CONTINENTAL REINSURANCE PLC

LAGOS, NIGERIA

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2013

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 and its subsidiary at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company and its subsidiary:

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 judgements and estimates, and are consistently applied.

The Directors accept responsibility for the annual consolidated 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 Standards 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 consolidated financial statements give a true and fair view of the state of the financial affairs of the Company and its subsidiary and of its profit. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the consolidated 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 and its subsidiary will not remain a going concern for at least twelve months from the date of this statement.

....	....
Mr. S.D.A. Sobanjo	Dr. Olufemi Oyetunji
Director	**Managing Director/CEO**
FRC/2013/CIIN/00000002149	FRC/2013/NSA/00000000685

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

CONTINENTAL REINSURANCE PLC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Continental Reinsurance Plc ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and of its financial performance and 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 and the Financial Reporting Council of Nigeria Act, No. 6, 2011.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

CONTINENTAL REINSURANCE 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 and other comprehensive income are in agreement with the books of account;

iv) in our opinion, the consolidated financial statements have been properly prepared in accordance with the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 so as to present fairly the state of affairs and profit or loss of the Company and its subsidiary.

Kayode Famutimi, FCA, FRC/2012/ICAN/0000000155
For: Ernst & Young
Lagos, Nigeria

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STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. General information

a. The consolidated financial statements of Continental Reinsurance Plc and its subsidiary (collectively, the Group) for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 05 March 2014.

Continental Reinsurance Plc (the Company or the parent) was incorporated in 1985 as a professional reinsurance limited liability company under the Companies Act 1968 and obtained license to transact non-life Reinsurance business on 10 December 1986. It commenced business operation in January 1987. The Company subsequently obtained the license to transact life reinsurance business in September 1989 and commenced life reinsurance business in January 1990. In 1999, the Company was converted to a public limited liability company and in May 2007, its shares were listed on the Nigerian Stock Exchange. In January 2005, the Company opened a business office in Douala Cameroon, Nairobi, Kenya in year 2007 (this was converted to a subsidiary in January 2013) and Abidjan Cote d' Ivoire in March 2012. The registered office address of the Company is St Nicholas House (8th Floor), 6 Catholic Mission Street, Lagos, Nigeria

The Company is regulated by the National Insurance Commission of Nigeria (NAICOM).

b. Principal activity

The Group is licensed to carry out both life and non - life reinsurance business. The Group provides cover in all classes of reinsurance, basically non-life and life treaty and facultative reinsurance, backed by retrocessionaires in the London and African reinsurance markets. The products and services by the Group cuts across accident, energy, fire, marine, liability, individual and group life.

The Group also has investment portfolio with diversified investment focus aimed at improving its profitability, meet future claim obligations, and limit the Group's exposure to investment risk, preserve shareholders' capital in order to maximize total return on investment.

In addition, the Group also provides top-class specialized training and development programmes to its esteemed clients in various classes of insurance and reinsurance including fire, energy, business interruption, international reinsurance, life and pension, motor and general accident and engineering/bond insurance.

2. Summary of significant accounting policies

2.1 Introduction to summary of accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

These consolidated financial statements are the financial statements of Continental Reinsurance Plc (“the Company'') and its subsidiary, Continental Reinsurance Limited, Kenya (“the Group”).

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations, the Company and Allied Matters Act CAP C20 LFN 2004, the Insurance Act CAP II7 LFN 2004 and its interpretations issued by the National Insurance Commission in its Insurance Industry Policy Guidelines is included where appropriate.

2.2 Basis of preparation (cont'd)

The consolidated and company financial statements comprise the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for financial assets and financial liabilities measured at fair value through profit or loss, and investment properties, which have been measured at fair value.

The Group classifies its expenses by the nature of expense method.

The consolidated financial statements are presented in Naira, which is the Group's presentation currency. The figures shown in the consolidated financial statements are stated in thousands. The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 40.

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid investments.

The cash flows from operating activities are determined by using the direct method and the net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, as well as changes from receivables and liabilities in the corresponding note. Cash transactions from investing or financing activities are shown separately from operating activities. Income tax paid is classified as operating cash flows.

The cash flows from investing and financing activities are determined by using the direct method. The Group's assignment of the cash flows to operating, investing and financing category depends on the Group's business model (management approach).

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- ☐ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- ☐The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ☐The contractual arrangement with the other vote holders of the investee
- ☐Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

2.3 Basis of consolidation (cont'd)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.4 New Standards and Improvements

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the 2013 consolidated financial statements are consistent with those followed in the preparation of the Company's 2012 financial statements, except for the adoption of new standards or interpretations effective as of 1 January 2013.

The nature and the impact of each new standard/amendment are described below:

IAS 1 - Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 19 - Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit or loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

2.4 New Standards and Improvements (cont'd)

IAS 19 - Employee Benefits (Revised 2011) (IAS 19R) (cont'd)

In this case, the transition to IAS 19R had no effect on total comprehensive income. However, considering its retrospective application, certain items on the statement of profit or loss and other comprehensive income did not correspond to that presented in prior year.

Impact profit or loss and OCI (increase/(decrease) in profit/OCI)

	2012
Statement **of profit or loss**	**₦'000**
Underwriting expenses	152,023
Profit before income tax	152,023
Income tax expense	(45,607)
Profit for the year	106,416
Statement of other comprehensive income	
Re-measurement loss on defined benefit plans	(152,023)
Income tax effect on above	45,607
Other comprehensive income for the year, net of tax	(106,416)
Total comprehensive income for the year	-
Earnings per share Basic and Diluted (kobo)	1

The transition did not have impact on the statement of cash flows.

IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities □ (Amendments to IFRS 7)

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would 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. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

2.4 New Standards and Improvements (cont'd)

IFRS 10 - Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) an investor has power over an investee;
(b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the Group's financial statements.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable to the Group.

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 application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim financial statements period. The Group provides these disclosures in Note 19 and 40.3.

2.5 Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's consolidated financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and, therefore, accounts for the contracts as operating leases.

Estimates and assumptions

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

Impairment of available-for-sale investments

The Group reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired.

The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be verified from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair value. The judgements include considerations of liquidity and model inputs such as volatility for discount rates, prepayment rates and default rate assumptions for asset-backed securities.

2.5 Significant accounting judgements, estimates and assumptions (cont'd)

Estimates and assumptions (cont'd)

Valuation of Insurance contract liabilities

Life insurance contract liabilities:

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

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

The main assumptions used relates to mortality, morbidity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders.

Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

The carrying value at the reporting date of life insurance contract liabilities for the Group is ₦1,108,507,000 and Company ₦1,041,004,000 (2012:₦1,127,174,000).

Non-life insurance contract liabilities:

For non-life insurance contract, estimates have to be made for the expected ultimate cost of all future payments attaching to incurred claims at the reporting date. These include incurred but not reported ("IBNR") claims. Due to the nature of reinsurance business, it takes a significant period of time before ultimate costs of claims can be established with certainty and therefore considerable judgement, experience and knowledge of the business is required by management in the estimation of amounts due to contract holders. Actual results may differ resulting in positive or negative change in estimated liabilities.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods. These methods primarily use historical claim settlement trends as a base for assessing future claims settlement amounts. Historical claims developments are mainly analysed by underwriting year, by type and line of business and by geographical territory. Large claims are separately addressed using loss adjusters' reports and historical large claims development patterns.

Additional qualitative judgement is required as significant uncertainties remain such as future changes in inflation, economic conditions, attitude to claiming, foreign exchange rates, judicial decisions and operational process.

2.5 Significant accounting judgements, estimates and assumptions (cont'd)

Estimates and assumptions (cont'd)

Valuation of Insurance contract liabilities (cont'd)

Similar judgements, estimates and assumptions are employed in the assessment of losses attaching to unearned premium exposures. The methods used are based on time apportionment principles together with significant judgement to assess the adequacy of theses liabilities and the attached uncertainty.

The carrying value at the reporting date of non-life contract liabilities for the Group is ₦8,764,872,000 and Company ₦7,920,155,000 (2012:₦8,110,277,000)

Pipeline reinsurance premium

For non-life reinsurance contracts, estimates have to be made for expected future premium from policies already written but not reported at the reporting date. Due to the nature of reinsurance business, in particular treaty business, it takes a significant period of time before all premiums are reported for a given underwriting period. Therefore considerable judgement, experience and knowledge of the business is required by management in the estimation of pipeline premiums due from contract holders. Actual results may differ resulting in positive or negative change in estimated pipeline premium income.

The pipeline premiums are estimated by using the Chain Ladder technique. This technique primarily uses historical reporting trends as a base for assessing future premium amounts. Historical premiums developments are mainly analysed by underwriting year, by type and line of business and by geographical territory. Estimated premium income information is also used to supplement the results of this technique.

Additional qualitative judgement is required as significant uncertainties remain such as future changes in inflation, economic conditions, foreign exchange rates, industry developments and operational process.

Deferred tax assets and liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors such as experience of previous tax audits and differing interpretations by the taxable entity.

The carrying value at the reporting date of net deferred tax liability for the Group is ₦49,091,000 and Company ₦41,946,000 (2012:₦3,660,000). Further details on taxes are disclosed in Note 9 to the financial statements.

Valuation of pension 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 26 to the financial statements.

The carrying value at the reporting date of gratuity benefit obligation for the group is ₦45,900,000 and Company ₦45,900,000 (2012:₦164,110,000).

2.5 Significant accounting judgements, estimates and assumptions (cont'd)

Estimates and assumptions (cont'd)

Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss and other comprehensive income. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2013. A valuation methodology based on discounted cash flow model was used as there is a lack of comparable market data because of the nature of the properties.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of the investment properties are further explained in Note 19 to the consolidated financial statements.

2.6 Standards and interpretations issued but not yet effective

The standards, interpretations and amendments included below are those which are considered relevant to the Group. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 19 Employee Benefits (Effective annual periods beginning on or after 1 July 2014).

IAS 24 Key management personnel (Effective annual periods beginning on or after 1 July 2014).

IAS 27 Separate Financial Statements (Effective annual periods beginning on or after 1 January 2014).

IAS 32 Offsetting financial assets and financial liabilities (Effective annual periods beginning on or after 1 January 2014).

IAS 36 Recoverable amount disclosures for Non-financial assets (Effective annual periods beginning on or after 1 January 2014.

IAS 38 Revaluation methods – proportionate restatement of accumulated amortisation (Effective annual periods beginning on or after 1 July 2014).

IAS 40 Clarifying inter-relationship between IFRS 3 and IAS 40 (Effective annual periods beginning on or after 1 July 2014).

IFRS 10 Investment entities (Effective on or after 1 January 2014).

2.7 Insurance Contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts defined in IFRS 4 may also transfer financial risk.

In accordance to IFRS 4, the Group has continued to apply the accounting polices it applied in accordance with pre-change over from Nigerian GAAP.

Recognition and measurement

The Group's Insurance contracts are classified into three broad categories, depending on the duration of the risk and the type of risk insured, namely Individual Life, Group Life and General insurance.

a. Individual life

These contracts insure mainly against death. The reserve is calculated by determining an Unexpired Premiums Reserve (UPR) and an Outstanding Claims Reserve (OCR). The UPR represents the unexpired portion of premiums received for cover within the year, assuming an allowance for expenses. The OCR represents the claims reserve for claims that were received, but not yet paid, or which may have emerged but have not been received due to delayed reporting.

b. Group life

These contracts insure against death on a Company basis. These contracts are short-term in nature and are typically renewed annually. For these contracts, gross premiums are recognised as revenue when due.

c. General insurance

These contracts provide Fire, Accident, Marine, Liability and Energy insurance. For these contracts, gross premiums are recognised as revenue when due.

2.7.1 Gross premium

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 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 unearned Premium during the year.

2.7 Insurance Contracts (cont'd)

2.7.2 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 reserve for unexpired risks.

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

Retrocession assets are assessed annually for impairment and the carrying amount reduced with impairment through the consolidated statement of profit or loss and other comprehensive income.

2.7.3 Gross Claims

Gross claims represent estimates of claims and claims handling expenses accrued during the accounting year. Gross claims incurred are made up of gross claims and changes in Reserve for outstanding claims (including IBNR) during the year.

2.7.4 Reserve for unexpired risks

The portion of the Non-life gross written premium which has not yet been earned by the end of the accounting year is accounted for as Reserve for Unexpired Risks.

This is calculated using current underwriting year gross written premium for all classes of business assuming premium earning patterns based on historical pattern and business knowledge.

2.7.5 Reserve for outstanding claim

Reserve for outstanding claims represents provisions made to account for estimated cost of all claims and the related claims handling expenses incurred but not paid at the statement of financial position date. This includes the cost of claims incurred but not reported (IBNR) using best available information.

A full provision is made for the estimated cost of all claims notified but not settled at the date of the statement of financial position, using the best information available at that time. Provision is also made for the cost of claims incurred but not reported (IBNR) until after the statement of financial position date. Similarly, provision is made for “unallocated claims expenses” being the estimated administrative expenses that will be incurred after the statement of financial position date in settling all claims outstanding as at the date, including IBNR. Differences between the provision for outstanding claims at a statement of financial position date and the subsequent settlement are included in profit or loss of the following year.

Based on the best available information, this reserve is calculated using standard actuarial methods and historical claims experience.

2.7 Insurance Contracts (cont'd)

2.7.6 Liability Adequacy Test

Liabilities from insurance policies are tested by certified professional actuary at each reporting date for adequacy of the insurance liabilities recognised in the financial statements. During this process, up-to-date estimates of current valuation parameters are examined, taking into account all future cash flows associated with the insurance policies, to determine whether the recognised liabilities are adequate. If these tests determine that the carrying amount of the insurance liabilities is negative, taking into account capitalised acquisition costs and/or capitalised policy portfolio values, the entire shortfall is immediately recognised in profit or loss.

2.7.7 Actuarial valuation of Life insurance contract liabilities

Actuarial valuation of life insurance contract liabilities is carried out annually by certified professional actuary for the purpose of determining the surplus or deficit at the end of the year. All surpluses or deficits arising there from are charged to the consolidated statement of profit or loss and other comprehensive income.

2.7.8 Deferred Acquisition Costs

Acquisition costs comprise all direct and indirect costs arising from the writing of reinsurance contracts. Deferred acquisition costs (DAC) comprise commissions and other variable costs directly connected with acquisition or renewal of reinsurance contracts.

Deferred acquisition costs represent a proportion of commission and other acquisition costs, which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. DAC is amortised over the premium payment period in proportion to the premium revenue recognised.

2.8 Underwriting expenses

Underwriting expenses comprises acquisition, maintenance and management expenses.

2.8.1 Acquisition expenses

Acquisition expenses are those costs incurred in obtaining and renewing insurance contracts. These include commissions paid and policy expenses.

2.8.2 Maintenance expenses

Maintenance expenses are those costs incurred in servicing existing policies/contracts and these include brokerage fees and charges.

2.8.3 Management and administration expenses

Management and administration expenses are expenses other than claims, acquisition and maintenance expenses. These include salaries and emoluments, other staff costs, depreciation and amortisation, professional fees, investment expenses and other non-operating costs.

Management expenses are those expenses that relate to underwriting business which are apportioned and charged thereto. These include salaries and emoluments of underwriting staff and other non-operating expenses.

Administration expenses are those expenses that cannot be directly attributable to underwriting business and charged to the profit or loss in the accounting period in which they are incurred. These include professional fees, investment expense and depreciation and amortisation.

2.9 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.

Interest income

Interest income and expense for all interest-bearing financial instruments are recognised within 'securities discount and similar income' and 'securities discount and similar expense' in the consolidated statement of profit or loss and other comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend Income

Dividends are recognised in the consolidated statement of profit or loss and other comprehensive income in 'Other income' when the entity's right to receive payment is established.

2.10 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in thousands. Naira is the Group's presentation and also the parent company's functional currency.

(b) Transactions and balances

Foreign currency transactions are transactions denominated, or that require settlement, in a foreign currency and these are translated into the functional currency spot rate prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevailing at the statement of financial position. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial instruments held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments measured at fair value through other comprehensive income are included in the fair value reserve in other comprehensive income.

2.11 Cash and cash equivalents

Cash and cash equivalents are balances that are held for the primary purpose of meeting short-term cash commitments. Hence this includes cash in hand and cash equivalents that are readily convertible to known amount of cash are subject to insignificant risk of changes in value and whose original maturity is three months or less.

This includes cash-on-hand, deposit held at call with banks and other short-term highly liquid investments which originally matures in three months or less.

2.12 Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned category.

2.12.1 Financial assets

The Group classifies financial assets into the following IAS 39 categories: (a) financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition and the classification depends on the purpose for which the investments were acquired.

(a) Recognition and measurement

The Group uses settlement date accounting for regular way contracts when recording financial asset transactions.

Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss and other comprehensive income. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to- maturity financial assets are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss and other comprehensive income as part of other income when the Group's right to receive payments is established. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.

(b) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as at fair value through profit or loss upon initial recognition.

The Group had no assets classified as held-for-trading at the end of the year.

2.12 Financial assets and liabilities (cont'd)

2.12.1 Financial assets (cont'd)

(b) Financial assets at fair value through profit or loss - continued

The Group designates certain financial assets upon initial recognition at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. According to IAS 39, the fair value option is only applied when any of the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise; or

- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis; or

- the financial assets consists of debt host and an embedded derivatives that must be separated.

The fair value option is applied to the externally managed portfolios that are part of a portfolio. The performance of the managed fund is evaluated on a fair value basis in accordance with an investment strategy and information on this is provided to the key management personnel.

Financial assets for which the fair value option is applied are recognised in the statement of financial position as 'Financial assets designated at fair value'. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

(c) 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:

(1) those that the Group intends to sell immediately or in the short-term, which are classified as held-for-trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(2) those that the Group upon initial recognition designates as available-for-sale; or
(3) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and receivables.

2.12 Financial assets and liabilities (cont'd)

2.12.1 Financial assets (cont'd)

(d) Held-to-maturity financial assets

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

(1) those that the Group upon initial recognition designates as at fair value through profit or loss;
(2) those that the Group designates as available-for-sale; and
(3) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in the consolidated statement of profit or loss and other comprehensive income and reported as 'Interest and similar income'. In the case of an impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in the consolidated statement of profit or loss and other comprehensive income as 'impairment of financial assets'. Held-to-maturity investments include sovereign, sub-national and corporate bonds.

(e) Available-for-sale financial assets

Available-for-sale (AFS) investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income. However, interest is calculated using the effective interest rate method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the consolidated statement of profit or loss and other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss and other comprehensive income in 'Dividend income' when the Group's right to receive payment is established. AFS financial assets includes debt and equity (quoted and unquoted) instruments. See Note 40.3(c) for valuation methods and assumptions.

2.12.2 Financial liabilities

The Group's holding in financial liabilities does not include financial liabilities at fair value through profit or loss (including financial liabilities held-for-trading and those that designated at fair value). Other financial liabilities are subsequently measured at amortised cost. Financial liabilities are derecognised when extinguished.

Initial recognition and measurement

All financial liabilities are recognised initially at fair value minus directly attributable transaction costs.

The Group's financial liabilities include reinsurance creditors and other liabilities.

2.12 Financial assets and liabilities (cont'd)

2.12.2 Financial liabilities (cont'd)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classifications as follows:

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading, unless designated as an effective hedging instrument.

Gains and losses arising from changes in fair value of financial liabilities classified held-for-trading are included in the consolidated statement of profit or loss and other comprehensive income and are reported as 'Net gains/(losses) on financial instruments classified as held-for-trading'. Interest expenses on financial liabilities held-for-trading are included in 'Net interest income'.

The Group did not have any financial liabilities that meet the classification criteria at fair value through profit or loss and did not designate any financial liabilities as at fair value through profit or loss.

(b) Other liabilities measured at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are subsequently measured at amortised cost.

2.12.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, NSE) and broker quotes from Financial Markets Dealers Association (FMDA).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. For example a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

2.12 Financial assets and liabilities (cont'd)

2.12.3 Determination of fair value (cont'd)

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases where fair value of unquoted equities cannot be determined reliably, net asset valuation technique or cost is applied.

2.12.4 Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

> The rights to receive cash flows from the asset have expired;
> The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Group has transferred substantially all the risks and rewards of the asset, or
(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'finance cost' in profit or loss.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, which considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.14 Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss – is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

2.15 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there have separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

2.15 Impairment of non-financial assets (cont'd)

Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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. 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. An impairment loss in respect of goodwill is not reversed.

2.16 Reinsurance receivables

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, reinsurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of reinsurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Reinsurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.12.4, have been met.

2.17 Investment properties

Property held for long-term rental yields and/or capital appreciation that is not occupied by the Group is classified as investment property. Investment property comprises of land and buildings.

Investment property is measured initially at its cost, including transaction costs. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

Investment property is subsequently measured at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by an independent valuation expert.

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss as "Net fair value gains on financial assets designated at fair value through profit or loss" in the year in which they arise.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long-term rental yields. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments. The property is carried at fair value after initial recognition

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

2.17 Investment properties (cont'd)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of profit or loss and other comprehensive income. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the consolidated statement of profit or loss and other comprehensive income.

Investment properties are derecognised 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 recognised in the profit or loss in the year of retirement or disposal.

2.18 Property, plant and equipment

All property, plant and equipment is initially recorded at cost. They are subsequently stated at historical cost less accumulated depreciation and impairment losses with the exception of freehold land which is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

An asset is recognised when it is probable that economic benefits associated with the item flow to the Group and the cost item can be reliable measured.

All repairs and maintenance cost are charged to other operating expenses in the financial period in which they occur.

Depreciation is calculated on assets using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. The principal annual rates used for the purpose are:

		%
-Motor vehicles	-	25
-Furniture and fittings	-	20
-Computer equipment	-	$33^{1/3}$
-Office partitioning	-	20

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property, plant and equipment were impaired as at 31 December 2013 (2012: nil).

Property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is recognized in other income in the profit or loss in the year the asset is derecognized.

2.19 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance cost in the profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight line basis over the lease term.

Group as lessor

Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.20 Intangible assets

Intangible assets comprise computer software licenses, which are with finite lives, are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

The Group chooses to use the cost model for the measurement after recognition.

Amortisation is calculated on a straight line basis over the useful lives as follows:

- Computer Software: 5 years

2.21 Reinsurance creditors

Reinsurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received given less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Reinsurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

2.22 Income tax

(a) Current income tax

Income tax payable/(receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense/(income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity.

Where the Group has tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance.

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position.

The Group does not offset income tax liabilities and current income tax assets.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for pensions and other post-retirement benefits and carry-forwards and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of equity instruments, which are recognised in other comprehensive income, is also recognised in other comprehensive income and subsequently in the consolidated statement of profit or loss and other comprehensive income together with the deferred gain or loss.

2.23 Employment benefits

Defined contributory scheme

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In line with the Pension Reform Act 2004, the Group operates a defined contribution scheme; employees are entitled to join the scheme on confirmation of their employment. The employee and the Group contribute 7.5% of the employee's total emoluments (basic, housing and transport allowances). The Group's contribution each year is charged against income and is included in staff cost. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

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 recognised 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 unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Re-measurements arising from actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in periods in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Group has a Gratuity Scheme for its employees managed by 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 liabilities.

2.24 Provisions

Provisions are liabilities that are uncertain in amount and timing.

Provision are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations

2.25 Equity

Ordinary share capital
The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary share capital
Proposed dividends are recognised as a liability in the period in which they are declared and approved by the Company's shareholders at the Annual General Meeting.

Dividends for the year that are declared after the date of the statement of financial position are dealt with as event after reporting date.

Dividends proposed but not yet declared are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

2.26 Contigency reserves

Contigency reserves are done in accordance with the provisions of the Insurance Act, CAP II7 LFN 2004:

a. For general business the contigency reserve is credited with the higher of an amount not less than 3% of the total premium or 20% of the net profits until the reserves reaches the greater of the minimum paid up capital or 50% of net premium.

b. For life business the contigency reserve is credited with the higher of an amount equal to 1% of the gross premium or 10% of the profits.

2.27 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. This, however, is applicable to the Company but not the Group as this is the first year in which consolidated financial statements is prepared for it (the Group).

2.28 Group information

Information about subsidiary
The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	%equity interest 2013	%equity interest 2012
Continental Reinsurance Limited, Nairobi	Life and non-life reinsurance business	Kenya	100	nil

The Group did not acquire interest in any subsidiary during the year.

2.29 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group's executive committee as its chief operating decision maker.

CONTINENTAL REINSURANCE PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 Restated * ₦'000
Insurance premium revenue	1.1	15,036,612	13,848,129	11,946,255
Insurance premium ceded to retrocessionaires	1.2	(1,685,709)	(1,590,406)	(1,554,221)
Net insurance premium revenue		**13,350,903**	**12,257,723**	**10,392,034**
Insurance Benefits				
Insurance claims and loss adjustment expenses	2.1	6,376,258	5,912,103	5,574,604
Insurance claims and loss adjustment expenses recoverable from retrocessionaire	2.1	(114,213)	(103,537)	(781,893)
Net insurance benefits and claims		6,262,045	5,808,566	4,792,711
Underwriting expenses	2.2	5,411,036	4,798,351	4,252,274
Insurance benefits and underwriting expenses		**11,673,081**	**10,606,917**	**9,044,985**
Underwriting profit		**1,677,822**	**1,650,806**	**1,347,049**
Interest income	3	1,001,601	762,620	1,068,811
Net fair value gains on financial assets designated at fair value through profit or loss	4	109,703	108,456	40,014
Other income	5	493,943	493,352	350,880
Administrative expenses	6.1	(376,372)	(340,521)	(311,434)
Impairment of financial assets	6.2	(673,303)	(673,303)	(362,897)
Profit before income tax		**2,233,394**	**2,001,410**	**2,132,423**
Income tax expense	8	(479,994)	(414,953)	(399,439)
Profit for the year		**1,753,400**	**1,586,457**	**1,732,984**
Other comprehensive income				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Net gain on available for sale financial assets	7	361,156	357,547	123,343
Exchange difference on translation of foreign operation		(32,394)	-	-
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gain on defined benefit plans	26.2	7,444	7,444	(152,023)
Income tax relating to component of other comprehensive income	9.1	(2,233)	(2,233)	45,607
Other comprehensive income for the year, net of tax		**333,973**	**362,758**	**16,927**
Total comprehensive income for the year		**2,087,373**	**1,949,215**	**1,749,911**
Earnings per share Basic and Diluted (kobo)	10	17	15	17

**Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made, refer Note 2.4 in statement of significant accounting policies.*

See accompanying notes to the consolidated financial statements.

CONTINENTAL REINSURANCE PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Assets				
Cash and cash equivalents	11	5,673,748	5,605,227	6,263,827
Financial assets				
-Financial asset designated as fair value through profit or loss	12	170,285	170,285	132,942
-Loans and other receivables	13	379,174	370,833	192,575
-Available-for-sale investments	14.1	2,259,534	2,213,919	1,910,396
-Held to maturity investments	14.2	5,830,270	4,732,522	4,359,087
Reinsurance receivables	15	6,292,066	5,613,677	5,427,732
Retrocession assets	16	358,106	279,247	779,147
Deferred acquisition costs	17	1,428,293	1,213,441	1,077,360
Other assets	18	365,839	546,073	1,113,603
Investment in subsidiary	18.1	-	987,405	-
Investment properties	19	1,746,800	1,746,800	1,661,000
Intangible assets	20	9,667	9,667	17,075
Property, plant and equipment	21	611,628	553,200	114,695
Statutory deposits	22	1,000,000	1,000,000	1,000,000
Total assets		**26,125,410**	**25,042,296**	**24,049,439**
Liabilities				
Insurance contract liabilities	23	9,873,379	8,961,159	9,237,451
Reinsurance creditors	24	1,169,024	1,169,024	754,969
Other liabilities	25	311,142	288,057	252,265
Retirement benefit obligations	26	45,900	45,900	164,110
Current income tax payable	8	391,381	388,875	401,617
Deferred tax liabilities	9	49,091	41,946	3,660
Total liabilities		**11,839,917**	**10,894,961**	**10,814,072**
Equity				
Share capital	27	5,186,372	5,186,372	5,186,372
Share premium	28	3,915,451	3,915,451	3,915,451
Contingency reserve	29	2,420,096	2,349,131	1,873,319
Retained earnings	30	2,519,174	2,423,196	2,344,587
Available-for-sale reserve	31.1	276,794	273,185	(84,362)
Foreign currency translation reserve	31.2	(32,394)	-	-
Total equity		**14,285,493**	**14,147,335**	**13,235,367**
Total liabilities and equity		**26,125,410**	**25,042,296**	**24,049,439**

....	....	....
Mr. S.D.A. Sobanjo	Dr. Olufemi Oyetunji	Mr. Musa Kolo
Director	**Managing Director/CEO**	**Chief Financial Officer**
FRC/2013/CIIN/00000002149	FRC/2013/NSA/00000000685	FRC/2012/ICAN/00000000473

See accompanying notes to the consolidated financial statements.

CONTINENTAL REINSURANCE PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

		Attributable to the equity holders of the parent						
Group	**Notes**	**Share capital (Note 27)**	**Share premium (Note 28)**	**Contingency reserve (Note 29)**	**Retained earnings (Note 30)**	**Available-for-sale reserve (Note 31.1)**	**Foreign currency translation reserve (Note 31.2)**	**Total equity**
		₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
As at 1 January 2013		5,186,372	3,915,451	1,873,319	2,344,587	(84,362)	-	13,235,367
Profit for the year		-	-	-	1,753,400	-	-	1,753,400
Transfer of contingency reserve		-	-	546,777	(546,777)	-	-	-
Other comprehensive income		-	-	-	5,211	361,156	(32,394)	333,973
Total comprehensive income/(loss)		5,186,372	3,915,451	2,420,096	3,556,421	276,794	(32,394)	15,322,740
Dividend declared	25.1	-	-	-	(1,037,247)	-	-	(1,037,247)
At 31 December 2013		5,186,372	3,915,451	2,420,096	2,519,174	276,794	(32,394)	14,285,493
As at 1 January 2012		5,186,372	3,915,451	1,435,136	1,986,024	(207,705)	-	12,315,278
Profit for the year		-	-	-	1,732,984	-	-	1,732,984
Transfer of contingency reserve		-	-	438,183	(438,183)	-	-	-
Other comprehensive income		-	-	-	(106,416)	123,343	-	16,927
Total comprehensive income/(loss)		5,186,372	3,915,451	1,873,319	3,174,409	(84,362)	-	14,065,189
Dividend declared	25.1	-	-	-	(829,822)	-	-	(829,822)
At 31 December 2012		5,186,372	3,915,451	1,873,319	2,344,587	(84,362)	-	13,235,367

See accompanying notes to the consolidated financial statements.

CONTINENTAL REINSURANCE PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2013

		Attributable to the equity holders of the parent					
Company	**Notes**	**Share capital (Note 27) ₦'000**	**Share premium (Note 28) ₦'000**	**Contingency reserve (Note 29) ₦'000**	**Retained earnings (Note 30) ₦'000**	**Available-for-sale reserve (Note 31.1) ₦'000**	**Total equity ₦'000**
As at 1 January 2013		5,186,372	3,915,451	1,873,319	2,344,587	(84,362)	13,235,367
Profit for the year		-	-	-	1,586,457	-	1,586,457
Transfer of contingency reserve		-	-	475,812	(475,812)	-	-
Other comprehensive income		-	-	-	5,211	357,547	362,758
Total comprehensive income/(loss)		5,186,372	3,915,451	2,349,131	3,460,443	273,185	15,184,582
Dividend declared	25.1	-	-	-	(1,037,247)	-	(1,037,247)
At 31 December 2013		5,186,372	3,915,451	2,349,131	2,423,196	273,185	14,147,335
As at 1 January 2012		5,186,372	3,915,451	1,435,136	1,986,024	(207,705)	12,315,278
Profit for the year		-	-	-	1,732,984	-	1,732,984
Transfer of contingency reserve		-	-	438,183	(438,183)	-	-
Other comprehensive income		-	-	-	(106,416)	123,343	16,927
Total comprehensive income/(loss)		5,186,372	3,915,451	1,873,319	3,174,409	(84,362)	14,065,189
Dividend declared	25.1	-	-	-	(829,822)	-	(829,822)
At 31 December 2012		5,186,372	3,915,451	1,873,319	2,344,587	(84,362)	13,235,367

See accompanying notes to the consolidated financial statements.

CONTINENTAL REINSURANCE PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Cash flows from operating activities				
Premium received from policy holders		16,776,161	12,621,228	10,826,431
Retrocession receipts in respect of claims		137,622	103,537	781,893
Acquisition costs paid		(4,035,537)	(3,036,060)	(2,571,233)
Retrocession premium paid		(2,113,971)	(1,590,406)	(1,554,221)
Cash paid to and on behalf of employees		(922,878)	(694,310)	(725,489)
Other operating cash receipts/payments		(1,649,380)	(1,242,158)	(979,771)
Claims paid		(7,278,592)	(5,479,466)	(5,638,819)
Income tax paid	8	(447,032)	(391,642)	(371,649)
Net cash from/(used in) operating activities	**32**	**466,393**	**290,723**	**(232,858)**
Cash flows from investing activities				
Purchase of property, plant and equipment	21	(604,873)	(532,738)	(111,131)
Purchase of intangible assets	20	(4,364)	(4,364)	(23,301)
Proceeds from disposal of property, plant and equipment		6,929	6,929	5,539
Purchase of investment securities		(854,702)	(856,273)	(170,096)
Proceeds on redemption /sales of investments		666,287	666,287	297,524
Interest received		739,489	735,880	1,040,161
Dividend received		96,223	96,223	89,763
Net cash from investing activities		**44,989**	**111,944**	**1,128,459**
Cash flows from financing activities				
Dividend paid	25.1	(1,021,857)	(1,021,857)	(865,140)
Net cash used in financing activities		**(1,021,857)**	**(1,021,857)**	**(865,140)**
Net (decrease)/increase in cash and cash equivalents		**(510,475)**	**(619,190)**	**30,461**
Cash and cash equivalents at beginning of year		7,147,778	7,147,778	7,118,608
Effect of exchange rate changes on cash and cash equivalents		(6,663)	(1,835)	(1,291)
Cash and cash equivalents at end of year	**33**	**6,630,640**	**6,526,753**	**7,147,778**

See accompanying notes to the consolidated financial statements.

		Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
1	**Revenue**			
1.1	***Insurance premium revenue***			
	Premium revenue arising from insurance contracts issued			
	Life insurance contracts			
	– Gross Premium	2,790,593	2,602,090	2,506,189
	– Change in life insurance contract liabilities (Note 23.3)	5,742	73,245	(9,422)
	Non life insurance contracts			
	– Gross Premium	13,068,203	11,451,162	9,891,463
	– Change in unearned premium provision	(827,926)	(278,368)	(441,975)
	Total Premium revenue arising from insurance contracts issued	15,036,612	13,848,129	11,946,255
1.2	***Insurance premium ceded to retrocessionaires***			
	Premium revenue ceded to retrocessionaire on insurance contracts issued			
	Life insurance contracts	408,464	390,314	375,928
	Non life insurance contracts	1,277,245	1,200,092	1,178,293
	Total Premium revenue ceded to retrocessionaire on insurance contracts issued	1,685,709	1,590,406	1,554,221
	Net insurance premium revenue	**13,350,903**	**12,257,723**	**10,392,034**
2	**Insurance benefits and underwriting expenses**			
2.1	***Insurance claims and loss adjustment expenses***			
	Life insurance contracts	1,241,525	1,167,101	1,069,229
	Non life insurance contracts	5,134,733	4,745,002	4,505,375
	Total cost of policyholder benefits	6,376,258	5,912,103	5,574,604
	Insurance claims and loss adjustment expenses recoverable from retrocessionaire	(114,213)	(103,537)	(781,893)
	Net insurance benefits and claims	**6,262,045**	**5,808,566**	**4,792,711**
2.2	***Underwriting expenses***			
	Costs incurred for the acquisition of insurance contracts	3,631,383	3,172,141	2,673,436
	Costs incurred for the maintenance of insurance contracts	242,710	242,710	238,402
	Management expenses (See Note 6.1)	1,536,943	1,383,500	1,340,436
	Total underwriting expenses	5,411,036	4,798,351	4,252,274
	Total insurance benefits and underwriting expenses	**11,673,081**	**10,606,917**	**9,044,985**

3 Interest income

	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Cash and bank balances interest income	562,012	355,112	598,018
Held-to-maturity and loans and receivables interest income	334,052	301,971	333,925
Statutory deposits interest income	105,537	105,537	136,868
Interest income	**1,001,601**	**762,620**	**1,068,811**

4 Net fair value gains on assets at fair value through profit or loss

	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Net fair value gains on financial assets designated at fair value through profit or loss	38,591	37,344	32,514
Fair value gains on investment properties	71,112	71,112	7,500
Total	**109,703**	**108,456**	**40,014**

5 Other income

	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Available-for-sale:			
– Dividends	96,355	96,223	89,763
– Gain on disposal of available-for-sale securities	87,519	87,519	52,403
Income on investment properties (Note 19)	65,106	65,106	80,957
Foreign exchange gain	202,013	202,013	127,757
Other income	42,950	42,491	-
	493,943	**493,352**	**350,880**

6 Operating expenses

6.1 Management and administrative expenses

	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Management expenses (Note 2.2)	1,536,943	1,383,500	1,340,436
Administrative expenses	376,372	340,521	311,434
	1,913,315	**1,724,021**	**1,651,870**

Management and administrative expenses comprises the following:

	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Depreciation and amortisation (Note 20 and 21)	101,585	87,720	81,138
Auditor's remuneration	19,004	14,000	9,950
Employee benefits expenses (Note 6.1.1)	827,487	769,401	714,135
Loss on disposal of property, plant and equipment	11,358	11,358	24,321
Other operating expenses	953,881	841,542	822,326
Total management and administrative expenses	**1,913,315**	**1,724,021**	**1,651,870**

		Group	Company	Company
6	**Operating expenses (cont'd)**	**2013**	**2013**	**2012**
6.1.1	*Employee benefit expense*	**₦'000**	**₦'000**	**₦'000**
	Wages and salaries (local)	596,777	596,777	457,366
	Wages and salaries (other regions)	49,857	-	132,578
	Pension:			
	- Defined Benefit Staff Gratuity Plan	150,677	150,677	90,414
	- Defined Contributory Plan	30,176	21,947	33,777
		827,487	769,401	714,135

The amount of Employer's pension contribution included amount of ₦7,217,207 (2012:₦12,589,528) paid on group life scheme in compliance with the 2004 Pencom Act. Also included in pensions are amounts for the regional offices, Cameroun and Nairobi offices. The applicable law is different from that of Nigeria Pencom Act.

		Group	Company	Company
6.2	***Impairment of financial assets***	**2013**	**2013**	**2012**
		₦'000	**₦'000**	**₦'000**
	Reinsurance receivables (Note 15.1)	523,190	523,190	372,889
	Loans and other receivables (Note 13.1)	150,113	150,113	-
	Retrocessionaire's share of receivables	-	-	(9,992)
		673,303	673,303	362,897

7 Net gain on available for sale financial assets

Net gain/(loss) on available-for-sale financial assets			
– Equity instruments	465,172	462,309	95,652
– Debt Instruments	(16,497)	(17,243)	27,691
	448,675	445,066	123,343
Reclassification adjustments to gains included in profit or loss	(87,519)	(87,519)	
Total net gain on available for sale financial assets	361,156	357,547	123,343

8 Taxation

	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Per consolidated statement of profit or loss:			
Income tax based on profit for the year	412,332	354,436	367,116
Education tax	24,464	24,464	24,526
	436,796	378,900	391,642
Deferred tax expense (Note 9.1)	43,198	36,053	7,797
Income tax expense	**479,994**	**414,953**	**399,439**
Per consolidated statement of financial position:			
At 1 January	401,617	401,617	381,624
Based on profit for the year	436,796	378,900	391,642
Payments during the year	(447,032)	(391,642)	(371,649)
At 31 December	**391,381**	**388,875**	**401,617**

Reconciliation of tax charge

	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Profit before income tax	2,233,394	2,001,410	2,132,423
Tax at Nigerian's statutory income tax rate of 30%	670,018	600,423	639,727
Non-deductible expenses	73,427	69,265	29,512
Tax exempt income	(246,849)	(238,133)	(256,957)
Tax effect of capital allowance	(26,844)	(26,844)	(35,869)
Education tax levy	24,464	24,464	24,526
Tax rate differential on fair value gains	(14,222)	(14,222)	(1,500)
At effective income tax rate of 21%	479,994	414,953	399,439

9 Deferred taxation

Deferred income tax (assets)/liabilities are attributable to the following items:

	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Deferred tax liabilities			
Property, plant and equipment	11,640	4,495	9,520
Investment properties	50,499	50,499	43,388
	62,139	54,994	52,908
Deferred tax assets			
Employee benefits	(13,048)	(13,048)	(49,248)
	(13,048)	(13,048)	(49,248)
Net	**49,091**	**41,946**	**3,660**

9	**Deferred taxation (cont'd)**	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
9.1	***Movements in temporary differences during the year:***			

As at 1January	3,660	3,660	41,470
Recognised in profit or loss on:			
Property, plant and equipment	2,120	(5,025)	9,520
Investment properties	7,111	7,111	750
Employee benefits	33,967	33,967	(2,473)
Total recognised in profit or loss	43,198	36,053	7,797
Total recognised in other comprehensive income on:			
Employee benefits	2,233	2,233	(45,607)
At 31 December	**49,091**	**41,946**	**3,660**

10 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary share holders by the weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the basic earnings per share computations:

	Group 31 December 2013	**Company 31 December 2013**	**Company 31 December 2012**
Net profit attributable to ordinary shareholders (₦'000)	1,753,400	1,586,457	1,732,984
Weighted average number of shares for the year ('000)	10,372,744	10,372,744	10,372,744
Basis and diluted earnings per ordinary share (kobo)	17	15	17

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

11 Cash and cash equivalents	**Group 2013 ₦'000**	**Company 2013 ₦'000**	**Company 2012 ₦'000**
Cash in hand	281	281	795
Balances held with local banks:			
- Current account	375,101	306,580	316,045
- Domiciliary account	225,555	225,555	44,753
Balances held with foreign banks	285,172	285,172	309,959
Placements with banks and other financial institutions	4,787,639	4,787,639	5,592,275
	5,673,748	**5,605,227**	**6,263,827**

11 Cash and cash equivalents (cont'd)

Placements with banks and other financial institutions are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company. All placements are subject to average variable interest rate obtainable in the market.

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

The cash and cash equivalents position for cash flow purposes is as disclosed in Note 33.

12 Financial assets designated at fair value through profit or loss	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
Managed Funds			
External Portfolio Management	170,285	170,285	132,942
	-------------	-------------	-------------
	170,285	170,285	132,942
	=======	=======	=======

The external portfolio management involves funds held and managed by fund and stock managers on behalf of the Group as a trading portfolio. The underlying instruments include equities.

13 Loans and other receivables	Group 2013 31 December ₦'000	Company 2013 31 December ₦'000	Company 2012 31 December ₦'000
Staff loans and advances	221,301	212,960	192,575
Other advances	307,986	307,986	48,217
Impairment on other receivables (Note 13.1)	(150,113)	(150,113)	(48,217)
	-------------	--------------	-------------
Total Loans and other receivables	379,174	370,833	192,575
	=======	=======	=======

13.1 Reconciliation of impairment on loans and other receivables:

At 1 January	48,217	48,217	48,752
Write off during the year	(48,217)	(48,217)	(535)
Charge for the year: other advances (Note 6.2)	150,113	150,113	-
	-------------	-------------	-----------
At 31 December	150,113	150,113	48,217
	=======	=======	======

14 Investment Securities

Analysis of investment securities

Equity	1,992,832	1,971,443	1,656,499
Debt	6,096,972	4,974,998	4,612,984
	-----------------	--------------	-----------------
	8,089,804	6,946,441	6,269,483
	========	========	========

14 Investment Securities (cont'd)	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
14.1 Available-for-sale:			
Equity instruments	1,992,832	1,971,443	1,656,499
Debt instruments	266,702	242,476	253,897
	----------------	---------------	---------------
Total available-for-sale	2,259,534	2,213,919	1,910,396
	========	========	========

14.2 Held-to-maturity			
Debt instruments	5,830,270	4,732,522	4,359,087
Total investment securities	8,089,804	6,946,441	6,269,483
Equity Instruments			
Securities at Available-for-sale - Fair value			
Quoted	1,117,909	1,096,520	1,002,407
Unquoted	874,923	874,923	654,092
Total equity instruments	1,992,832	1,971,443	1,656,499

These equities instruments are measured at fair value and classified as available-for-sale.

Debt Instruments	**Group 31 December 2013 ₦'000**	**Company 31 December 2013 ₦'000**	**Company 31 December 2012 ₦'000**
Securities at Available-for-sale -Fair value			
Government bonds	266,702	242,476	253,897
	266,702	242,476	253,897
Securities at held-to-maturity - amortised cost			
Listed	3,279,934	2,412,515	2,370,873
Unlisted	2,550,336	2,320,007	1,988,214
	5,830,270	4,732,522	4,359,087
Total debt instruments	6,096,972	4,974,998	4,612,984

None of these investment securities have been pledged to third party as collateral.

15 Reinsurance receivables	**Group 31 December 2013 ₦'000**	**Company 31 December 2013 ₦'000**	**Company 31 December 2012 ₦'000**
Due from ceding companies	7,439,798	6,761,409	6,572,142
Due from ceding companies (Pipeline)	2,032,850	2,032,850	1,616,908
Premium reserves retained by ceding companies	161,237	161,237	57,311
	9,633,885	8,955,496	8,246,361
Impairment on reinsurance receivables (Note 15.1)	(3,341,819)	(3,341,819)	(2,818,629)

	6,292,066	5,613,677	5,427,732
	=========	========	========

15.1 Reconcilliation of impairment on reinsurance receivables

At 1 January	2,818,629	2,818,629	2,445,740
Charge for the year (Note 6.2)	523,190	523,190	372,889
	----------------	---------------	---------------
At 31 December	3,341,819	3,341,819	2,818,629
	========	========	========

16 Retrocession assets

Retrocessionaires' share of claims recoverable	92,758	82,204	38,771
Retrocessionaires' share of Reserve for Outstanding Claims	109,197	40,892	571,301
Retrocessionaires' share of life insurance contract liabilities	156,151	156,151	169,075
	--------------	--------------	-------------
Total retrocession assets (Note 23)	358,106	279,247	779,147
	=======	=======	=======

At 31 December 2013, 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.

17 Deferred acquisition costs

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
At 1 January	1,077,360	1,077,360	975,157
Net deferral during the year	350,933	136,081	102,203
	---------------	---------------	---------------
At 31 December	1,428,293	1,213,441	1,077,360
	========	========	========

18 Other assets

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
Prepayments	32,344	26,893	53,797
Intercompany balances	-	189,576	-
Deposit for shares (Note 18.1)	-	-	1,042,037
Others (Note 18.2)	333,495	329,604	17,769
	-------------	--------------	-------------
	365,839	546,073	1,113,603
	======	=======	========

18.1 This represents funds transferred for purpose of converting the Nairobi regional office in Kenya to a subsidiary. After obtaining the necessary regulatory approval, an amount of ₦987.4m was capitalized from this balance and thus the Kenya office was converted to a subsidiary in the current year.

18.2 Included in this account is amount due as proceeds on disposal/redemption of financial assets which remained outstanding at year end. Also included is an amount incurred on establishment of an office in Tunisia which still seeks local regulatory approvals.

19 Investment properties

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
Opening	1,661,000	1,661,000	1,653,500
Additions (Subsequent expenditure)	14,688	14,688	-
Fair value adjustments	71,112	71,112	7,500
Closing	1,746,800	1,746,800	1,661,000

Investment properties are stated at fair value, which has been determined based on valuations performed by Fola Oyekan & Associates, a professional firm of Estate Surveyors and Valuers who are accredited independent valuers, as at 31 December 2013 and 31 December 2012. These valuers are specialists in valuing these types of investment properties. The fair value of the properties has 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, based on discounted cash flows, 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 profit or loss.

The Company enters into operating leases for all of its investment properties. The rental income arising during the year amounted to ₦65,105,506.45 (year ended 31 December 2012: ₦80,957,148) which is included in other income. Direct operating expenses arising in respect of such properties during the year are included in administrative expenses.

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.

19 Investment properties (cont'd)

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
Rental Income derived from investment properties	65,106	65,106	80,957
Direct operating expenses (including repairs & Maintenance) generating income	(20,830)	(20,830)	(8,197)
Profit arising from investment properties carried at fair value	44,276	44,276	72,760

The fair value disclosure on investment properties is as follows:

	Fair value measurement using			
Date of valuation - 31 December 2013	***Quoted prices in active market Level 1 ₦'000***	***Significant observable inputs Level 2 ₦'000***	***Significant unobservable inputs Level 3 ₦'000***	***Total ₦'000***
Investment properties	-	-	1,746,800	1,746,800

During the reporting period ending 31 December 2013, there were no transfers between level 1 and level 2 and in and out of level 3.

Description of valuation techniques used and key inputs to valuation on investment properties

Winged Duplexes

Valuation technique	*Significant unobservable inputs*	*Range (weighted average)*
		₦9.25m to ₦12m (₦10.42m)
Income capitalization using DCF Analysis	Estimated rental per wing per annum	
	Average annual growth	4%
	Average annual probable vacancy rate	1.4%
	Discount rate (equated yield)	7.4% - 9.6% (8.73%)

Three bedroom flats

Valuation technique	*Significant unobservable inputs*	*Range (weighted average)*
		₦0.45m to ₦3.5m (₦3.06m)
Income capitalization using DCF Analysis	Estimated rental per wing per annum	
	Average annual growth	4% - 4.5% (4.07%)
	Average annual probable vacancy rate	1.4%
	Discount rate (equated yield)	7.6% - 8.6% (8.46%)

19 Investment properties (cont'd)

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

20 Intangible assets - Group and Company

	Computer software ₦'000	**Total ₦'000**
Cost:		
At 1 January 2012	31,398	31,398
Cost capitalised	23,301	23,301
	-----------	----------
At 31 December 2012	54,699	54,699
Cost capitalised	4,364	4,364
	-----------	----------
At 31 December 2013	59,063	59,063
	-----------	----------

Accumulated amortisation and impairment:		
At 1 January 2012	26,485	26,485
Amortisation	11,139	11,139
	-----------	----------
At 31 December 2012	37,624	37,624
Amortisation	11,772	11,772
	-----------	----------
At 31 December 2013	49,396	49,396
	-----------	----------
Carrying amount:		
At 31 December 2013	9,667	9,667
	=====	=====
At 31 December 2012	17,075	17,075
	======	======

21 Property, plant and equipment

The Group	Freehold property ₦'000	Motor vehicles ₦'000	Furniture and fittings ₦'000	Office partitioning ₦'000	Computer equipment ₦'000	Total ₦'000
Cost/Valuation:						
At 1 January 2012	2,524	149,732	79,135	45,264	41,876	318,531
Additions	-	74,637	6,769	11,751	17,974	111,131
Disposals	-	(59,767)	(12,156)		(3,817)	(75,740)
At 31 December 2012	2,524	164,602	73,748	57,015	56,033	353,922
Additions	430,158	94,161	63,355	-	17,199	604,873
Disposals	(2,524)	(58,974)	(3,734)		(2,550)	(67,782)
Exchange difference	-	99	143		75	316
At 31 December 2013	430,158	199,888	133,512	57,015	70,757	891,329
Accumulated depreciation:						
At 1 January 2012	-	94,840	51,719	33,963	34,586	215,108
Charge for the year	-	34,311	13,383	11,403	10,902	69,999
Disposal	-	(33,719)	(8,542)	-	(3,619)	(45,880)
At 31 December 2012	-	95,432	56,560	45,366	41,869	239,227
Charge for the year	-	52,764	18,208	4,599	14,242	89,812
Disposal	-	(44,732)	(3,079)	-	(1,686)	(49,497)
Exchange difference		78	56	-	25	159
At 31 December 2013	-	103,541	71,745	49,965	54,450	279,701
Net book value:						
At 31 December 2013	430,158	96,347	61,766	7,050	16,307	611,628
At 31 December 2012	2,524	69,170	17,188	11,649	14,164	114,695

21 Property, plant and equipment

The Company	Freehold property ₦'000	Motor vehicles ₦'000	Furniture and fittings ₦'000	Office partitioning ₦'000	Computer equipment ₦'000	Total ₦'000
Cost/Valuation:						
At 1 January 2012	2,524	149,732	79,135	45,264	41,876	318,531
Additions	-	74,637	6,769	11,751	17,974	111,131
Disposals	-	(59,767)	(12,156)		(3,817)	(75,740)
At 31 December 2012	2,524	164,602	73,748	57,015	56,033	353,922
Additions	430,158	67,338	24,488	-	10,754	532,738
Disposals	(2,524)	(58,974)	(3,734)	-	(2,550)	(67,782)
At 31 December 2013	430,158	172,966	94,502	57,015	64,237	818,878
Accumulated depreciation:						
At 1 January 2012	-	94,840	51,719	33,963	34,586	215,108
Charge for the year	-	34,311	13,383	11,403	10,902	69,999
Disposal	-	(33,719)	(8,542)	-	(3,619)	(45,880)
At 31 December 2012	-	95,432	56,560	45,366	41,869	239,227
Charge for the year	-	45,980	13,300	4,599	12,069	75,948
Disposal	-	(44,732)	(3,079)	-	(1,686)	(49,497)
At 31 December 2013	-	96,680	66,781	49,965	52,252	265,678
Net book value:						
At 31 December 2013	430,158	76,286	27,721	7,050	11,985	553,200
At 31 December 2012	2,524	69,170	17,188	11,649	14,164	114,695

22 Statutory deposits

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
At 31 December	1,000,000	1,000,000	1,000,000

Statutory deposit represents the amount deposited with the Central Bank of Nigeria in accordance with section 9(1) and section 10(3) of Insurance Act 2003. This is restricted cash as management does not have access to the balances in its day to day activities. Statutory deposits are measured at cost.

23 Insurance contract liabilities

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
Reserve for Unearned Premium (Note 23.1)	5,338,434	4,580,322	4,301,953
Reserve for Outstanding Claims (Note 23.2)	3,426,438	3,339,833	3,808,324
	8,764,872	7,920,155	8,110,277
Life (Note 23.3)	1,108,507	1,041,004	1,127,174
Total insurance liabilities	9,873,379	8,961,159	9,237,451
Total retrocessionaire's share of insurance liabilities (Note 16)	(358,106)	(279,247)	(779,147)
Net insurance contracts	9,515,273	8,681,912	8,458,304

23.1 Reserve for Unearned Premium

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
At 1 January	4,301,953	4,301,953	3,859,978
Increase in the year (Note 1.1)	13,068,203	11,451,162	9,891,463
Release of unearned premium during the year	(12,031,722)	(11,172,793)	(9,449,488)
At 31 December	5,338,434	4,580,322	4,301,953

23.2 Reserve for Outstanding Claims

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
At 1 January	3,808,324	3,808,324	2,822,811
Claims incurred in the current accident year	5,134,733	4,745,002	4,505,375
Claims paid during the year	(5,516,619)	(5,213,493)	(3,519,862)
At 31 December	3,426,438	3,339,833	3,808,324

23 Insurance contract liabilities (cont'd)

23.3 Insurance liabilities on life policy holders

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
At 1 January	1,127,174	1,127,174	1,064,531
(Decrease)/increase in retrocessionaire's share	(12,925)	(12,925)	53,221
(Decrease)/accretion during the year (Note 1.1)	(5,742)	(73,245)	9,422
At 31 December	1,108,507	1,041,004	1,127,174

24 Reinsurance creditors

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
Due to retrocessionaires	319,555	319,555	148,773
Due to ceding companies	849,469	849,469	606,196
	1,169,024	1,169,024	754,969

This represents the amount payable to insurance and reinsurance companies.

25 Other liabilities

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
Sundry creditors	166,859	166,859	146,495
Rent received in advance	40,999	40,999	53,791
Accrued expenses	16,892	16,892	8,648
Dividend payable (Note 25.1)	36,341	36,341	20,951
Information technology development levy	20,014	20,014	20,536
Others	30,039	6,953	1,844
	311,142	288,058	252,265

25.1 Dividends paid and proposed

	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
At 1 January	20,951	56,269
Declared during the year	1,037,247	829,822
Paid during the year	(1,021,857)	(865,140)
	36,341	20,951
Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December): at 11 kobo per share (2012: 10 kobo).	1,141,002	1,037,274

26 Retirement benefit obligations

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
Defined contribution scheme (Note 26.1)	2,407	2,407	-
Defined benefit staff gratuity scheme (Note 26.2)	43,493	43,493	164,110
	-----------	-----------	------------
	45,900	45,900	164,110
	======	======	=======

26.1 Defined contribution scheme

In accordance with the provisions of the Pensions Act 2004, the Group and its staff commenced a contributory pension scheme in January 2005. The contribution by employees and the Company are 7.5% and 7.5%, respectively, of the employees' basic salary, housing and transport allowances. The contribution made and transferred to the pension fund administrator during the year are as follows;

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
Balance at beginning of year	-	-	-
Provisions during the year	21,947	21,947	53,325
Transfer to PFA	(19,540)	(19,540)	(53,325)
	------------	------------	-----------
Balance at end of year	2,407	2,407	-
	======	======	======

26.2 Defined benefit staff gratuity scheme

The Group operates a defined benefit staff gratuity plan where qualifying employees receive a lump sum payment based on the number of years served after an initial qualifying period of five years and gross salary on date of retirement.

Statement of financial position obligation for:	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
The amounts recognised in the statement of financial position are determined as follows:			
Present value of funded obligations	378,645	378,645	436,837
Fair value of plan assets	(335,152)	(335,152)	(272,727)
Deficit of funded plans	43,493	43,493	164,110
Unrecognised net (gain)/loss	-	-	-
Unrecognised past service costs	-	-	-
	-----------	-------------	------------
(Asset)/liability in the consolidated statement of financial position	43,493	43,493	164,110
	======	======	=====

26 Retirement benefit obligations (cont'd)

26.2 Defined benefit staff gratuity scheme (cont'd)

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
The movement in the defined benefit obligation over the year is as follows:			
At beginning of the year	436,837	436,837	285,816
Service cost	55,435	55,435	39,888
Member contribution	-		-
Interest cost	51,239	51,239	40,277
Actuarial (Gains)/Loss	(34,297)	(34,297)	146,873
Benefit paid	(130,569)	(130,569)	(76,017)
At end of the year	378,645	378,645	436,837
The amounts recognised in the profit or loss is as follows:			
Current service cost	55,435	55,435	39,888
Net interest	15,311	15,311	3,655
Total, included in staff costs	70,746	70,746	43,543
The amounts recognised in the other comprehensive income:			
Re-measurement (gains)/loss on net defined benefit plans	(7,444)	(7,444)	152,023
The movement in the plan assets over the year is as follows:			
Assets at fair value - opening	272,727	272,727	281,923
Interest return	35,928	35,928	36,622
Employer contribution	183,919	183,919	35,349
Benefit paid	(130,569)	(130,569)	(76,017)
Actuarial loss	(26,853)	(26,853)	(5,150)
At end of the year	335,152	335,152	272,727
Composition of Plan assets			
Cash	9.60%	9.60%	0.63%
Equity	61.1%	61.1%	52.5%
Bonds	29.4%	29.4%	46.9%
Property	0.0%	0.0%	0.0%
International	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.00%
The principal actuarial assumptions were as follows:			
Average long term discount rate (p.a.)	13%	13%	12%
Average long term rate of inflation (p.a.)	10%	10%	10%
Average long term pay increase (p.a.)	12%	12%	12%

26 Retirement benefit obligations (cont'd)

26.2 Defined benefit staff gratuity scheme (cont'd)

A quantitative sensitivity analysis for significant assumption as at 31 December 2013 is as shown below:

Assumptions **Sensitivity level**		**Discount rate** **₦'000**	**Salary increase** **₦'000**	**Mortality rate** **₦'000**
Impact on defined benefit obligation	+1%	(22,978)	26,084	(15,922)
	-1%	26,143	(23,300)	28,876

The following payments are estimated contributions to the define benefit plan obligation in future years:

	Group **31 December** **2013** **₦'000**	**Company** **31 December** **2013** **₦'000**	**Company** **31 December** **2012** **₦'000**
Within the next 12 months (next annual reporting period)	219,448	219,448	24,501
	=======	=======	======

27 Share capital

Authorised			
15,000,000,000 Ordinary shares of 50k each	7,500,000	7,500,000	7,500,000
	========	========	========
Issued and fully paid			
10,372,744,000 Ordinary shares of 50k each	5,186,372	5,186,372	5,186,372
	========	========	========

28 Share premium

At 31 December	3,915,451	3,915,451	3,915,451
	========	========	========

Premiums from the issue of shares are reported in share premium.

29 Contingency reserve

The statutory contingency reserve has been computed in accordance with Section 21 (1) of the Insurance Act, Cap I17 LFN 2004.

The composition on the account is as follows:	**Group** **31 December** **2013** **₦'000**	**Company** **31 December** **2013** **₦'000**	**Company** **31 December** **2012** **₦'000**
Non - Life	2,255,501	2,184,536	1,734,745
Life	164,595	164,595	138,574
	-----------------	---------------	--------------
Total	2,420,096	2,349,131	1,873,319
	========	========	========

30 Retained earnings:

Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

31.1 *Available-for-sale reserve:*

The fair value available-for-sale reserve shows the effects from the fair value measurement of financial instruments of the category available-for-sale. Any gains or losses are not recognised in the profit or loss until the asset has been sold or impaired.

31.2 *Foreign currency translation reserve:*

Foreing currency translation reserve comprises the exchange differences arising on translation of its subsidiary. Gains or losses arising therefrom are recognised in other comprehensive income.

32 Reconciliation of profit before income tax to net Cash from/(used in) operating activities

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
Profit before income tax	**2,233,394**	**2,001,410**	**2,132,423**
Adjustments for:			
– Depreciation and amortization (Note 6.1)	101,585	87,720	81,138
– Increase in provision for bad and doubtful balances	523,190	523,190	359,046
– Profit on disposal of investments	(87,519)	(87,519)	(57,440)
– Loss on disposal of property, plant and equipment	11,358	11,358	24,321
– Interest received	(762,620)	(762,620)	(1,068,811)
– Dividend received	(96,223)	(96,223)	(89,763)
– Unrealised foreign exchange gain	(202,013)	(202,013)	(126,466)
– Fair value loss on investment properties and financial assets designated at fair value	(112,065)	(108,456)	(40,014)
Changes in operating assets/liabilities			
– Reinsurance debtors	(1,266,807)	(672,075)	(910,621)
– Prepayments and other assets	20,962	(491,023)	(931,890)
– Retrocession assets	499,900	499,900	(632,173)
– Reinsurance creditors and other liabilities	433,424	448,462	96,551
– Deferred acquisition costs	(136,081)	(136,081)	(102,203)
– Provision for unexpired risks	278,369	278,369	451,397
– Provision for outstanding claims	(381,886)	(468,491)	945,102
– Provision for Retirement benefit obligations	(143,543)	(143,543)	8,194
Income tax paid (Note 8)	(447,032)	(391,642)	(371,649)
Net cash from/(used in) operating activities	**466,393**	**290,723**	**(232,858)**

33 Cash and cash equivalents for purposes of the consolidated statement of cashflows:

	Group 31 December 2013 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 ₦'000
Cash in hand	281	281	795
Balances held with other banks:			
- Current account	375,101	306,580	316,045

- Domiciliary account	225,555	225,555	44,753
Balances held with foreign banks	285,172	285,172	309,959
- Placements with banks and other financial institutions	4,787,639	4,787,639	5,592,275
Treasury bills	956,892	921,526	883,951
	6,630,640	6,526,753	7,147,778

34 Related party transactions

Transaction with related parties

The Group entered into transactions with related parties during the year in the normal course of business. The purchases from related parties are made at normal market prices.

Purchase of actuarial services:	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Alexander Forbes Consulting Actuaries Nigeria Limited	2,947	2,947	895

There were no outstanding balances due from/to this related party at the reporting date.

Loans and advances to related parties:

The following facilities were due from the Managing Director ('MD')/Chief Executive Officer and the Executive Director ('ED') - Life at the end of the year:

	MD ₦'000	ED Non - life ₦'000	ED Life ₦'000	2013 ₦'000	2012 ₦'000
Mortgage loan		-	4,137	4,137	3,889
Personal loan	-	1,087	18,868	19,955	11,728
Car loan	-	-	125	125	625
	-	1,087	23,130	24,217	16,242

34 Related party transactions (cont'd)

Loans and advances to related parties: (cont'd)

These loans were given in line with the conditions of service of the Directors. Under the terms of the mortgage loan, repayment is to be made over the mortgage period from 2004. For other loans, 100% repayment is through deductions from salaries plus cash payment of balance upon cessation of employment.

The carrying amounts of loans and advances to related parties as disclosed above approximate fair value at the reporting date. There was no allowance for impairment on them at the reporting date and no bad debt expense in the year (2012: Nil).

Compensation of key management personnel

Key management personnel of the Group include all directors, executives and non-executive, and senior management. The summary of compensation of key management personnel for the year is as follows:

	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Short-term employee benefits:			
Salaries and allowances	243,987	203,065	191,475
Long-term employee benefits:			
Post-employment pension benefits	14,708	8,365	10,485
	-------------	-------------	-------------
	258,695	211,430	201,960
	=======	=======	=======

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

	Number	Number	Number
Below ₦1,000,000	2	-	-
₦1,000,001 - ₦4,000,000	3	-	-
₦4,000,001 - ₦7,000,000	-	-	-
₦7,000,001 and above	3	3	4
	------	-----	------
	8	3	4
	===	===	===

Employees

The average number of persons employed by the Company during the year was as follows:

Managerial and Senior Staff	50	46	57
Junior Staff	6	1	1
	------	-----	-----
	56	47	58
	===	===	===

34 Related party transactions (cont'd)

	Group 2013 ₦'000	Company 2013 ₦'000	Company 2012 ₦'000
Staff cost			
Salaries and allowances	324,022	277,630	397,887
Staff pension	30,081	21,947	33,777
Staff gratuity	133,632	133,632	57,220
	-------------	-------------	-------------
	487,735	433,209	488,884
	=======	=======	=======

The number of employees of the Company, other than Directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

	Number	Number	Number
₦500,000 - ₦1,000,000	13	12	13

₦1,000,001 – ₦1,500,000	4	2	2
₦1,500,001 – ₦2,000,000	6	4	8
₦2,000,001 - ₦2,500,000	8	8	8
₦2,500,001 - ₦3,000,000	2	2	4
₦3,000,001 - Above	23	19	23
	----------	----------	----------
	56	47	58
	=====	=====	=====

35 Contingent liabilities and capital commitments

There were no contingent liabilities and capital commitments at the end of the year (2012: Nil).

			2013	2012
36	**Compliance with regulatory bodies** **Penalties:**		**₦'000**	**₦'000**
a	The Company contravened certain sections of the Financial Reporting Council of Nigeria (FRCN) Act 2011 with respect to non-disclosure in the 2011 accounts.		-	1,750
b	The Company contavened certain sections of 2011 operational guidelines issued by the National Insurance Commission (NAICOM). Details of contravention and penalty paid are as shown below:			
	Late rendition of quarterly returns		-	70
			------	---------
			-	1,820
			===	=====

37 Events after reporting date

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

38 Admissible assets

The admissible assets representing insurance contract liabilities are included in the consolidated statement of financial position as follows:

	Non-life		Life	
	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents:				
Cash and bank balances	-			
Bank placements	4,211,504		576,136	
Total cash and cash equivalents		4,211,504		576,136
Investment properties		1,156,600		185,000
Investment securities:				
Quoted equities	307,843		113,389	
Unquoted equities	707,553		-	
Government bonds	1,606,472		242,476	
Total investment securities		2,621,868		355,865
Total assets representing insurance contract liabilities		7,989,972		1,117,001
Total insurance contract liabilities		7,920,155		1,041,004
Balance due to shareholders' funds		69,817		75,997

39 Segment information

For management reporting purposes, the Group is organised into business units based on Life and Non-Life products and geography (regions).

Life assurance business can be either Individual or Group and covers the mortality aspect of the life contract which is annual. Revenue from this segment is derived mainly from reassurance premium and becomes fully earned after the year of cover.

The Non-Life reinsurance business covers general insurance to individuals and businesses. The general insurance products covered include motor, household, commercial and business interruption insurance, and indemnification of other parties that suffer damage resulting from the policyholders' accident, e.g., employees' liability claims.

Also, segment information is presented in respect of the company's geographic segments.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance and reporting is based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. However, income taxes are not allocated to operating segments.

31 December 2013	Life insurance ₦'000	Non-life insurance ₦'000	Eliminations ₦'000	Total segments ₦'000
Gross Premium	2,790,593	13,068,203	-	15,858,796
Change in Reserve for unearned premium	5,742	(827,926)	-	(822,184)
Earned premium income	2,796,335	12,240,277	-	15,036,612
Less: Retrocession costs	(408,464)	(1,277,245)	-	(1,685,709)
Net premium written	**2,387,871**	**10,963,032**	**-**	**13,350,903**
Expenses				
Gross claims paid	1,154,920	5,141,120	-	6,296,040
Change in Reserve for outstanding claims.	86,605	(468,490)	-	(381,885)
Ceded Outstanding Claims Reserve	-	462,104	-	462,104
Claims incurred	1,241,525	5,134,734	-	6,376,259
Retrocession recoveries	(4,800)	(109,413)	-	(114,213)
Net claims incurred	1,236,725	5,025,320	-	6,262,045
Underwriting expenses:				
Acquisition and maintenance cost	692,895	3,181,199	-	3,874,093
Depreciation and amortisation	16,686	84,899	-	101,585
Management and Administration expenses	417,157	2,067,875	-	2,485,032
	1,126,738	5,333,973	-	6,460,711
Underwriting profit carried forward	24,408	603,738	-	628,147

39 Segment information (cont'd)

31 December 2013 (cont'd)	Life insurance ₦'000	Non-life insurance ₦'000	Eliminations ₦'000	Total segments ₦'000
Underwriting profit brought forward	24,408	603,738	-	628,147
Investment Income	268,346	1,336,900	-	1,605,247
Results of operating activities	292,755	1,940,639	-	2,233,394
Income tax expense	(107,669)	(372,325)	-	(479,994)
Profit for the year	185,086	1,568,314	-	1,753,400
Segment Assets	4,636,814	22,656,235	(1,167,639)	26,125,410
Segment liabilities	1,006,258	11,013,893	(180,234)	11,839,917
31 December 2012				
Gross Premium	2,506,189	9,891,463	-	12,397,652
Change in Reserve for unearned premium	(9,422)	(441,975)	-	(451,397)
Earned premium income	2,496,767	9,449,488	-	11,946,255
Less: Retrocession costs	(375,928)	(1,178,293)	-	(1,554,221)
Net premium written	**2,120,839**	**8,271,195**	**-**	**10,392,034**
Expenses				
Gross claims paid	1,069,229	3,519,862	-	4,589,091
Change in Reserve for outstanding claims	-	985,513	-	985,513
Ceded Outstanding Claims Reserve	-	(571,301)	-	(571,301)
Claims incurred	1,069,229	3,934,074	-	5,003,303
Retrocession recoveries	(160,384)	(50,208)	-	(210,592)
Net claims incurred	908,845	3,883,866	-	4,792,711
Underwriting expenses:				
Acquisition and maintenance cost	496,832	2,262,983	-	2,759,815
Depreciation and amortisation	16,402	64,736	-	81,138
Management and Admin expenses	402,185	1,683,467	-	2,085,652
	915,419	4,011,186	-	4,926,605
Underwriting profit	296,575	376,143	-	672,718
Investment Income	304,310	1,155,395	-	1,459,705
Results of operating activities	600,885	1,531,538	-	2,132,423
Income tax expenses	(71,527)	(327,912)	-	(399,439)
Profit for the year	529,358	1,203,626	-	1,732,984
Segment Assets	5,013,007	19,036,432	-	24,049,439
Segment liabilities	2,320,964	8,493,108	-	10,814,072

CONTINENTAL REINSURANCE PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

39 Segment information (cont'd)

The segment information provided to the Company Executive Board for the reportable segments for the year ended 31 December 2013 is as follows:

	Nigeria ₦'000	Cameroon ₦'000	Kenya ₦'000	Abidjan ₦'000	2013 Total ₦'000	Eliminations ₦'000	Consolidated ₦'000
Gross premium	10,501,544	973,482	2,573,282	1,810,488	15,858,796	-	15,858,796
Change in reserve for unearned premium	(536,296)	292,729	(245,045)	(333,572)	(822,184)	-	(822,184)
Earned premium income	9,965,248	1,266,211	2,328,237	1,476,916	15,036,612	-	15,036,612
Retrocession costs	(1,270,448)	(88,305)	(166,557)	(160,399)	(1,685,709)	-	(1,685,709)
Net premium written	8,694,800	1,177,906	2,161,680	1,316,517	13,350,903	-	13,350,903
Expenses							
Gross claims paid	4,571,646	217,403	1,068,421	438,570	6,296,040	-	6,296,040
Change in reserve for outstanding claims	(317,329)	(419,987)	(13,232)	368,662	(381,886)	-	(381,886)
Ceded outstanding claims reserve	530,409	-	(68,305)	-	462,104	-	462,104
Claims incurred	4,784,726	(202,584)	986,884	807,232	6,376,258	-	6,376,258
Retrocession recoveries	-	(8,618)	(10,676)	(94,919)	(114,213)	-	(114,213)
Net claims incurred	4,784,726	(211,202)	976,208	712,313	6,262,045	-	6,262,045
Underwriting expenses:							
Acquisition and maintenance cost	2,456,207	257,141	712,327	448,418	3,874,093	-	3,874,093
Depreciation and amortisation	71,103	7,369	17,147	5,966	101,585	-	101,585
Management and Admin expenses	1,737,205	152,240	303,166	292,422	2,485,033	-	2,485,033
	4,264,515	416,750	1,032,640	746,806	6,460,711	-	6,460,711
Underwriting profit	(354,441)	972,358	152,832	(142,602)	628,147	-	628,147
Investment Income	1,186,922	90,384	253,624	74,317	1,605,247	-	1,605,247
Results of operating activities	832,481	1,062,742	406,456	(68,285)	2,233,394	-	2,233,394
Income tax expenses	(122,614)	(265,782)	(108,675)	17,077	(479,994)	-	(479,994)
Profit for the year	709,867	796,960	297,781	(51,208)	1,753,400	-	1,753,400
Segment Assets	18,533,244	3,789,313	3,417,872	1,552,620	27,293,049	(1,167,639)	26,125,410
Segment liabilities	7,927,796	868,354	2,161,550	1,062,451	12,020,151	(180,234)	11,839,917

39 Segment information (cont'd)

The segment information provided to the Company Executive Board for the reportable segments for the year ended 31 December 2012 is as follows:

	Nigeria ₦'000	Cameroun ₦'000	Kenya ₦'000	2012 Total ₦'000
Gross Premium	9,110,711	1,643,439	1,643,501	12,397,651
Change in Reserve for unearned premium.	(398,638)	(6,427)	(46,331)	(451,396)
Earned premium income	8,712,073	1,637,012	1,597,170	11,946,255
Retrocession costs	(1,240,336)	(155,076)	(158,809)	(1,554,221)
Net premium written	7,471,737	1,481,936	1,438,361	10,392,034
Expenses				
Gross claims paid	3,723,420	263,706	601,964	4,589,090
Change in Reserve for outstanding claims.	626,535	187,084	171,895	985,514
Ceded outstanding claims reserve	(571,301)	-		(571,301)
Claims incurred	3,778,654	450,790	773,859	5,003,303
Retrocession recoveries	(210,592)		-	(210,592)
Net claims incurred	3,568,062	450,790	773,859	4,792,711
Underwriting expenses:				
Acquisition and maintenance cost	2,041,289	404,666	465,881	2,911,836
Depreciation and amortisation	62,907	12,684	5,547	81,138
Management and Admin expenses	1,378,552	261,805	268,953	1,909,310
	3,482,748	679,155	740,381	4,902,284
Underwriting profit	420,927	351,991	(75,879)	697,039
Investment Income	1,276,796	101,041	57,547	1,435,384
Results of operating activities	1,697,723	453,032	(18,332)	2,132,423
Income tax expenses	(305,629)	(46,904)	(46,906)	(399,439)
Profit for the year	1,392,094	406,128	(65,238)	1,732,984
Segment Assets	18,207,605	3,802,809	2,039,025	24,049,439
Segment liabilities	7,880,464	1,692,745	1,240,863	10,814,072

40 Management of financial and insurance risk

Continental Reinsurance Plc issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Group manages them.

40.1 Management of Insurance risk

Continental Reinsurance Plc defines Insurance risk as the risk of loss arising from inadequate pricing, from uncertainties relating to the occurrence, amount and timing of insurance liabilities or from adverse changes in claim reserves development.

Continental Reinsurance Plc provides covers in all classes of reinsurance basically, non-life and life treaty and facultative reinsurance.

The Group is exposed to underwriting risk through the reinsurance contracts that are underwritten. The risks within the underwriting risk arises from its products which include Accident, Energy, Marine, Liability and life, both individual and group life.

To manage this risk, the underwriting function is conducted in accordance with a set of guidelines, which are defined in line with the Group's risk appetite statement. This risk is further mitigated by increasing diversification by region and by class and also by a retrocession programme, which takes into account the Group's risk exposure profile by class of business.

Loss reserves are the largest liability on the statement of financial position and are inherently uncertain. Differences in actual losses and reserves can have a material impact on future profitability. The sensitivity of the reserves could be potentially significant given the nature of the assumptions and variables included in its estimation procedure.

The sensitivity analysis for insurance risk illustrates how reserves could fluctuate because of changes in assumptions included in its calculation at the reporting date.

Applying the Thomas Mack approach to the non-life reserves indicates that at the 75th percentile, the reserves would be equivalent to NGN 4.01bn, i.e a deterioration of NGN0.67bn over the best estimate.

The company has an in-house experienced actuarial team, which reviews reserves on a quarterly basis with the operations team. The company also carries out independent reserves reviews for both life and non-life Business.

40.1 Management of Insurance risk (cont'd)

The Company's insurance risk by region and by class is shown on the table below:

Insurance Risk By Region					
Group	Gross Written	Ceded to Retrocess-	Net Written	Percentage	Percentage
2013	Premium	ionaire	Premium	(GWP)	(Retro)
	(₦'000)	(₦'000)	(₦'000)		
Anglophone west	10,501,545	1,270,449	9,231,096	75%	80%
Eastern Africa	1,892,882	103,408	1,789,474	13%	7%
Southern Africa	680,399	63,148	617,251	5%	4%
Central Africa	973,482	88,305	885,177	7%	6%
Northern Africa	285,408	27,549	257,859	2%	2%
Francophone West	1,525,080	132,850	1,392,230	11%	8%
Total	15,858,796	1,685,709	14,173,087	100%	100%
Company					
2013					
Anglophone west	10,501,545	1,270,448	9,231,097	75%	80%
Eastern Africa	87,338	8,106	79,232	1%	1%
Southern Africa	680,399	63,148	617,251	5%	4%
Central Africa	973,482	88,305	885,177	7%	6%
Northern Africa	285,408	27,549	257,859	2%	2%
Francophone West	1,525,080	132,850	1,392,230	11%	8%
Total	14,053,252	1,590,406	12,462,846	100%	100%
Company					
2012					
Anglophone west	8,663,435	1,086,084	7,577,351	70%	70%
Eastern Africa	1,219,420	152,872	1,066,548	10%	10%
Southern Africa	625,904	78,466	547,438	5%	5%
Central Africa	690,722	86,591	604,131	6%	6%
Northern Africa	146,045	18,309	127,736	1%	1%
Francophone West	995,705	124,826	870,879	8%	8%
Others	56,421	7,073	49,348	0%	0%
Total	12,397,652	1,554,221	10,843,431	100%	100%

40.1 Management of Insurance risk (cont'd)

The Group's insurance risk by product is shown on the table below:

Insurance Risk By Product

Group	Gross Written Premium	Ceded to Retrocess-ionaire	Net Written Premium	Percentage (GWP)	Percentage (Retro)
2013	**(₦'000)**	**(₦'000)**	**(₦'000)**		
Accident	2,881,480	181,236	2,700,244	21%	11%
Energy	2,301,624	415,936	1,885,688	16%	26%
Fire	5,588,761	615,732	4,973,029	40%	39%
Group Life	2,657,662	362,412	2,295,250	19%	23%
Individual Life	65,428	9,054	56,374	0%	1%
Liability	1,088,844	1,339	1,087,505	8%	0%
Marine	1,274,997	100,000	1,174,997	9%	6%
Total	15,858,796	1,685,709	14,173,087	100%	100%

Company	Gross Written Premium	Ceded to Retrocess-ionaire	Net Written Premium	Percentage (GWP)	Percentage (Retro)
2013					
Accident	1,860,085	142,218	1,717,867	13%	9%
Energy	2,301,624	415,936	1,885,688	16%	26%
Fire	5,091,043	569,846	4,521,197	36%	36%
Group Life	2,538,364	360,623	2,177,741	18%	23%
Individual Life	63,726	9,054	54,672	0%	1%
Liability	1,017,736		1,017,736	7%	0%
Marine	1,180,674	92,729	1,087,945	8%	6%
Total	14,053,252	1,590,406	12,462,846	100%	100%

Company	Gross Written Premium	Ceded to Retrocess-ionaire	Net Written Premium	Percentage (GWP)	Percentage (Retro)
2012					
Accident	2,302,075	286,226	2,015,849	19%	18%
Energy	1,911,859	237,709	1,674,150	15%	15%
Fire	3,977,603	494,551	3,483,052	32%	32%
Group Life	2,264,411	293,083	1,971,328	18%	19%
Individual Life	241,777	31,293	210,484	2%	2%
Liability	822,910	102,316	720,594	7%	7%
Marine	877,017	109,043	767,974	7%	7%
Total	12,397,652	1,554,221	10,843,431	100%	100%

CONTINENTAL REINSURANCE PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

40.1 Management of Insurance risk (cont'd)

Non-life Claims development triangle

Months/ Years	12	24	36	48	60	72	84	96	108
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
2005	227,364	563,559	591,411	615,473	623,860	625,867	638,850	640,944	641,173
2006	319,769	573,330	689,906	722,187	734,056	736,676	738,641	738,361	
2007	264,817	665,621	922,464	997,744	1,030,488	1,034,586	1,052,191		
2008	555,684	2,026,598	2,771,688	2,926,862	3,017,553	3,145,841			
2009	753,147	1,678,809	2,115,562	2,297,847	2,551,517				
2010	851,016	2,116,837	2,446,703	2,670,420					
2011	923,592	2,189,837	3,067,296						
2012	1,517,999	3,433,899							
2013	1,317,180								

Life Claims development triangle

Months/ Years	12	24	36	48	60	72	84	96	108
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
2005	17,467	31,604	33,059	33,059	33,059	33,059	33,059	33,059	33,059
2006	35,427	73,570	79,093	82,387	82,387	82,387	82,387	82,387	
2007	84,616	105,174	107,318	118,226	118,226	118,226	118,226		
2008	420,246	698,428	732,630	734,801	734,801	734,801			
2009	298,931	505,319	579,874	583,535	583,535				
2010	361,628	683,570	720,471	721,429					
2011	566,844	1,197,605	1,245,812						
2012	398,312	787,150							
2013	717,302								

40.2 Financial risk management

The Group is exposed to a range of financial risks through its financial assets and liabilities.

The Group's principal financial instruments are cash and cash equivalents, loans and receivables including reinsurance receivables, investment securities held to maturity, investment securities available-for-sale, financial asset designated at fair value through profit and loss and retrocession contracts.

In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts.

The main risks arising from these financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk. The Board reviews and approves an investment policy to manage these risks on an annual basis.

The following tables indicate the contractual timing of cash flows in respect of arising from financial instruments and non-financial assets impacted by this risk:

The Group At 31 December 2013	**Carrying amount ₦'000**	**No stated maturity ₦'000**	**0 - 90 days ₦'000**	**91 - 180 days ₦'000**	**180 - 365 days ₦'000**	**1 - 5 years ₦'000**	**> 5 years ₦'000**
Financial assets:							
Cash and cash equivalents	5,673,748		5,673,748	-	-	-	-
Reinsurance receivables	6,292,066		1,703,229	542,947	1,173,077	2,470,741	402,072
Loans and other receivables	379,174		379,174	-	-	-	-
Retrocession assets	358,106		358,106	-	-	-	-
Other assets	333,495		333,495	-	-	-	-
Financial asset designated at fair value	170,285		170,285	-	-	-	-
Debt Securities							
Held to maturity							
Listed	3,180,939		-	-	-	3,180,939	-
Unlisted	2,649,331		-	-	-	2,649,331	-
Available for sale							
Listed	266,702		266,702	-	-	-	-
Equities							
Available for sale							
Listed	1,117,909		1,117,909	-	-	-	-
Unlisted	874,923		874,923	-	-	-	-
Statutory deposits	1,000,000		-	-	-	-	1,000,000
Non-financial asset:							
Investment properties	1,746,800		-	-	-	-	1,746,800
	24,043,478		10,877,571	542,947	1,173,077	8,301,011	3,148,872
Financial liabilities							
Other liabilities	220,092		220,092	-	-	-	-
Reinsurance creditors	1,169,024		1,169,024	-	-	-	-
	1,389,116		1,389,116	-	-	-	-

Note: Other assets excludes prepayments whilst other liabilities exclude statutory deductions and rent received in advance

40.2 Financial risk management (cont'd)

The following tables indicate the contractual timing of cash flows arising from financial instruments and non-financial assets impacted by this risk:

The Company At 31 December 2013	Carrying amount	No stated maturity	0 - 90 days	91 - 180 days	180 - 365 days	1 - 5 years	> 5 years
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Financial assets:							
Cash and cash equivalents	5,605,227		5,605,227	-	-	-	-
Reinsurance receivables	5,613,677		1,024,840	542,947	1,173,077	2,470,741	402,072
Loans and other receivables	370,833		370,833	-	-	-	-
Retrocession assets	279,247		279,247	-	-	-	-
Other assets	519,180		519,180	-	-	-	-
Financial asset designated at fair value	170,285		170,285	-	-	-	-
Debt Securities							
Held to maturity							
Listed	2,412,515		-	-	-	2,412,515	-
Unlisted	2,320,007		-	-	-	2,320,007	-
Available for sale							
Listed	242,476		242,476	-	-	-	-
Equities							
Available for sale							
Listed	1,096,520		1,096,520	-	-	-	-
Unlisted	874,923		874,923	-	-	-	-
Statutory deposits	1,000,000		-	-	-	-	1,000,000
Non-financial asset:							
Investment properties	1,746,800		-	-	-	-	1,746,800
	22,251,690		10,183,531	542,947	1,173,077	7,203,263	3,148,872
Financial liabilities							
Other liabilities	220,092		220,092	-	-	-	-
Reinsurance creditors	1,169,024		1,169,024	-	-	-	-
	1,389,116		1,389,116	-	-	-	-

Note: Other assets excludes prepayments whilst other liabilities exclude statutory deductions and rent received in advance

40.2 Financial risk management (cont'd)

The Company At 31 December 2012	Carrying amount	No stated maturity	0 - 90 days	91 - 180 days	180 - 365 days	1 - 5 years	> 5 years
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Financial assets:							
Cash and cash equivalents	6,263,827		6,263,827	-	-	-	-
Reinsurance receivables	5,427,732		3,104,468	733,829	1,076,763	512,672	-
Loans and other receivables	192,575		192,575	-	-	-	-
Retrocession assets	779,147		779,147	-	-	-	-
Other assets	1,059,806		1,059,806	-	-	-	-
Financial asset designated at fair value	132,942		132,942	-	-	-	-
Debt Securities							
Held to maturity							
Listed	2,370,874		-	-	-	2,370,874	-
Unlisted	1,988,213		-	-	-	1,988,213	-
Available for sale							
Listed	253,897		253,897	-	-	-	-
Equities							
Available for sale							
Listed	1,002,407		1,002,407	-	-	-	-
Unlisted	654,092		654,092	-	-	-	-
Statutory deposits	1,000,000		-	-	-	-	1,000,000
Non-financial asset:	-						
Investment properties	1,661,000		-	-	-	-	1,661,000
	22,786,512		13,443,161	733,829	1,076,763	4,871,759	2,661,000
Financial liabilities							
Other liabilities	176,094		176,094	-	-	-	-
Reinsurance creditors	754,969		754,969	-		-	-
	931,063		931,063	-	-	-	-

Note: Other assets excludes prepayments whilst other liabilities exclude statutory deductions and rent received in advance

Please refer to the maturity profile table on Note 40.2.3 on Liquidity risks, for the maturity analysis of financial instruments only.

40.2 Financial risk management (cont'd)

Maturity analysis on expected maturity basis (cont'd)

The Group At 31 December 2013	Current ₦'000	Non-current ₦'000	Total ₦'000
Cash and cash equivalents	5,673,748	-	5,673,748
Financial asset designated as fair value	170,285	-	170,285
Loans and other receivables	379,174	-	379,174
Available-for-sale investments	2,259,534	-	2,259,534
Held to maturity investments	-	5,830,270	5,830,270
Reinsurance receivables	3,419,253	2,872,813	6,292,066
Retrocession assets	358,106	-	358,106
Deferred acquisition costs	1,428,293	-	1,428,293
Other assets	365,839	-	365,839
Investment properties	-	1,746,800	1,746,800
Intangible assets	-	9,667	9,667
Property, plant and equipment	-	611,628	611,628
Statutory deposits	-	1,000,000	1,000,000
Investment in subsidiary	-	-	-
Total assets	14,054,232	12,071,178	26,125,410
Liabilities			
Insurance contract liabilities	8,558,709	1,314,670	9,873,379
Reinsurance creditors	1,169,024	-	1,169,024
Other liabilities	311,142	-	311,142
Retirement benefit obligations	45,900	-	45,900
Current income tax	391,381	-	391,381
Deferred taxation	-	49,091	49,091
Total liabilities	10,476,156	1,363,761	11,839,917
Net maturity mismatch	*3,578,076*	*10,707,417*	*14,285,493*

40.2 Financial risk management (cont'd)

Maturity analysis on expected maturity basis (cont'd)

The Company	**Current**	**Non-current**	**Total**
At 31 December 2013	**₦'000**	**₦'000**	**₦'000**
Cash and cash equivalents	5,605,227	-	5,605,227
Financial asset designated as fair value	170,285	-	170,285
Loans and other receivables	370,833	-	370,833
Available-for-sale investments	2,213,919	-	2,213,919
Held to maturity investments	-	4,732,522	4,732,522
Reinsurance receivables	2,740,864	2,872,813	5,613,677
Retrocession assets	279,247	-	279,247
Deferred acquisition costs	1,213,441	-	1,213,441
Other assets	546,073	-	546,073
Investment properties	-	1,746,800	1,746,800
Intangible assets	-	9,667	9,667
Property, plant and equipment	-	553,200	553,200
Statutory deposits	-	1,000,000	1,000,000
Investment in subsidiary	-	987,405	987,405
Total assets	13,139,889	11,902,407	25,042,296
Liabilities			
Insurance contract liabilities	7,920,155	1,041,004	8,961,159
Reinsurance creditors	1,169,024	-	1,169,024
Other liabilities	288,057	-	288,057
Retirement benefit obligations	45,900	-	45,900
Current income tax	388,875	-	388,875
Deferred taxation	-	41,946	41,946
Total liabilities	9,812,011	1,082,950	10,894,961
Net maturity mismatch	*3,327,878*	*10,819,457*	*14,147,335*

40.2 Financial risk management (cont'd)

Maturity analysis on expected maturity basis (cont'd)

The Company At 31 December 2012	Current ₦'000	Non-current ₦'000	Total ₦'000
Cash and cash equivalents	6,263,827	-	6,263,827
Financial asset designated as fair value	132,942	-	132,942
Loans and other receivables	192,575	-	192,575
Available-for-sale investments	1,910,396	-	1,910,396
Held to maturity investments	-	4,359,087	4,359,087
Reinsurance receivables	4,915,060	512,672	5,427,732
Retrocession assets	779,147	-	779,147
Deferred acquisition costs	1,077,360	-	1,077,360
Other assets	1,113,603	-	1,113,603
Investment properties		1,661,000	1,661,000
Intangible assets	-	17,075	17,075
Property, plant and equipment	-	114,695	114,695
Statutory deposits	-	1,000,000	1,000,000
Total assets	16,384,910	7,664,529	24,049,439
Liabilities			
Insurance contract liabilities	8,110,277	1,127,174	9,237,451
Reinsurance creditors	754,969	-	754,969
Other liabilities	252,265	-	252,265
Retirement benefit obligations	164,110	-	164,110
Current income tax	401,617	-	401,617
Deferred taxation	-	3,660	3,660
Total liabilities	9,683,238	1,130,834	10,814,072
Net maturity mismatch	*6,701,672*	*6,533,695*	*13,235,367*

40.2.1 Sensitivities

The sensitivity analysis below are based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values.

(a) *Sensitivity analysis - interest rate risk*

The Group defines interest rate risk as the risk of loss arising from changes in interest rates that will affect future profitability or fair values of financial instruments. The Group is exposed to this risk on some of its investments and mitigates this risk by actively monitoring changes in interest rate in all countries where it has cash and interest-bearing investments.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

A 100 basis point movement in interest rates will result in additional interest income or less for the Group of ₦105.007 million and Company ₦79.952 million (2012:₦112.053 million).

(b) Sensitivity analysis - Market price risk

Market risk is the risk that the value of a financial asset will fluctuate as a result of change in market prices (other than those arising from interest rate risk and currency risk) whether those changes are caused by factors specific to the individual security or its issuer or factors affecting the all securities traded in a market.

The Group equity price risk exposure relates to financial assets whose value fluctuates as a result of changes in market prices.

The Group also has unquoted equities classified as available-for-sale whose fair value is determined using a valuation technique because of the lack of active market for these instruments.

The sensitivity analysis for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

A 1% movement in market prices will result in an unrealised gain or loss for the Group of ₦17.923 and Company ₦15.442 million (December 2012:₦13.892 million).

Management monitors movements of financial assets and equity price risk movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements of a 10% increase or decrease in the Nigeria All share index with all other variables held constant and all the Group’s equity instruments in that particular index moving proportionally.

(c) Sensitivity analysis - currency risk

Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group carries out an asset liability matching exercise to ensure an adequate currency match between assets and liability so that any net movement in currency is minimal on the financial statements.

A 1% movement in foreign exchange rate against the Naira will result in ₦77.223 million gain or loss for the Group and Company of ₦58.320 (2012:₦72.014 million).

In addition, the Group’s retrocession programme is denominated in US dollars and provides a stable hard currency platform to hedge against the fluctuations of the various African currencies.

40.2.1 Sensitivities (cont'd)

(c) Sensitivity analysis - currency risk (cont'd)

The Group	Naira	USD	Euro	Other	Total
31 December 2013	₦'000	₦'000	₦'000	₦'000	₦'000

Assets					
Cash and cash equivalents	4,879,240	458,759	-	335,749	5,673,748
Reinsurance receivables	2,160,732	1,665,618	241,199	2,224,517	6,292,066
Investment securities	5,293,391	1,398,634	-	1,397,779	8,089,804
Liabilities					
Other liabilities	311,142	-	-	-	311,142
The Company					
31 December 2013					
Assets					
Cash and cash equivalents	4,879,240	445,055	-	280,932	5,605,227
Reinsurance receivables	2,160,732	1,665,618	207,280	1,580,047	5,613,677
Investment securities	5,293,391	1,398,634	-	254,416	6,946,441
Liabilities					
Other liabilities	288,057	-	-	-	288,057
The Company					
31 December 2012					
Assets					
Cash and cash equivalents	3,032,324	587,659	-	2,643,845	6,263,827
Reinsurance receivables	2,039,468	1,607,092	119,674	1,661,498	5,427,732
Investment securities	5,687,893	421,790	-	159,800	6,269,483
Liabilities					
Other liabilities	176,094	-	-	-	176,094

40.2.2 Credit Risk

Credit Risk is the risk that one party to a financial instrument will fail to honour its obligations and cause the Group to incur a financial loss. Credit risk arises mainly from 3 sources: retrocession, reinsurance receivables and cash and investment securities.

On retrocession, the Group mitigates credit risk by applying minimum security standards for all its retrocession programmes in terms of the credit rating of the retrocessionaires, and the proportion ceded to each retrocessionaire. The Group has a diverse panel of retrocessionaires to avoid concentration risk. The credit rating profile of our retrocessionaires by product is shown below:

Credit Rating	Fire and Engineering	Marine and Aviation	Motor, Accident and Liability	Energy
AA+	8%	0%	0%	0%
A+	13%	14%	0%	11%
A	22%	68%	65%	79%
A-	45%	11%	20%	10%
BBB-	2%	0%	0%	0%
B++	7%	7%	5%	0%
B+	4%	0%	10%	0%
	---------	--------	--------	--------
Total	**100%**	**100%**	**100%**	**100%**
	=====	====	====	====

The overdue premiums are considered by the Group on case by case basis. If an overdue premium is recognised by the Group as uncollectible, a notification is sent to the cedants(ceding companies) and the reinsurance agreement is assigned for monitoring from the date of notification. The uncollectible portion of the premium receivable is considered as impaired and charged through the statement of comprehensive income.

On insurance receivables, the Group has a credit control policy which is enforced by a credit control unit and which forms part of the underwriting process. In addition, the Group re-assesses its insurance receivables on a regular basis and makes adequate provisions based on ageing and credit quality. The table below shows the ageing of receivables:

		Maximum exposure	
Maximum exposure to credit risk before collateral held or other credit enhancements:	**Group 2013 ₦'000**	**Company 2013 ₦'000**	**Company 2012 ₦'000**
Cash and cash equivalents	5,673,748	5,605,227	6,263,827
Reinsurance receivables	6,292,066	5,613,677	5,427,732
Loans and other receivables	379,174	370,833	192,575
Debt securities	6,096,972	4,974,998	4,612,984
	------------------	------------------	-------------------
Total assets bearing credit risk	**18,441,960**	**16,564,735**	**16,497,118**
	=========	=========	=========

40.2.2 Credit Risk (cont'd)

Age analysis for past due and impaired - The Group	Cash and cash equivalents ₦'000	Reinsurance receivables ₦'000	Loans and other receivables ₦'000	Debt securities ₦'000	Total ₦'000
31 December 2013					
Neither past due nor impaired	5,673,748	3,893,533	221,301	6,096,972	15,885,554
Past due but not impaired	-	2,398,534	-	-	2,398,534
Impaired	-	3,341,818	307,986	-	3,649,804
Gross	5,673,748	9,633,885	529,287	6,096,972	21,933,892
Impairment allowance	-	-	-	-	-
Collective	-	(3,341,819)	(150,113)	-	(3,491,932)
Net	5,673,748	6,292,066	379,174	6,096,972	18,441,960
Age analysis for past due and impaired - The Company					
31 December 2013					
Neither past due nor impaired	5,605,227	3,218,928	212,960	4,974,998	14,012,113
Past due but not impaired	-	2,394,750	-	-	2,394,750
Impaired	-	3,341,818	307,986	-	3,649,804
Gross	5,605,227	8,955,496	520,946	4,974,998	20,056,667
Impairment allowance	-	-	-	-	-
Collective	-	(3,341,819)	(150,113)	-	(3,491,932)
Net	5,605,227	5,613,677	370,833	4,974,998	16,564,735
31 December 2012					
Neither past due nor impaired	6,263,827	3,186,144	192,575	4,612,984	14,255,530
Past due but not impaired	-	1,810,591	-	-	1,810,591
Impaired	-	3,249,626	48,217	-	3,297,843
Gross	6,263,827	8,246,361	240,792	4,612,984	19,363,964
Impairment allowance	-	-	-	-	-
Collective	-	(2,818,629)	(48,217)	-	(2,866,846)
Net	6,263,827	5,427,732	192,575	4,612,984	16,497,118

40.2.2 Credit Risk (cont'd)

(a) Financial assets neither past due nor impaired

The credit quality of the portfolio of insurance receivables and other loans and receivables, debt securities and other financial asset exposed to credit risk that were neither past due nor impaired can be assessed by reference to the capacity of the business to pay on written businesses. The Group does not rate any of its financial assets measured at amortised cost.

The assets page before are analysed in the table below using Standard & Poors (S&P) rating (or equivalent when not available from S&P)

The Group	AA+	A+	A	BBB-	Below BBB	Not rated	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
31 December 2013							
Cash and cash equivalents	-	5,673,748	-	-	-	-	5,673,748
Reinsurance receivables	-	-	-	-	-	3,893,533	3,893,533
Loans and other receivables	-	-	-	-	-	379,174	379,174
Debt securities	-	3,546,636	2,550,336	-	-	-	6,096,972
The Company							
31 December 2013							
Cash and cash equivalents	-	5,605,227	-	-	-	-	5,605,227
Reinsurance receivables	-	-	-	-	-	3,218,928	3,218,928
Loans and other receivables	-	-	-	-	-	370,833	370,833
Debt securities	-	2,654,991	2,320,007	-	-	-	4,974,998
31 December 2012							
Cash and cash equivalents	-	6,263,827	-	-	-	-	6,263,827
Reinsurance receivables	-	-	-	-	-	3,186,144	3,186,144
Loans and other receivables	-	-	-	-	-	192,575	192,575
Debt securities	-	2,624,770	1,988,214	-	-	-	4,612,984

40.2.2 Credit Risk (cont'd)

(b) Age Analysis financial assets past due but not impaired

The Group

31 December 2013	< 90 days ₦'000	91-180 days ₦'000	181-270 days ₦'000	271-365 days ₦'000	1-2 yr ₦'000	2-3 yrs ₦'000	Total ₦'000
Life	344,595	233,639	168,940	204,024	413,389	261,959	1,626,547
Non-Life	1,052,013	431,606	526,860	455,754	1,199,057	1,000,229	4,665,519
Total	**1,396,608**	**665,245**	**695,800**	**659,778**	**1,612,446**	**1,262,188**	**6,292,066**
Profile	**22%**	**11%**	**11%**	**10%**	**26%**	**20%**	**100%**

The Company

31 December 2013	< 90 days ₦'000	91-180 days ₦'000	181-270 days ₦'000	271-365 days ₦'000	1-2 yr ₦'000	2-3 yrs ₦'000	Total ₦'000
Life	315,068	223,973	154,815	203,725	413,389	261,959	1,572,929
Non-Life	707,951	318,974	362,268	452,269	1,199,057	1,000,229	4,040,748
Total	**1,023,019**	**542,947**	**517,083**	**655,994**	**1,612,446**	**1,262,188**	**5,613,677**
Profile	**18%**	**10%**	**9%**	**12%**	**29%**	**22%**	**100%**
31 December 2012							
Life	503,527	80,877	106,555	63,842	17,382	-	772,182
Non-Life	2,682,617	652,952	589,513	316,853	413,615	-	4,655,550
Total	**3,186,144**	**733,829**	**696,068**	**380,695**	**430,997**	**-**	**5,427,732**
Profile	**59%**	**14%**	**13%**	**7%**	**8%**	**0%**	**100%**

Impaired financial assets

At 31 December 2013, the Group impaired reinsurance receivables was ₦3,341,818,000, Company ₦3,341,818,000 (2012:₦2,818,629,000).

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.

The Group records impairment allowances for loans and receivables in a separate impairment allowance account. See Note 15.1 for the reconciliation of allowance for reinsurance receivables account.

40.2.2.1 Concentration of credit risk

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

Concentration risk (including geographical risk) includes identification of the concentration of risks insured by Continental Reinsurance Plc utilize data analysis, software and market knowledge to determine the concentration of its risks by insurance class, geographic location, exposure to a client or business. The assessment of the concentration risk is consistent with the overall risk appetite as established by the Group.

Continental Reinsurance monitors concentration of credit risk by geographical and nature of business. An analysis of concentrations of credit risk for reinsurance receivables are set out below:

(a) Geographical sectors

At 31 December	**Group 2013 ₦'000**	**Company 2013 ₦'000**	**Company 2012 ₦'000**
Nigeria	2,431,183	2,431,183	3,335,558
Cameroon	1,758,031	1,758,031	1,248,408
Kenya	1,086,269	407,880	843,767
Abidjan + Tunis	717,232	717,232	-
Garborone	299,351	299,351	-
Total	6,292,066	5,613,677	5,427,732

(b) Business Class

At 31 December			
Life operation	1,626,547	1,572,929	772,182
Non life Facultative	2,788,626	2,351,286	1,849,212
Non life Treaty	1,876,893	1,689,462	2,806,339
Total	6,292,066	5,613,677	5,427,732

40.2.3 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its insurance liabilities as they fall due. The Group mitigates this risk by having an investment strategy which focuses on liquidity and capital preservation before investment returns.

In addition, the actuarial team carries out an asset liability matching exercise to ensure that the Group will meet its liquidity requirements. Finally the Group's asset allocation is defined to enable insurance liabilities to be paid from current assets.

The table below presents the cash flows receivable/payable by the Group and the Company. The amounts disclosed in the table are the contractual undiscounted cash flows. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented with their expected cash flows.

The Group

31 December 2013	0 - 30 days ₦'000	31 - 90 days ₦'000	91 - 180 days ₦'000	181 - 365 days ₦'000	Over 1 year but less than 5 yrs ₦'000	Over 5 years ₦'000	Total ₦'000
Financial assets							
Cash and cash equivalents	5,673,748	-	-	-	-	-	5,673,748
Reinsurance receivables	918,144	480,286	665,245	1,355,578	2,470,741	402,072	6,292,066
Loans and other receivables	379,174	-	-	-	-	-	379,174
Other assets	333,495					-	333,495
Retrocession assets	358,106					-	358,106
Debt Securities at amortised cost	236,332	586,581	332,561	944,062	4,453,175	-	6,552,711
Debt Securities at available for sale	2,792	5,585	8,377	17,220	328,160	-	362,134
Total relevant financial assets	**7,901,791**	**1,072,452**	**340,938**	**961,282**	**4,781,335**	**-**	**19,951,434**
Financial liabilities							
Other liabilities	220,092	-	-	-	-	-	220,092
Total financial liabilities	**220,092**	**-**	**-**	**-**	**-**	**-**	**220,092**
Insurance contract liabilities	-	8,558,709	-	-	1,314,670	-	9,873,379

40.2.3 Liquidity Risk (cont'd)

The Company 31 December 2013	0 - 30 days ₦'000	31 - 90 days ₦'000	91 - 180 days ₦'000	181 - 365 days ₦'000	Over 1 year but less than 5 yrs ₦'000	Over 5 years ₦'000	Total ₦'000
Financial assets							
Cash and cash equivalents	5,605,227	-	-	-	-	-	5,605,227
Reinsurance receivables	656,085	368,755	542,947	1,173,077	2,470,741	402,072	5,613,677
Loans and other receivables	370,833	-	-	-	-	-	370,833
Other assets	519,180	-	-	-	-	-	519,180
Retrocession assets	279,247	-	-	-	-	-	279,247
Debt Securities at amortised cost	236,332	586,581	332,561	944,062	3,355,427	-	5,454,963
Debt Securities at available for sale	2,792	5,585	8,377	17,220	303,934	-	337,908
Total relevant financial assets	**7,669,696**	**960,921**	**340,938**	**961,282**	**3,659,361**	**-**	**18,181,035**
Financial liabilities							
Other liabilities	220,092	-	-	-	-	-	220,092
Total financial liabilities	**220,092**	**-**	**-**	**-**	**-**	**-**	**220,092**
Insurance contract liabilities	-	7,920,155	-	-	1,041,004	-	8,961,159
31 December 2012							
Financial assets							-
Cash and cash equivalents	6,263,827	-	-	-	-	-	6,263,827
Reinsurance receivables	1,987,427	1,117,041	733,829	1,076,763	512,672	-	5,427,732
Loans and other receivables	192,575	-	-	-	-	-	192,575
Other assets	1,059,806	-	-	-	-	-	1,059,806
Retrocession assets	779,147	-	-	-	-	-	779,147
Debt Securities at amortised cost	186,034	477,541	226,613	870,872	3,188,027	-	4,949,087
Debt Securities at available-for-sale	2,786	5,573	8,359	17,182	270,272	91,829	396,001
Total relevant financial assets	10,471,602	1,600,155	968,801	1,964,817	3,970,971	91,829	19,068,175
Financial liabilities							
Other liabilities	176,094	-	-	-	-	-	176,094
Total financial liabilities	**176,094**	**-**	**-**	**-**	**-**	**-**	**176,094**
Insurance contract liabilities	-	8,110,277	-	-	1,127,174	-	9,237,451

40.3 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

	At 31 December 2013				At 31 December 2012	
	Group		Company		Company	
	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000
Financial assets						
Cash and cash equivalents	5,673,748	5,673,748	5,605,227	5,605,227	6,263,827	6,263,827
Reinsurance receivables	6,292,066	6,292,066	5,613,677	5,613,677	5,427,732	5,427,732
Loans and other receivables	379,174	379,174	370,833	370,833	192,575	192,575
Other assets	365,839	365,839	546,073	546,073	1,113,603	1,113,603
Retrocession assets	358,106	358,106	279,247	279,247	779,147	779,147
Debt securities at amortised cost						
Listed	3,279,934	3,340,082	2,412,515	2,471,393	2,370,874	2,456,189
Unlisted	2,550,336	2,387,493	2,320,007	2,158,429	1,988,212	1,849,742
Financial liabilities						
Other liabilities	239,579	239,579	220,440	220,440	176,094	176,094

Note: Financial liabilities carrying amounts approximates their fair value

(b) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

40.3 Fair value of financial assets and liabilities (cont'd)

(b) Financial instruments measured at fair value (cont'd)

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The Group **31 December 2013**	**Level 1** **₦'000**	**Level 2** **₦'000**	**Level 3** **₦'000**	**Total** **₦'000**
Financial assets				
Financial asset designated at fair value	170,285	-	-	170,285
Debt securities at available for sale				
Listed	266,702	-	-	266,702
Equity securities at available for sale				
Listed	1,117,909	-	-	1,117,909
Unlisted	-	504,400	370,523	874,923
The Company				
31 December 2013				
Financial assets				
Financial asset designated at fair value	170,285	-	-	170,285
Debt securities at available for sale				
Listed	242,476	-	-	242,476
Equity securities at available for sale				
Listed	1,096,520	-	-	1,096,520
Unlisted	-	504,400	370,523	874,923
31 December 2012				
Financial assets				
Financial asset designated at fair value	132,942	-	-	132,942
Debt securities at available for sale				
Listed	253,897	-	-	253,897
Equity securities at available for sale				
Listed	1,002,407	-	-	1,002,407
Unlisted	-	386,573	267,519	654,092

40.3 Fair value of financial assets and liabilities (cont'd)

(c) Fair valuation methods and assumptions

Financial assets and liabilities

(i) Cash and cash equivalents

Cash and cash equivalents represent cash and placement held with banks for short-term. The carrying amount of these balances approximates their fair value.

(ii) Other assets and other liabilities

Other assets represent monetary assets which usually has a short recycle period and other liabilities represents amount outstanding on account payables. And as such the fair values of these balances approximate their carrying amount.

(iii) Equity and Bond prices

Listed equities were fair valued using quoted prices from the Nigeria Stock Exchange. Available-for-sale bond portfolios were measured using prices from Financial Market Dealer Association (FMDA).

Unlisted equities were fair valued using recent market prices from Over-the-counter market and in some instances, net asset valuation technique. For unlisted bonds, valuation is done using market information of bonds with similar credit characteristics.

(iv) Other assets and liabilities including loans and receivables

Other assets and liabilities represent financial instruments which usually has a short recycle period and as such the carrying amount of these instruments represent their fair values.

40.4 Capital management and Solvency Margin

Continental Reinsurance Plc capital management strategy focus on the creation of shareholders' value whilst meeting the crucial and equally important objective of providing an appropriate level of capital to protect stakeholders' interests and satisfies regulators.

The Group's objectives when managing capital are as follows:

- To ensure that capital is, and will continue to be, adequate for the safety, soundness and stability of the Company;
- To generate sufficient capital to support the Company's overall business strategy;
- To ensure that the Company meets all regulatory capital ratios and the prudent buffer required by the Board.

Solvency and the use of regulatory capital are monitored periodically by the company's management, employing techniques based on the guidelines developed by the NAICOM, for supervisory purposes. Regulatory capital requirements are designed to monitor capital adequacy and to protect policyholders.

The National Insurance Commission requires each registered insurance company to:
(a) hold the minimum level of the regulatory capital of and
(b) maintain a minimum ratio of solvency margin of 15% .

During the period under review, all businesses within the Group complied with the solvency margin regulation as stated by National Insurance Commission.

CONTINENTAL REINSURANCE PLC

CONSOLIDATED STATEMENT OF VALUE ADDED

	Group 2013 ₦'000	%	Company 2013 ₦'000	%	Company 2012 ₦'000	%
Net premium income:						
- Local	8,694,800		8,694,800		7,471,737	
- Foreign	4,656,103		3,562,923		2,920,297	
Other income	1,605,247		1,364,428		1,459,705	
	14,956,150		13,622,151		11,851,739	
Claims, commission, charges and management expenses						
- local	(7,070,091)		(7,070,091)		(6,259,322)	
- imported	(4,703,579)		(3,673,515)		(2,644,185)	
	3,182,480	100.0	2,878,545	100.0	2,948,232	100.0
Applied as follows:						
To pay employees:						
- Salaries, pension and other allowances	827,487	26.0	769,401	26.7	714,135	24.1
To pay Government:						
- Income tax	436,796	13.7	378,900	13.2	391,642	13.3
- Information technology levy	20,014	0.6	20,014	0.7	20,536	0.7
Retained for growth and payment of dividend to shareholders:						
- Depreciation and amortistion	101,585	3.2	87,720	3.0	81,138	2.8
- Deferred taxation	43,198	1.4	36,053	1.3	7,797	0.3
- Profit for the year	1,753,400	55.1	1,586,457	55.1	1,732,984	58.8
	3,182,480	100.0	2,878,545	100.0	2,948,232	100.0

Value added is the wealth created by the efforts of the Company and subsidiary and its employees and its allocation between employees, shareholders, government and re-investment for the future creation of further wealth.

CONTINENTAL REINSURANCE PLC

FIVE YEAR FINANCIAL SUMMARY

	<------------IFRS			------------>	NGAAP
	<------------31 DECEMBER				------------>
	2013	**2012**	**2011**	**2010**	**2009**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
ASSETS					
Cash and cash equivalents	5,605,227	6,263,827	5,815,044	5,655,176	-
Cash and bank balances	-	-	-	-	338,216
Short-term investments	-	-	-	-	6,648,097
Financial asset held for trading	170,285	132,942	108,956	175,031	-
Loans and other receivables	370,833	192,575	153,584	144,706	-
Available-for-sale investments	2,213,919	1,910,396	1,736,086	1,876,705	-
Held to maturity investments	4,732,522	4,359,087	5,076,223	4,056,865	-
Reinsurance debtors	-	-	-	-	3,349,515
Reinsurance receivables	5,613,677	5,427,732	4,602,289	3,988,642	-
Retrocession assets	279,247	779,147	146,974	101,470	-
Deferred acquisition costs	1,213,441	1,077,360	975,157	930,234	-
Other assets	546,073	1,113,603	181,718	34,638	-
Treasury bills	-	-	-	-	-
Prepayments and other debit balances	-	-	-	-	698,109
Long-term investments	-	-	-	-	2,622,852
Investment properties	1,746,800	1,661,000	1,653,500	1,557,834	827,629
Intangible assets	9,667	17,075	4,913	9,239	-
Property, plant and equipment	553,200	114,695	103,423	106,687	160,391
Investments in subsidiary	987,405	-	-	-	-
Statutory deposits	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total assets	**25,042,296**	**24,049,439**	**21,557,867**	**19,637,227**	**15,644,809**
LIABILITIES					
Insurance contract liabilities	8,961,159	9,237,451	7,747,320	6,686,979	-
Insurance funds		-	-	-	2,538,230
Outstanding claims		-	-	-	884,096
Creditors and accruals		-	-	-	784,109
Reinsurance creditors	1,169,024	754,969	722,385	275,970	-
Other liabilities	288,057	252,265	345,897	356,866	-
Retirement benefit obligation	45,900	164,110	3,893	75,690	-
Dividend payable		-	-	-	36,345
Current income tax payable	388,875	401,617	381,624	336,074	213,266
Deferred tax liabilities	41,946	3,660	41,470	31,448	19,146
Total liabilities	**10,894,961**	**10,814,072**	**9,242,589**	**7,763,027**	**4,475,192**

CONTINENTAL REINSURANCE PLC

FIVE YEAR FINANCIAL SUMMARY - Continued

	<-----IFRS-----			----->	NGAAP
	<-----31 DECEMBER			----->	
	2013	2012	2011	2010	2009
EQUITY	₦'000	₦'000	₦'000	₦'000	₦'000
Share capital	5,186,372	5,186,372	5,186,372	5,186,372	5,186,372
Share premium	3,915,451	3,915,451	3,915,451	3,915,451	3,915,451
Retained earnings	2,423,196	2,344,587	1,986,024	1,662,242	635,747
Revaluation reserve		-	-	-	90,401
Contingency reserve	2,349,131	1,873,319	1,435,136	1,094,207	772,680
Exchange equalization reserve		-	-	-	568,966
Available-for-sale reserve	273,185	(84,362)	(207,705)	15,928	-
Total equity	**14,147,335**	**13,235,367**	**12,315,278**	**11,874,200**	**11,169,617**
Total equity and liabilities	**25,042,296**	**24,049,439**	**21,557,867**	**19,637,227**	**15,644,809**

INCOME STATEMENT	<-----IFRS		----->	<-----NGAAP	----->
Gross premium	14,053,252	12,397,652	11,647,038	11,644,720	7,403,914
Profit before income tax	2,001,410	2,132,423	1,829,729	1,585,000	979,814
Income tax expense	(414,953)	(399,439)	(387,150)	(354,766)	(74,597)
Profit after taxation	1,586,457	1,732,984	1,442,579	1,230,234	905,217
Appropriations:					
Transfer to contingency reserve	475,812	438,183	340,929	321,526	204,085
Transfer to retained earnings	1,110,645	1,294,801	1,101,650	908,708	701,132
Earnings per share (kobo)	15	17	14	12	9
Net assets per share (kobo)	136	128	119	115	108

Note: Earnings and dividend per share were computed based on the profit for the year and on the number of issued and fully paid ordinary shares at the end of the year. Net assets per share were computed on the number of issued and fully paid ordinary shares at the end of the respective years.