimate responsibility for ensuring good corporate governance and for giving direction to the Company. It ensures that the Company carries on its business in accordance with the Memorandum and Articles of Association and in conformity with relevant laws and regulations relating to the Company's business activities. It provides effective leadership through Board Committees and the executive management and ensures that appropriate structures are put in place for the authorities delegated. It reviews corporate performance, authorizes and effectively monitors strategic decisions and ensures compliance with policies and achievement against objectives through quarterly performance reporting and budget reviews.

The responsibilities of the Board include: ensuring the integrity of the company's financial reporting system; ensuring that ethical standards are maintained; ensuring that the company complies with relevant laws and statutory regulatory requirements; formulating policies and strategies on marketing, investment and claims administration; monitoring corporate expenditures and acquisitions; monitoring and managing potential conflicts of interest of key executives, board members and shareholders including misuse of corporate assets; formulating risk policy, monitoring potential risks within the company including recognizing and encouraging honest whistle blowing; reviewing and approving Strategic Plans; setting of performance and strategic objectives; selecting, compensating, monitoring key executives and overseeing succession planning; evaluating the implementation of strategies, policies and management performance criteria and overseeing major capital expenditures and acquisitions.

The Board has a schedule of matters exclusively reserved for its deliberation and decision which include the following:

- Approval of financial statements
- Formulation of Dividend policy
- Formulation of Investment policy
- Approval of Business strategy
- Approval of Business Plan
- Approval of annual operating budget and capital expenditure budget
- Approval of material investments and disposals
- Risk management strategy/risk appetite
- Matters relating to share capital
- Approval of major capital projects
- Staff matters including remuneration, reward, recruitment and promotion of Senior Management.

The Board operates under sound business ethics and has put in place, a system that ensures the fulfillment of the long term strategic goals of the shareholders whilst taking into account the expectations of the key stakeholders including employees, clients and the community within which the Company operates.

The Board has also put in place a well-defined organization structure that effectively meets the needs of the company with clear job descriptions, authority levels and working relationships for members of the management. There is clear separation of responsibilities between the executive management and the Board that ensures non-interference of the Board in management functions and vice versa and an effective and efficient human resources management that ensures staff welfare and objective assessment of individuals with emphasis on performance.

BOARD OF DIRECTORS

Composition and Structure of the Board

Mr. Bakary H. Kamara, whose election was stepped down at the 2010 Annual General Meeting was elected into office at the last Annual General Meeting and as at December 31, 2011, the Board comprised 11 Directors, seven of whom are non-executive Directors including the Chairman and the Vice-Chairman and four executive Directors.

Since the year end, Mr. Monin A. Adam, the Executive Director (Finance) has resigned from the Board with effect from April 9, 2012.

The Directors are qualified professionals in their respective fields with extensive knowledge in the business of the Company and expert knowledge of the market place as it relates to the Company's business.

The roles of the Chairman and the Managing Director/CEO remained separate in line with best practice. While the Chairman is responsible for the leadership and governance of the Board as a whole and creates conducive atmosphere at Board Meetings for the effective performance of the individual Directors, the Managing Director /CEO is responsible for the overall performance of the Company including responsibilities for effective day to day monitoring and management controls, developing and translating strategies.

INDUCTION AND TRAINING

The Non-executive Directors are independent of the management and do not have any business relationships which may interfere with the exercise of their judgement. On appointment, Non-executive Directors are briefed on the Company's business and activities which is supplemented by an induction pack containing information on the Company's profile; ethics and philosophy; Organizational Structure; Departmental Structure; Corporate Governance Principles; Duties of Directors; Directors' Code of Conduct; Schedule of Meetings for the year; Anti-Money Laundering/Anti-Bribery & Corruption Policy; copies of the Company's Strategic Plan and minutes of most recent meetings. Executive Directors go through orientation in the various departments of the Company.

As part of the Board's commitment towards entrenching good Corporate Governance, a special training on Corporate Governance and Directors' Duties/Liabilities was held for the Directors during the year.

DIRECTORS' RIGHT TO SEEK INDEPENDENT PROFESSIONAL ADVICE

The Directors are aware that they have a right to seek independent professional advice in furtherance of their duties. All Directors have access to the advice and services of the Company Secretary and under the guidance of the Chairman, the Company Secretary is responsible for advising the Board on all corporate Governance matters and ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

TERM OF OFFICE OF DIRECTORS

The non-executive Directors have no fixed term of office but are subject to election at the Annual General Meeting immediately following their appointment and re-election thereafter at intervals of three years in line with the Company's Articles of Association. Executive Directors are not subject to retirement by rotation. Any Director who is 70 years and above and seeking re-election must disclose his age to shareholders before and at the meeting at which the re-election is to take place.

PROFILES OF DIRECTORS SEEKING RE-ELECTION

Mr. D. Chemillier-Gendreau

Mr. Denis Chemillier-Gendreau is President and Founder of ACTURIA, a Pension Consulting company based in France. He is an applied macroeconomist and a World Bank Consultant. He was formerly a Lecturer at the University of Dauphin, France. He has authored many books and headed many research teams. He was appointed to the Board on May 30, 2007.

Mr. Vincent LeGuennou

Mr. Vincent Le Guennou is the Executive Vice President and Managing Director of EMP Africa. Mr. Le Guennou joined Emerging Markets Partnership in 2000 as a Director for West Africa and the Maghreb prior to the formation of EMP Africa in 2005. Before joining EMP, he was a member of SAUR's International Department in 1993. (SAUR is part of the French conglomerate of Bouygues, specializing in water and electricity distribution). While on secondment from SAUR, Mr. Le Guennou served as CFO of Compagnie Ivoirienne d'Electricite of Cote D'Ivoire. He began his career in 1989 with Arthur Andersen in its Paris office, where he became senior auditor. Mr. Le Guennou has an M.A. from l'Ecole des Hautes Etudes Commerciales (HEC) in Paris, a B.A. from Universite de Paris Dauphine and an M.B.A from Harvard Business School. He serves on the Boards of Charaf Corporation, SIPH, Veolia Water Maroc, Agromed S.A., All Africa Airways and Air Ivoire. He was appointed to the Board on May 30, 2007.

Profile of other directors can be viewed on our website at www.continental-re.com

BOARD MEETINGS

Four regular Board meetings were held during the year. Agenda for each meeting was circulated well in advance of the meetings to members. All members received timely reports on items to be discussed at the meetings to enable them study and prepare in advance of the meetings. Directors who were unable to attend a meeting forwarded their comments/views in advance to the Chairman or appointed another Director as alternate. In addition to the formal meetings held, decisions were also taken via circular resolutions signed by all the Directors.

BOARD EVALUATION

A Board evaluation is being planned for the current year.

CODE OF BUSINESS CONDUCT

The Company appreciates that honesty, integrity and accountability are crucial for the success of its business and therefore requires the highest standards of professional and ethical conduct from its Directors and all employees. The draft code of ethics and conduct is still being reviewed by the Board.

BOARD COMMITTEES

The Board discharged its responsibilities through three main Committees namely (i) Corporate Governance, Compliance and Establishment Committee, (ii) Underwriting Committee and (iii) Investment/Finance, General Purposes & Enterprise Risk Management Committee. Board Committees functioned effectively and operated within the powers delegated to them by the Board.

The Committees also met four times during the year. Agenda for each meeting was circulated well in advance of the meetings to members. Detailed reports on items to be deliberated upon at the meetings were prepared and also sent well in advance. The composition of each of the

Committees and their terms of reference are as set out hereunder:

Corporate Governance, Compliance And Establishment Committee

The Committee comprises three members, all of whom are non-executive Directors namely:Mr. Bakary H. Kamara (Chairman), Mr. David S. Sobanjo and Ms. Nana Appiah-Korang

The Committee:

- Formulates Corporate Governance Policy for the Company.
- Ensures effective implementation of the Policy
- Ensures compliance with relevant laws and regulations in the course of business.
- Formulates recruitment policy for the Company
- Agrees the conditions of service
- Reviews remuneration from time to time
- Recruits top Management staff
- Reviews Organogram of the organization from time to time for effective performance.

Underwriting Committee

The Underwriting Committee comprises seven members made up of three non-executive Directors and the four executive Directors namely: Mr. Denis Chemillier-Gendreau (Chairman), Mr. David S. Sobanjo, Mr. Bakary H. Kamara, Dr. Olufemi Oyetunji, Mr. Gbenga Falekulo, Mr. Monin A. Adam (resigned April 9, 2012) and Mr. Lawrence M. Nazare.

The Committee:

- Reviews underwriting policy of the Company
- Formulates geographical expansion programme for the Company
- Reviews the retrocession cover of the Company
- Oversees Product development
- Considers adequacy of technical reserve
- Formulates Risk Management Policy
- Considers Actuarial Reports

Investment/Finance, General Purposes And Enterprise Risk Management Committee

The Committee is comprised of eight members, four of whom are non-executive Directors and the four executive Directors namely: Mr. Hurley Doddy (Chairman), Mr. Vincent Le Guennou, Mr. David S. Sobanjo, Mr. Bakary H. Kamara , Dr. Olufemi Oyetunji, Mr. Gbenga Falekulo, Mr. Monin A. Adam (resigned April 9, 2012) and Mr. Lawrence M. Nazare.

The Committee:

- Approves and review Investment Policy of the Company.
- Reviews and approve assets allocation and Managers.
- Considers quarterly and Annual Accounts.
- Approves Investment within limits stipulated by the Board.

- Considers annual budgets.
- Considers capital raising exercise and/or financial restructuring of the Company.
- Considers internal audit report.
- Considers investment quarterly reports.

During the year, the Board recognized the need for more attention to be paid to Enterprise Risk Management and therefore expanded the terms of reference of the Committee on risk management to include the following:

- The Committee together with the Company's legal adviser, will review any legal matters that could have a significant impact on the Company's business.
- The Committee will review the Executive Committee's ("EXCO") reports detailing the adequacy and overall effectiveness of the Company's risk management function and its implementation by management, and reports on internal control and any recommendation, and confirm that appropriate action has been taken.
- The Committee will review the risk philosophy, strategy and policies recommended by EXCO and consider reports by EXCO. The Committee will ensure compliance with such policies, and with the overall risk profile of the Company. Risk in the widest sense includes market risk, credit risk, liquidity risk, operation risk and commercial risk, which together cover detailed combined risks such as:
    - ✦ interest rate risk
    - ✦ country risk
    - ✦ counterpart risk, including provisioning risk
    - ✦ currency and foreign exchange risks
    - ✦ technology risk
    - ✦ price risk
    - ✦ disaster recovery risk
    - ✦ operational risk
    - ✦ prudential risk;
    - ✦ reputational risk
    - ✦ competitive risk
    - ✦ legal risk
    - ✦ compliance and control risks
    - ✦ sensitive risks, e.g. environmental, health and safety
    - ✦ concentration of risks across a number of portfolio dimensions
    - ✦ investment risk
    - ✦ asset valuation risk
    - ✦ other risks appropriate to the business which may be identified from time to time.

- The Committee will review the adequacy of insurance coverage.
- The Committee will review risk identification and measurement methodologies.

- The Committee will monitor procedures to deal with and review the disclosure of information to clients.
- The Committee will have due regard for the principles of governance and codes of best practice.
- The Committee will liaise with the board in respect of the preparation of the Committee's report to shareholders as required.

The Chairman of each of the Committees reports the outcome of the Committees' meetings to the Board.

ATTENDANCE AT BOARD AND BOARD COMMITTEES ' MEETINGS

	Board Meeting		Corporate Governance, Compliance & Establishment Committee		Underwriting Committee		Investment/Finance General Purposes & Enterprise Risk Management Committee	
Directors	No. of meetings	No. Attended	No. of meetings	No. Attended	No. of meetings	No. Attended	No. of meetings	No. Attended
Engr. S Akin Laguda	4	4	n/a	n/a	n/a	n/a	n/a	n/a
Mr. D. Chemillier-Gendreau	4	3	n/a	n/a	4	3	n/a	n/a
Dr. Olufemi Oyetunji	4	4	n/a	n/a	4	4	4	4
Mr. Rasak O. Falekulo	4	4	n/a	n/a	4	4	4	4
Mr. Monin C. Adam *	4	4	n/a	n/a	4	4	4	4
Mr. Lawrence M. Nazare	4	4	n/a	n/a	4	4	4	4
Mr. Vincent Le Guennou	4	4	n/a	n/a	n/a	n/a	4	4
Mr. Hurley Doddy	4	4	n/a	n/a	n/a	n/a	4	3
Mr. David S. Sobanjo	4	4	4	3	4	4	4	4
Ms. Nana Appiah-Korang	4	3	4	2	n/a	n/a	n/a	n/a
Mr. Bakary H. Kamara **	2	2	2	2	2	2	2	2

- n/a - not a member of the Committee
- *resigned after the year end w.e.f April 9, 2012
- **was formally elected a Director at the last AGM
- Mr. Sobanjo appointed Eng. S. A. Laguda as alternate to the meeting of the Corporate Governance, Compliance & Establishment Committee where he was absent.
- Directors who were unable to attend meetings sent apologies

STATUTORY AUDIT COMMITTEE

The Committee which was established in accordance with the provisions of the Companies and Allied Matters Act CAP C20, LFN 2004 is comprised of six members, three of whom are representatives of the Board while the remaining three are representatives of shareholders elected at the Annual General Meeting. The representatives of the Board on the Committee are non-executive Directors. During the year the Committee was very effective in the discharge of its statutory duties and responsibilities.

The Committee:

- Reviews the scope and planning of audit requirements;
- Reviews the accurateness of data and information provided in audited financial Reports;
- Reviews the Management Letter on the Audit of the Financial Statements;
- Keeps under review the effectiveness of the Company's system of accounting and internal control;
- Reviews the procedure put in place to encourage whistle blowing;
- Considers and reviews major changes in accounting policies;
- Reviews quarterly internal audit reports;
- Makes recommendations to the Board in regard to the appointment, removal and remuneration of the external auditors of the Company;
- Reviews interim and audited financial statements and ensure that they are in line with regulatory requirements and are in accordance with acceptable accounting standards.

ATTENDANCE RECORD OF AUDIT COMMITTEE MEMBERS

		No. of Meetings	No. Attended
Mr. Wole Oshin* (Custodian & Allied Insurance Plc)	-	2	2
Mr. Ajibade A. Peters*	-	2	0
Mr. Andre Bayala* (SONAR - Burkina Faso)	-	2	2
Ms. Nana Appiah-Korang**	-	2	2
Mr. David S. Sobanjo**	-	2	2
Mr. Bakary H. Kamara**	-	2	1

* Shareholders' representatives
** Non-executive Directors

The Company Secretary acts as Secretary to all the Board Committees and the Audit Committee.

MANAGEMENT COMMITTEES

Executive Management Committee

The Managing Director/CEO, Executive Directors and the Chief Risk Officer constitute the Executive Management Committee. The Committee, under the Chairmanship of the Managing Director/CEO, meets weekly to discuss matters relating to the day to day operations of the Company.

The executive management is responsible to the Board and manages the strategic decisions of the Board.

Other standing Committees are:

- Risk Management Committee
- Technical Committee
- Credit Control Committee

Ad Hoc Committees are set up from time to time and as the need arises to address specific issues.

REMUNERATION POLICY

Executive Directors

The remuneration of the Managing Director/CEO and other Executive Directors is determined by the Board on the recommendation of the Corporate Governance, Compliance and Establishment Committee and comprises salary, benefits, allowances and annual performance bonus. The Board also approves annual increments and benefits on the recommendation of the Committee. Performance bonus is a percentage of the Company's profit and is subject to the approval of the Board at the end of the financial year. Distribution of the bonus is based on laid down criteria.

The Managing Director/CEO and the Executive Directors do not receive sitting allowance and Directors' fees paid to non-Executive Directors.

Non-Executive Directors

Non-Executive Directors are paid fixed annual fees as approved by the shareholders at the Annual General Meeting on the recommendation of the Board. Non-Executive Directors are also paid sitting allowance to cover expenses incurred by them in attending and returning from meetings of the Company.

HUMAN RESOURCES POLICY

The Company's human resources policy and procedure manual provides information on all human resources policies, procedures and general employment conditions. A review of the policies, procedures and Forms commenced in 2011 and is currently nearing completion.

SUSTAINABILITY POLICIES

Corruption

The Anti-Money Laundering/Anti-Bribery & Corruption Policy approved by the Board in 2010 continued to be in force during the year.

Along with the Company's Board of Directors, the Company's Senior Management are charged with the responsibility for ensuring that the Company complies with the Policy as well as applicable anti-money laundering and anti-corruption laws in all the Countries in which the Company operates. A whistle blower who, in good faith, reports suspected violations or attempted violation of the Policy or applicable anti-money laundering, anti-bribery and anti-corruption laws, or who reports a request or offer of a corrupt payment, is protected under the Policy.

A separate Whistle Blowing Policy has been drafted and will be presented to the Board for consideration and approval at its next meeting.

Corporate Social Responsibility

As part of its commitment towards improving the quality of life, the Company makes donations annually to less privileged homes and some non-governmental organizations. In addition, the Company sponsors a 15 minutes French language programme tagged "Ambiance Continental Re" on Ray Power 100.5 FM Radio which is aired every Thursday from 5.15 p.m. to 5.30 p.m. The programme enlightens, teaches and entertains and has a large listening audience.

RISK MANAGEMENT

Over the course of 2011, the company has developed an Enterprise Risk Management ("ERM") framework in order to better manage all risks faced by the company and support the delivery of our business objectives.

As a result, an internal risk committee was set up to drive the implementation of this framework. The committee meets on a monthly basis to monitor the company's current risk profile, review the current risk environment and recommend actions to be taken.

NAICOM has also issued a guideline for the development of a risk management framework, which comes to effect on 1st of July 2012. The company is ideally positioned to satisfy the requirements of the guideline.

SHAREHOLDERS' RIGHTS

All shareholders of the Company have equal rights and are treated equally. No shareholder is given preferential treatment or superior access to information or other matters. At least 21 days' notice of Annual General Meeting is given to all shareholders.

COMPLIANCE WITH STATUTORY REQUIREMENTS

The Company complied with the NAICOM and SEC Codes of Corporate Governance during the year. The Company maintains its commitment to achieving 100% compliance with Statutory and other regulatory requirements as well as the Codes. As part of the measures put in place to monitor compliance, the Board, through the Corporate Governance, Compliance & Establishment Committee, reviews compliance report at each of its meetings. No penalties were imposed on the Company during the year.

INTERNAL AUDIT

There is in place an effective internal audit function which ensures that all controls, including financial, operational, compliance and risk management are functioning effectively. There is also an Internal Audit Charter which defines the purpose; authority and responsibility of the internal Audit department. During the year, the internal audit reviewed the effectiveness of the internal controls at the head office and the regional offices and submitted its quarterly findings to the audit Committee and the Board. There were no major breaches of internal controls and procedures.

COMMUNICATION

Information is disseminated to shareholders and other stakeholders through the Annual Report and Newspaper publications and the Company's website at www.continental-re.com.

Annual and quarterly results are published in at least two National Newspapers and are also displayed on the Company's website. The Annual General Meeting is the main forum for communication between the shareholders and the Board and active participation of shareholders at the meeting is encouraged.

Engr. S. Akin Laguda
Chairman

Dr. Femi Oyetunji
Managing Director/CEO

To the members of CONTINENTAL REINSURANCE PLC

In compliance with the provisions of Section 359(6) of the Companies and Allied Matters Act, CAP C20, LFN 2004 members of the Audit Committee of Continental Reinsurance Plc hereby report on the financial statements of the Company for the year ended December 31, 2011 as follows:

* The scope and plan of the audit for the year ended December 31, 2011 were adequate;
* We have reviewed the financial statements and are satisfied with the explanations obtained;
* We have reviewed the external Auditor's management letter for the period and are satisfied that management has taken appropriate steps to address the issues raised;
* The accounting and reporting policies of the Company are in accordance with legal requirements and ethical practices.

The external Auditors confirmed having received full co-operation from the Company's management and that the scope of their work was not restricted in any way.

Mr. Wole Oshin
Chairman, Audit Committee

Members of the Audit Committee

Mr. Wole Oshin (Custodian & Allied Insurance Plc)	-	Shareholders' representative (Chairman)
Mr. Ajibade A. Peters	-	Shareholders' Representative
Mr. Andre Bayala (SONAR - Burkina Faso)	-	Shareholders' Representative
Ms. Nana Appiah-Korang	-	Director
Mr. David S. Sobanjo	-	Director
Mr. Bakary H. Kamara	-	Director

March 2, 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED DECEMBER 31, 2011

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 Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria 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 profit. 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.

Engr S. Akin Laguda
Chairman

Dr. Olufemi Oyetunji
Managing Director/CEO

March 6, 2012

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Continental Reinsurance Plc, which comprise the balance sheet as at 31 December 2011, the profit and loss account, the statement of cash flows for the year 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 the relevant standards issued by the Financial Reporting Council of Nigeria, the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and the Insurance Act 2003 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 auditors' 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 auditors consider 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 give a true and fair view of the financial position of Continental Reinsurance Plc as at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the standards issued by Financial Reporting Council of Nigeria, Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003 and relevant policy guidelines issued by the National Insurance Commission (NAICOM).

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:

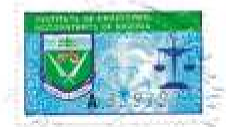
i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

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 balance sheet and profit and loss account in agreement with the books of account;

Ernst & Young

Lagos, Nigeria
6 March 2012



The following are the statement of significant accounting policies which have been adopted by the Company.

1. BASIS OF ACCOUNTING

These financial statements are prepared in accordance with Nigeria Statements of Accounting Standards (SAS), the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003 and its interpretations issued by the National Insurance Commission in its Insurance Industry Policy Guidelines. The financial statements have been prepared under the historical cost convention as modified by carrying certain investments at their fair value.

Life Insurance Business: The financial statements for life business have been prepared using the fund accounting basis.

General Insurance Business: The financial statements for general insurance business have been prepared using the annual basis of accounting.

2. REPORTING CURRENCY

The financial statements are presented in Nigerian currency (Naira), which is the Company's reporting currency.

3. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements requires the use of certain critical accounting estimates and assumption. It also requires management to exercise judgment in the process of applying the Company's accounting policies. Although these estimates are based on the historical information, actuarial analysis and the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis to take account of new and available information. Revisions to accounting estimates are recognized in the year in which the estimate is revised.

4. UNDERWRITING ACCOUNTS AND REINSURANCE FUNDS

4.1 Gross Premium Income Recognition

Premium is recognized as income when offers from ceding companies are confirmed via credit notes. This comprises premiums generated on contracts entered into during the year as well as premiums and adjustments on contracts entered into in earlier years but confirmed in the current accounting year. Also, premium for the year includes estimates for pipeline or premium not yet advised by the ceding companies for contracts in force at the end of the year. Pipeline premiums are estimated on the basis of latest available information and historic premium development patterns.

All written premiums are recorded on underwriting year basis and a provision is made for unearned income as Reserve for Unexpired Risk for the portion of the premium relating to the current underwriting year that have not expired by the end of the accounting year. Earned Premium Income represents Gross Premium less change in reserve for Unexpired Premium during the year.

Retrocession recoveries represents that portion of claims paid/payable on risks ceded out in respect of which recoveries are received/receivable from the retrocessionire. Retrocession recoveries on claims are disclosed separately as an asset and charged against Gross Claims Incurred to arrive at the Net Claims Incurred.

4.2. Retrocession

Retrocession premium represents the cost of outward reinsurance for the year. The retrocession programme is on underwriting year basis with appropriate reserves calculated using the same basis as the reserve for unexpired risks.

a. **Short-term investments**

Short-term investments are held as placements and term deposits with banks and other financial institutions. They are stated at the lower of cost and market value. Interest receivable is accrued for and credited to the profit and loss account.

b. **Long-term investments**

(i) **Quoted investments**

Investments in quoted securities are held as long term and stated at market value. Gain between the cost and the market value is transferred to investment revaluation reserve. Diminution in the value of investments is also transferred to investment revaluation reserve to the extent of the balance in the reserve. Subsequent amounts are thereafter charged to the profit and loss account.

(ii) **Unquoted investments**

Unquoted investments are stated at cost. Provision is made when there is permanent diminution in value.

9. INVESTMENT PROPERTIES

Investment properties are investments in land and buildings that are not occupied substantially for use in the operations of the Company. An occupation of more than 15% of the property is considered substantial.

Investment properties are carried in the balance sheet at their market value. Investment properties are revalued every three years by external professional valuers and are not subject to periodic charges for depreciation.
When there is a decline in value of an investment property, the carrying amount of the property is written down to recognize the loss. Such a reduction is charged to the profit and loss account. Reductions in carrying amount are reversed when there is an increase, following a revaluation in accordance with the Company's policy, on investment property, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of investment property is credited to Asset Revaluation Reserve Account. To the extent that a decrease in carrying amount offsets a previous increase, for the same property that has been credited to revaluation surplus and not subsequently reversed or utilized, it is charged against that revaluation surplus rather than the profit and loss account.

An increase in revaluation which is directly related to a previous decrease in carrying amount for the same property that was charged to the profit and loss account is credited to profit and loss account to the extent that it offsets the previously recorded decrease.

Investment properties are classified separately from other properties and used for the purposes of the business.

10. INVESTMENT INCOME

Investment income comprises interest earned on short-term deposits, rental income, dividend and income earned on trading of securities. Investment income is accounted for on an accrual basis.

a. **Short-term investments**

Short-term investments are held as placements and term deposits with banks and other financial institutions. They are stated at the lower of cost and market value. Interest receivable is accrued for and credited to the profit and loss account.

b. **Long-term investments**

(i) **Quoted investments**

Investments in quoted securities are held as long term and stated at market value. Gain between the cost and the market value is transferred to investment revaluation reserve. Diminution in the value of investments is also transferred to investment revaluation reserve to the extent of the balance in the reserve. Subsequent amounts are thereafter charged to the profit and loss account.

(ii) **Unquoted investments**

Unquoted investments are stated at cost. Provision is made when there is permanent diminution in value.

9. INVESTMENT PROPERTIES

Investment properties are investments in land and buildings that are not occupied substantially for use in the operations of the Company. An occupation of more than 15% of the property is considered substantial.

Investment properties are carried in the balance sheet at their market value. Investment properties are revalued every three years by external professional valuers and are not subject to periodic charges for depreciation.
When there is a decline in value of an investment property, the carrying amount of the property is written down to recognize the loss. Such a reduction is charged to the profit and loss account. Reductions in carrying amount are reversed when there is an increase, following a revaluation in accordance with the Company's policy, on investment property, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of investment property is credited to Asset Revaluation Reserve Account. To the extent that a decrease in carrying amount offsets a previous increase, for the same property that has been credited to revaluation surplus and not subsequently reversed or utilized, it is charged against that revaluation surplus rather than the profit and loss account.

An increase in revaluation which is directly related to a previous decrease in carrying amount for the same property that was charged to the profit and loss account is credited to profit and loss account to the extent that it offsets the previously recorded decrease.

Investment properties are classified separately from other properties and used for the purposes of the business.

10. INVESTMENT INCOME

Investment income comprises interest earned on short-term deposits, rental income, dividend and income earned on trading of securities. Investment income is accounted for on an accrual basis.

11. FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation.

12. DEPRECIATION

Depreciation is provided using the straight-line method at rates calculated to write off the cost of the fixed assets over their estimated useful lives .The principal annual rates used for the purpose are:

	%
Freehold Land	2
Motor vehicles	25
Furniture and equipment	20
Computer equipment	$33^{1/3}$
Office partitioning	20

13. DEBTORS

Debtors are stated after deducting provision made for specific debts considered doubtful of recovery. An allowance for specific debt is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivables.

14. FULL PROVISION IS MADE FOR BALANCES OUTSTANDING FOR OVER 1 YEAR

When a receivable in respect of which a provision has already been made is deemed uncollectible, it is written-off against the related provision and subsequent recoveries are credited to the profit and loss account.

15. UNDERWRITING EXPENSES

Underwriting expenses are subdivided into acquisition and maintenance expenses. Acquisition expenses are those incurred in obtaining and renewing insurance contracts. They include commission paid, policy expenses and indirect expenses such as salaries of underwriting staff; and are deferred and amortized in proportion to the amount of premium determined separately for each class of business recognized in the reporting period in line with the matching concept. Maintenance expenses are those incurred in servicing existing policies/contract. Maintenance expenses are charged to the revenue account in the accounting period in which they are incurred.

In Life Business all incurred expenses both acquisition and maintenance expenses are charged to the fund during the accounting period in which they are incurred.

16. MANAGEMENT EXPENSES

Management expenses are expenses other than claims, investments and underwriting expenses. They include salaries and wages and other non-operating expenses. Management expenses are charged to the profit and loss account in the accounting period in which they are incurred.

Certain management expenses, which relate directly to underwriting businesses are charged thereto, and are apportioned to the various classes of business in the proportion of the premium income of the current underwriting year.

17. FOREIGN CURRENCY BALANCES

a. Underwriting businesses from outside Nigeria denominated in foreign currencies are translated to Naira using the rates of exchange ruling at the time of the transaction. Other transactions denominated in foreign currencies are translated to Naira at the rates of exchange ruling at the time of the transaction.

b. All assets and liabilities (except for underwriting businesses as stated in Note 17a above) existing in foreign currencies are converted to Naira at the rate of exchange ruling at the balance sheet date, and gains and losses are treated on the Foreign Exchange Reserve Account.

18. RETIREMENT BENEFIT SCHEME

The Company has a Gratuity Scheme for its employees managed by a Trustees. 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 the liabilities.

The Company also has a contributory pension scheme in line with the Pension Reform Act, 2004. Contribution to the scheme is 7.5% of specified emoluments (basic salary, housing and transport allowances) by both employer and employee. The Company's contribution each year is charged against income and is included in staff cost. The contribution by both Company and employee is a total of 15%.

The Company grants cash loans to policy holders within their cash surrender value on request and automatic premium loans are also applied to policies within their cash surrender value if premium are not paid on due date.

19. PROVISIONS

Provision is recognized when the Company has a present obligation, whether legal or constructive, as a result of past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in accordance with the Statement of Accounting Standard (SAS) 23.

20. OTHER ASSETS

Receivables and other sundry debtors are classified as other assets and are stated at cost less allowances for doubtful amounts. Allowances and write offs are recognized when a receivable is deemed not collectable based on the original terms of the contract. Subsequent recoveries are credited to the profit and loss account.

Prepayments are stated at cost net of amortization.

21. TAXATION

i. Income tax

Income tax is provided at the Company tax rate on the taxable income for the year. Income tax payable on profit, based on the applicable tax law, is recognized as an expense in the period in which the related profit arise.

ii. Deferred taxation

Deferred tax provision is made using the liability method and calculated at the current rate of taxation on the difference between the net book value of qualifying fixed assets and their corresponding tax written down value.

22. DIVIDEND

Proposed dividend for the year is recognized as a liability only when declared and approved by shareholders at the Annual General Meeting. Dividends that are proposed but not yet declared are disclosed in the notes to the financial statements.

23. SEGMENT REPORTING

A segment is a distinguishable component of the Company that is engaged in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments.

Segment information is presented in respect of the Company's businesses and geographical segments. The business segments are determined by management based on the Company's internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

24. EARNINGS PER SHARE

Basic earnings per share are calculated based on its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to the ordinary shareholders of the Company by the number of ordinary shares outstanding during the year.