CONTINENTAL REINSURANCE

Pan-African commitment made local

STRENGTHENING OUR COMPETITIVE ADVANTAGE

2014 Annual Report and Accounts

Who we are

We are the private sector champion of the pan-African reinsurance industry.

With a history spanning more than 25 years, we have developed an extensive network across Africa in order to serve our clients, premised on our “pan-African commitment made local”.

With an emphasis on trusted relationships, we build on our diversified and profitable portfolio to offer uncomprising service and technical capability. Everything we do is underpinned by the translation of our pan-African track record and commitment into local value.

Our core service products

We are a composite reinsurer offering capacity and services across the full spectrum of Non-Life and Life business lines. We have a diversified team of experts strategically deployed throughout our regional operations.

Our clients enjoy unparalleled reinsurance underwriting, claims, advisory and training services.

Our vision

To be the premier Pan-African reinsurer.

Our mission

To provide credible reinsurance security and services to our clients and sustainable value to our shareholders and other stakeholders.

Our values

Commitment

Collective passion and commitment to the industry.

Responsiveness

High responsiveness in service, dependability and building of capability.

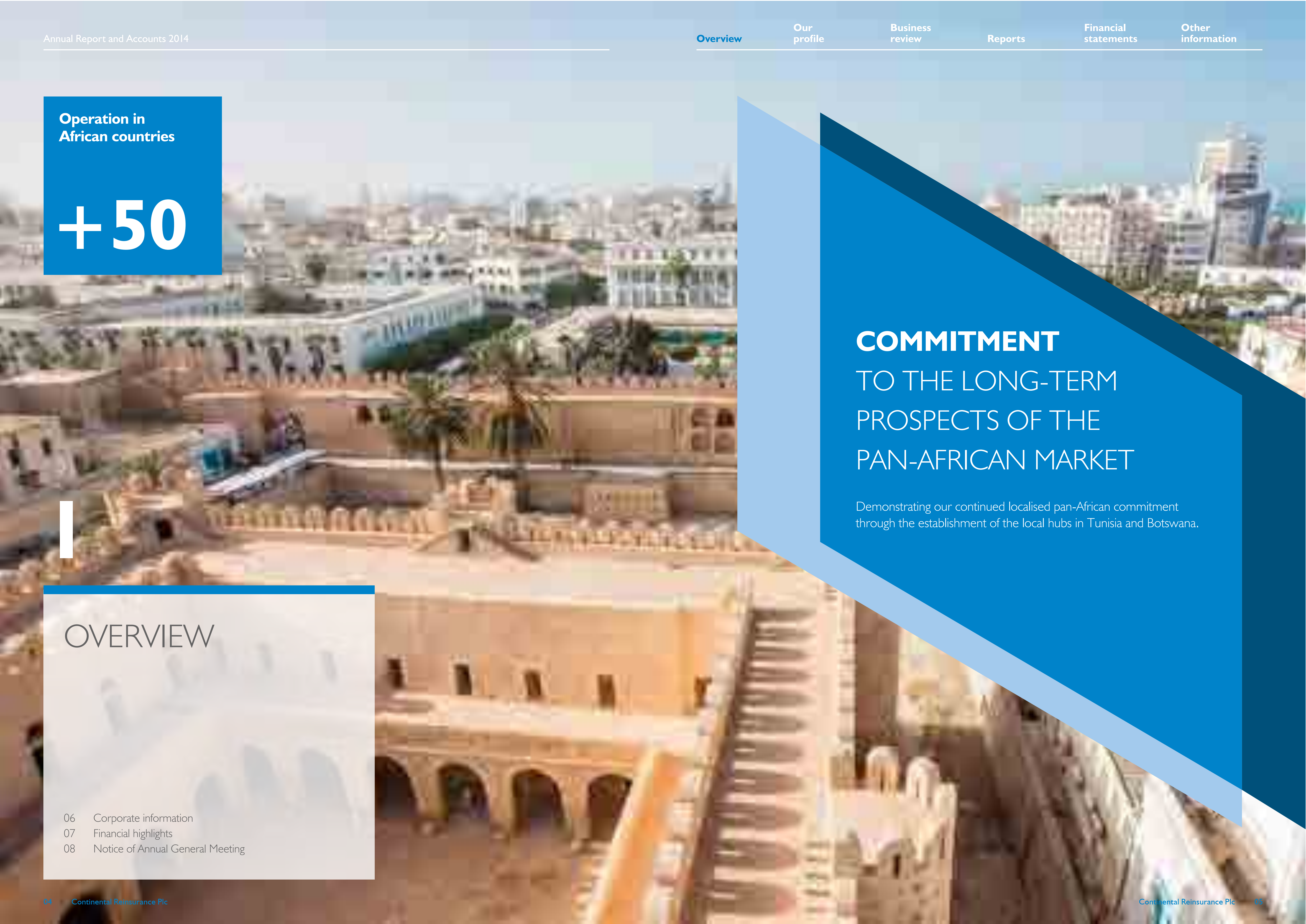
Sustainability

Realising ambitious, sustainable and relevant offerings.

Trust

Putting customers first by building relationships via localisation.

Contents



Operation in African countries

+50

OVERVIEW

COMMITMENT TO THE LONG-TERM PROSPECTS OF THE PAN-AFRICAN MARKET

Demonstrating our continued localised pan-African commitment through the establishment of the local hubs in Tunisia and Botswana.

Corporate information

Board of Directors

Mr. Hurley Doddy (American), Chairman, Non-Executive Director

Dr. Olufemi Oyetunji, Group Managing Director/CEO

Mr. Lawrence M. Nazare (Zimbabwean), Executive Director

Mr. Vincent Le Guennou (French), Non-Executive Director

Mr. David S. Sobanjo, Non-Executive Director

Ms. Nana Appiah-Korang (Ghanaian), Non-Executive Director

Mr. Bakary H. Kamara (Mauritanian), Non-Executive Director

Mr. Johnnie Wilcox, Non-Executive Director

Mr. Foluso Laguda, Non-Executive Director

Company Secretary
Mrs. Abimbola A. Falana

Registered Office
St. Nicholas House (8th Floor)
6, Catholic Mission Street
Lagos, Nigeria

Regional Offices
Lagos Office
St. Nicholas House (8th Floor)
6, Catholic Mission Street
Lagos, Nigeria

Abidjan Office
2ème étage, Imm. Equinoxe, Angle de la Route du Lycée Technique et de la Rue de la Canebière (Carrefour Pisam)
Cocody Danga – BP 1073 Abidjan 01
Abidjan, Côte d'Ivoire

Douala Office
Rue Ngosso Din
Derrière Pharmacie de la Côte, Bali
P.O. Box 4745
Douala, Cameroon

Tunis Office
Rue Lac Léman, Imm. Regency – Bloc "C"
2ème étage – Bur 207
1053 Les Berges du Lac
Tunis, Tunisia

Subsidiaries
Kenya
197 Lenana Place, 4th Floor
Lenana Road
P.O. Box 76326–00508
Nairobi, Kenya

Botswana
Plot 67977, Fairgrounds, Gaborone, Botswana
Postal address: P.O. Box 698 ABG, Selebe
Gaborone, Botswana

Solicitors
Bayo Osipitan & Co
2A, Ireti Street
Yaba, Lagos,
Nigeria

Bankers
Stanbic IBTC Bank Ltd
Zenith Bank Plc
Guaranty Trust Bank Plc
Ecobank, Douala
NIC Bank, Nairobi
United Bank for Africa Plc, Douala
BGFI Bank, Douala
United Bank for Africa Plc, Abidjan
Société Ivoirienne de Banque, Abidjan

Auditors
Ernst & Young
2A, Bayo Kuku Road
Off Alfred Rewane Road
Ikoyi, Lagos, Nigeria

Registrars
Sterling Registrars Limited
24, Campbell Street
Lagos, Nigeria

Financial highlights
for the year ended December 31st, 2014

₦ millions, unless otherwise stated	2014	2013	change in %
Non-Life			
Premium earned	12,572	10,963	15%
Life			
Premium earned	1,622	2,388	-32%
Investment			
Investment income (net of exchange gain/(loss) and impairment)	1,130	1,294	-13%
Return on investment in %	7%	8%	
Total			
Premium earned	14,194	13,351	6%
Combined ratio in % (Net of Retro)	90%	87%	-3%
Net income	856	1,753	-51%
Earnings per share in kobo	8	17	
Shareholders' equity	14,776	14,285	3%
Return on equity[1] in %	6%	12%	
Number of employees[2]	69	46	50%

[1] Return on equity is calculated by dividing annualized net income attributable to common shareholders by average common shareholders' equity
[2] Permanent staff

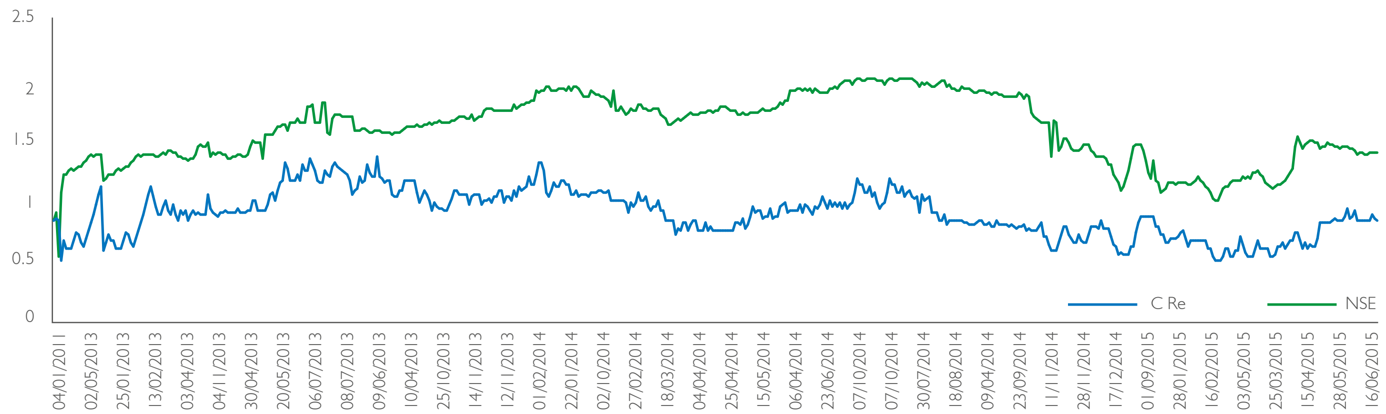
Financial strength ratings

as at December 31st, 2014	A.M Best
Ratings	B+
Outlook	Good

Share Performance

Market Capitalisation as at April 30th, 2015	
Share price in ₦	0.94
Number of Shares (Billion)	10.37
Market capitalisation in ₦ Bn	9,750

CRe Share Price vs NSE ASI



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Eighth Annual General Meeting of members of CONTINENTAL REINSURANCE PLC will be held at Victoria Crown Plaza (VCP) Hotel, 292b, Ajose Adeogun Street, Victoria Island, Lagos on Thursday, July 30th, 2015 at 11.00 a.m. to transact the following businesses:

Ordinary business

1. To receive the Report of the Directors and the Audited Financial Statements for the year ended December 31, 2014 together with the reports of the Auditors and the Audit Committee thereon.
2. To declare a dividend.
3. To re-elect Directors.
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

Special business

6. To approve the remuneration of the Directors for the year ending December 31st, 2015.

7. To consider and, if thought fit, to pass the following resolution as a special resolution:

That the Articles of Association of the Company be and are hereby amended as follows:

(a) By deleting from Article 2, the word 'Investors' and its meaning 'C-Re, Genesis Emerging Markets Fund Limited, Genesis Emerging Markets Opportunities Fund Limited, Investec Asset Management and RP Capital Group.'

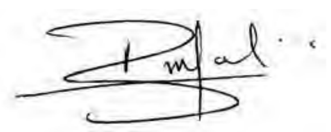
(b) By inserting the words 'of a maximum' after the word 'consist' in line 1 of Article 79.

(c) By deleting the words 'an investor' in line 3 of Article 80 and substituting them with the words 'a shareholder.'

(d) By substituting the word 'nine (9)' with the word 'six (6)' in line 1 of Article 116.

(e) By adding the following phrase to Article 116: "…and provided further, that no quorum shall be constituted without the presence of at least two directors who are neither C-Re Directors nor alternates to C-Re Directors."

By order of the Board



Abimbola A. Falana (Mrs.)
Company Secretary
FRC/2013/NBA/00000000688

Registered Office:

6, Catholic Mission Street,
Lagos.

Dated: June 16th, 2015

Notes:

1. Proxy

A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. To be valid for the purpose of the meeting, the Proxy Form, which is in this Annual Report must be duly signed by the member and stamped by the Commissioner for Stamp Duties Office and deposited at the registered office of the Registrars, Sterling Registrars Limited, 24, Campbell Street, Lagos not less than 48 hours before the time fixed for the meeting.

2. Closure of register

Notice is hereby given that the register of members and transfer books of the Company will be closed from Monday, July 20th, 2015 to Friday, July 24th, 2015, (both days inclusive) to enable the Registrars update the Register of Members and prepare for the payment of dividend.

3. Payment of dividend

If the dividend recommended by the Directors is declared at the Annual General Meeting, dividend will be paid on Friday, July 31st, 2015 to shareholders whose names are registered in the Company's Register of Members at the close of business on Friday, July 17th, 2015. The accounts of shareholders who have completed the e-dividend Mandate Form will be credited on July 31st, 2015 while dividend warrants for shareholders who are yet to complete the e-dividend Mandate Form will be posted on the same date.

Shareholders who have not completed the e-dividend Mandate Form are encouraged to do so. An e-dividend Mandate Form is in the Annual Report.

4. Unclaimed dividend

A booklet containing lists of shareholders who are yet to claim their dividend(s) from 2007 to date will be circulated with the Annual Report. Members who have still not claimed their dividend(s) are advised to write to or call at the office of the Registrars, Sterling Registrars Limited, 24, Campbell Street, Lagos.

5. Change of address

Members are requested to notify the Registrars of changes, if any, in their registered addresses.

6. Nominations for Audit Committee

The Audit Committee is comprised of three (3) Directors and three (3) Shareholders' representatives. In accordance with Section 359(5) of the Companies and Allied Matters Act, Cap C20, LFN 2004, any shareholder may nominate another shareholder for election to the Audit Committee by giving notice of such nomination, in writing, to the Company Secretary at least 21 days before the Annual General meeting. Nominations must be accompanied by the nominee's curriculum vitae.

Presence in geographical locations across the continent

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OUR PROFILE

COMMITMENT TO **TRUSTED** PAN-AFRICAN RELATIONSHIPS

Enhancing Localised relationships and service offerings through the establishment of the regional sector expertise hubs.

Corporate profile

Continental Reinsurance Plc (Continental Re, or the Company) was incorporated as a private Company in Nigeria in 1985. It was registered in 1987 by the National Insurance Commission (NAICOM) as a Reinsurer to write both Life and Non-Life Insurance business. It commenced business as a general reinsurer in 1987 and became a composite reinsurer in 1990; providing Non-Life and Life reinsurance on both treaty and facultative basis and presently has a well-diversified business mix and patronage across Africa.

In its quest for business growth and increased market share, the Company was converted to a public limited liability Company in 2000 and recapitalised from NGN2 billion to NGN10 billion in 2007 with diverse ownership; both local and international investors. Continental Reinsurance was listed on the Nigerian Stock Exchange on May 30th, 2007.

With a history spanning more than 25 years, the Company prides itself on being the torchbearer of the African reinsurance industry. It has developed an extensive network across Africa in order to serve its numerous clients premised on its new philosophy: 'pan-African commitment made local'. All activities undertaken by the Company are in line with keeping its pan-African commitment and focus to enhance the financial and technical capacity in local markets. The pan-African commitment is the purpose that motivates the Company's expansion since by focusing on localisation, the Company is able to develop regional markets which in turn enables it to deliver on its promises.

Office locations

Continental Reinsurance conducts business in more than fifty (50) countries across the African continent providing support to over two hundred (200) insurance companies. The business is serviced from four regional offices and two subsidiaries in strategic locations across Africa with Lagos, Nigeria being the Group's Head Office. The Lagos office also serves as the regional office for the Anglophone West African region. The Douala, Cameroon regional office covers business activities in Francophone Central Africa while the regional office in Abidjan, Côte d'Ivoire serves the Francophone West African region. The regional office in Tunis, Tunisia which commenced business early in 2014 covers the Northern/Maghreb/Middle East territories and is also earmarked to provide Takaful reinsurance offering to the Company's clients and partners. The Company's subsidiary in Nairobi, Kenya covers the Eastern Africa markets.

In line with its business philosophy of localised presence and visibility across the African continent, a new subsidiary, Continental Reinsurance Ltd, was opened in Gaborone, Botswana during the year. The subsidiary services the Southern Africa region.

Credit rating

A.M. Best, London, the worlds' oldest and most authoritative insurance rating company affirmed the Company's financial strength rating of B+ (Good) with a stable outlook, which is an acknowledgement of the Company's strong risk-adjusted capitalisation, solid operating performance and ability to meet its ongoing obligations.

Key strengths

The Company's key strengths include:

- an entrepreneurial, private sector, pan-African business commitment to the industry and Africa
- translation of pan-African commitment and competencies into local capacity building
- pan-African trust built on strong local relationships with clients and stakeholders
- recognised high responsiveness in service delivery
- pro-activeness due to proximity to clients
- high client retention rate
- dynamic pan-African platform
- core foothold resident in Nigeria – the largest economy in Africa
- strong track record of financial and operational performance
- well-balanced and growing product mix
- strong risk selection process and
- competent and highly qualified and diversified staff.

Products and services

As a composite reinsurer, the Company offers capacity and services across the full spectrum of Non-Life and Life business lines. The Company has a diversified product mix of Fire and Engineering; General Accident; Marine and Aviation; Oil and Gas; Motor and Liability; and Individual and Group Life Reinsurance lines of business. The products are tailored towards capturing significant demand in key segments across Africa. It is supported by first class retrocession security primarily from the Lloyds market in London and other top range reinsurance market players.

In order to have a strong financial strength to meet its claims and other financial obligations as well as limit exposure to risk, the Company has a well-managed and solid investment portfolio, premised on a conservative philosophy and diversified investment focus. This is aimed at maximising total return on investment and preserve shareholders' capital.

Continental Reinsurance provides specialised training and development programmes to its clients and partners across all business lines. The programmes are offered to provide re/insurance skills required to fill knowledge gaps in local African markets demonstrating the Company's commitment as a trusted partner.

In addition, the Company delivers financial and technical capacity-building in local markets across the continent for advancement of standards in environmental, social and governance areas through investing capital in local market and investing in technical know-how and local Corporate Social Responsibility (CSR) initiatives.

Enterprise Risk Management (ERM)

The Company has a strong ERM Framework spearheaded by a team of qualified in-house actuaries with a wealth of experience in both Life and Non-Life business in the African and European markets and wide expertise in reserving, capital and risk modelling, product development, pricing, business analysis and training.

Our people

Continental Reinsurance is managed by highly resourceful, talented, motivated and seasoned professionals. The Company's multi-national pool of employees is continuously upgraded with relevant training and development programmes. The Management of the Company has been stable over the years and it is backed by robust succession initiatives. The Company values its people who remain a core strategic asset for the pursuit of its vision to be the premier pan-African reinsurance player and an employer of choice.

Board of Directors

Mr. Hurley Doddy
Chairman, Non-Executive Director

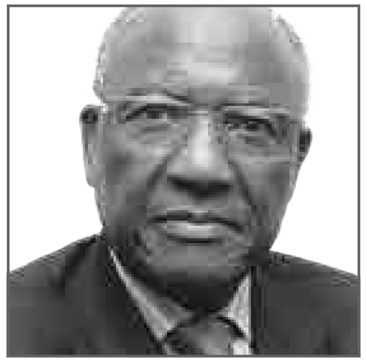
Dr. Olufemi Oyetunji
Group Managing Director/CEO

Mr. Lawrence Nazare
Executive Director

Mr. Vincent Le Guennou
Non-Executive Director

Mr. David S. Sobanjo
Non-Executive Director

Ms. Nana Appiah-Korang
Non-Executive Director



Mr. Bakary H. Kamara
Non-Executive Director

Mr. Johnnie Wilcox
Non-Executive Director

Mr. Foluso Laguda
Non-Executive Director

Key management staff

Mr. Alexandre Aquereburu
Chief Risk Officer

Mr. Musa Kolo
General Manager (Finance)

Mrs. Abimbola Falana
Company Secretary/Legal Adviser

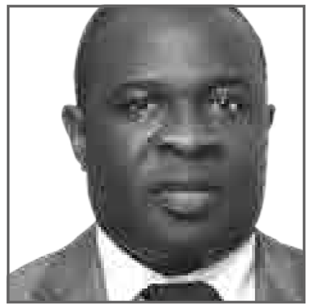
Mr. Kanma Okafor
Deputy General Manager (ICT)

Mr. Steve Odjugo
Regional Director (Lagos)

Mr. Abayomi Oluremi-Judah
Head, Life Operations

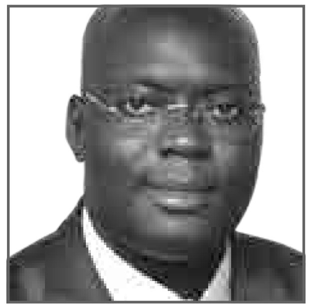
Mr. Calisto Ogaye
Managing Director (Nairobi Subsidiary)

Mr. Samuel Rimai
Regional Director (Gaborone Subsidiary)



Mr. Olusegun Ajibewa
Assistant General Manager (HR & Admin.)

Mrs. Lety Endeley
Regional Director (Douala)



Mr. Ibrahima Ndoye
Regional Director (Abidjan)

Mrs. Dorsaf Sassi
Regional Director (Tunis)

Regional/international training programmes across the continent

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BUSINESS REVIEW

COMMITMENT TO **SUSTAINABILITY** VIA CAPACITY BUILDING

Deepening of our Localised industry relevance by bolstering financial capacity through local acquisitions and technical capacity through the focus on local management and enlarging the size and scope of our local training programmes. – 10 regional/international training modules conducted in 7 countries across Africa in 2014.

Chairman's statement

Distinguished shareholders, fellow Board members, representatives of regulatory bodies present, ladies and gentlemen, I am pleased to welcome you all to the 28th Annual General Meeting of our Company and to present the Annual Report and Financial Statements of our Company for the year ended December 31st, 2014.

Business and operating environment

Global growth in 2014 was lower than initially expected, continuing a pattern of disappointing out-turns over the past several years. Growth picked up only marginally in 2014 to 2.6 percent, from 2.4 percent in 2013. Beneath these headline numbers, increasingly divergent trends are at work in major economies. The global economy is still struggling to gain momentum as many high-income countries continue to grapple with legacies of the global financial crisis and emerging economies are less dynamic than in the past.

Recently, the International Monetary Fund downgraded its outlook for more than a dozen of the world's largest economies. The fund said global growth would be 0.3 percentage point lower this year and next than it had previously expected. It now expects the world economy to expand 3.5 percent in 2015 and 3.7 percent in 2016.

Economic growth in Sub-Saharan Africa (SSA) rose from 4.7 percent in 2013 to a forecasted 5.2 percent in 2014. This performance was boosted by rising investment in natural resources and infrastructure, and strong household spending, according to the World Bank's new Africa's Pulse, a twice-yearly analysis of the issues shaping Africa's economic prospects. GDP growth in Africa in 2015 is projected at 4.4 percent. A positive growth outlook for Africa is strongly dependent on improved institutional performance and better governance

The Nigerian economy advanced 5.94 percent year-on-year in the last three months of 2014, slightly down from a 6.23 percent increase in the previous period. It is the lowest figure in five quarters due to a slowdown in the services sector.

Increasing competition and lower underwriting margins were witnessed in the global reinsurance market, putting pressure on companies. In response to these pressures, companies that are managing the reinsurance cycle continue to reduce their retained exposure to classes of business that do not meet acceptable return hurdles, and they are expanding in classes that offer better opportunities. In 2014, this led to significant reductions in reinsurance books of business, particularly for property catastrophe. For the most part, 2015 is expected to produce an even more careful approach to risk selection.

The market is expected to remain challenging in 2015, with rates continuing to decline for some lines of business, terms and conditions becoming even broader, and ceding commissions increasing further. With new capital and reduced reinsurance purchasing by some large cedants, market conditions are expected to remain challenging for the reinsurance business in 2015 and lead to further pressure on pricing, particularly in property and catastrophe cover lines. As premiums continue to decline, with investment returns remaining low, reserve releases tapering, and commissions increasing, it is expected to be increasingly challenging to deliver double-digit ROEs. Margin compression will likely persist as third-party alternative capital seeks a larger piece of the pie.

The African insurance and reinsurance market continues to attract close scrutiny and rising interest from financial markets participants around the world. This market is thus gearing up for sustained growth.

In the Nigerian insurance market, there exists significant opportunities for consolidation to enable greater risk retention and enhancement of technical capacity as well as attract extra funding that would result in insurance companies taking up larger ticket risks.

The Nigerian insurance industry has become a 'rich hunting ground for investors' and is set for growth on the back of improvement access to credit, adoption of innovative insurance products, intense regulatory pressure, and retail segment penetration that should contribute significantly to growth in insurance premium and underwriting profitability. Improved regulation and supervisory activity notably the enforcement of the "no premium no cover" principle to address the scourge of doubtful receivables are positive elements.

Financial result

The Company's performance in 2014 was mixed. Attainment of growth targets and operational performance as initially envisioned were constrained by negative exchange rate movements of a number of African currencies against the Naira and significant devaluation of the Naira against the US Dollar late in the fourth quarter, which opened at USD/NGN165.48 in the inter-bank market depreciating by 10.88 percent to close at USD/NGN183.48 due to reversal of foreign flows.

Concurrently, there was non-recurring weakening of certain key indices emanating from remediation of legacy business-process inefficiencies as part of alignment of these in line with overall objectives and the need to comply with industry standards particularly enforcement of the "no premium no cover" standard in debtors' management.

While Gross Premium Income (GPI) grew from NGN15.86 billion in 2013 to NGN16.44 billion in 2014, net income dropped as the payment of substantial additional back duty taxes aggravated the scenario already negatively influenced by the factors cited.

A breakdown of the GPI shows that while Non-Life premium grew by 10 percent as the Company entrenched its position in key African markets, Life premium came down by 26 percent mainly due to a write-down imposed by the need to comply with the "no premium, no cover" regulatory principle. Profit before tax reduced by 29 percent from NGN2.23 billion in 2013 to NGN1.59 billion in 2014 and profit after tax dipped by 51 percent to NGN856 million in 2014 from NGN1.75 billion in 2013 due to additional back duty taxes levied.

Investment income reduced by 13 percent from NGN1.29 billion in 2013 to NGN1.13 billion in 2014 due principally to the impact of exchange losses. Management and administrative expenses increased by 23 percent from NGN1.91 billion in 2013 to NGN2.35 billion in 2014 influenced by a previously deferred exercise to align staff packages to market norms and also partly due to non-recurring start-up costs for the establishment of the Gaborone subsidiary and the Tunis regional office.

Total assets increased by 8 percent from NGN26.13 billion in 2013 to NGN28.21 billion in 2014 and Shareholders' Funds increased by 3 percent from NGN14.29 billion in 2013 to NGN14.78 billion in 2014.

Dividend

Despite the drop in profit recorded for the year, the Board, in line with the Company's commitment to ensuring returns to shareholders, has resolved to maintain the same level of dividend payout as in the previous year. The Board therefore recommends a cash dividend of 11 kobo per share for the financial year under review subject to your approval.

Board changes

As stated in my statement for the year 2013, Mr. Gbenga Falekulo, the Executive Director (Life), resigned from the Board with effect from January 29th, 2014 having retired from the services of the Company with effect from January 1st, 2014. There were no other changes on the Board during the year under review.

Staff

Our Company is managed by a pool of highly resourceful, competent and motivated professionals. People remain our most valuable asset, therefore, we have put in place a talent management system to ensure availability of the right people who will continue to add value and ensure good returns to shareholders.

We have continued to invest heavily in the development of our employees by providing them with world class training opportunities in different areas that are relevant to our business both for now and the future, while we also facilitate trainings for our clients across Africa.

Future outlook

Fellow shareholders, I am pleased to announce to you that with the establishment of our regional office in Gaborone, Botswana in 2014, we have now attained a key milestone in our geographical expansion across Africa in line with our five year strategic plan (2012-2017). With the core building blocks of this plan now in place, we are set for a consolidation and growth phase. We should begin to see the positive upshot of our diversification strategy, being primarily accelerated revenue growth through the deepening of our influence in the markets in which we are now physically represented.

As reported in my statement to you last year, our head office building project was expected to commence in the course of the year, but we experienced some delays in obtaining the necessary approvals. These have now been secured and we shall soon commence work on site.

Conclusion

The 2014 financial year was challenging for our Company, but we believe that we are now positioned for a stronger growth in both our top and bottom lines going into the future.

Let me use this opportunity to thank the Board of Directors, Management and Staff for their unflinching support and commitment to the Company over the years.

Thank you.

Mr. Hurley Doddy
Chairman

Group Managing Director's overview

Distinguished shareholders, it is my pleasure to present to you the business and strategic performance highlights for Continental Reinsurance Plc (Continental Re) for the year 2014. Continental Re had a year of good operational and financial fundamentals in 2014. Although it was a challenging year globally, we responded with a commitment to our vision – to be the premier pan-African reinsurer. We did face tough trading conditions but we adapted to the changes in our business environment and embraced a range of opportunities in various markets.

Growing our footprint

In 2014, two noteworthy milestones were achieved in the execution of our five-year strategic growth plan. We officially launched our North African office in Tunisia and extended the Company's footprint in Africa with the opening of a regional hub for Southern Africa in Gaborone, Botswana. The Company now operates from 6 (six) locations across the continent namely Lagos, Douala, Nairobi, Abidjan, Tunis and Gaborone and is well positioned to exploit strong regional growth prospects.

Evolving our brand strategy

In addition, we evolved our brand strategy to reflect the needs of our clients through local market development; the focus being to enhance our financial and technical capacity in local markets in order to build on our pan-African commitment. Our brand premise, 'pan-African commitment made local', thus captures two fundamental facets of our strategy. We continue to localise market development as this is central to keeping our pan-African commitment.

The opportunity we are faced with as a pan-African enterprise is to standardise a common set of values and behaviours across the different cultures in our various locations. A brand internalization programme is thus ongoing utilising a brand champion approach in order to strengthen our culture and internal brand.

Process strengthening

In line with our overall business objectives and the need to comply with industry standards of debtors' management, a team to streamline and monitor process leading to debtors balances was put in place. This ensures that the carrying balances are tolerable and are within regulatory acceptable limits.

Investment in technical know-how

During the year, we carried out an extensive human capital development initiative through frequent training programmes in different regions across Africa in diverse topics including Engineering, Oil and Gas, Technical Accounting, Marine Insurance and Takaful Insurance. The trainings were designed to upscale re/insurance skills to fill the knowledge gaps in the local African markets with the objective of enhancing insurance penetration across the continent. We shall continue to provide value-adding development programs for our clients in the various markets across Africa in 2015.

Stakeholder engagement

In March 2014, we facilitated the first insurance CEO Summit in Mombasa, Kenya. Drawing industry leaders from across Africa, this proved an invaluable platform for us to engage with our clients and other strategic stakeholders. The summit is an arena for intellectual discourse, building alliances, and networking with key players. We will continue to use this platform to consider opportunities, emerging risks and trends that affect our industry and develop risk mitigating plans.

Performance

Foundational to our growth strategy is the Company's ability to maintain its strong financial position and ensure long-term financial sustainability. During the year gross earnings grew by 7.4 percent from NGN15.04billion in 2013 to NGN16.15billion in 2014. However, growth targets and operational performance as initially envisioned were constrained by negative exchange rate movements in a number of African currencies and significant devaluation of the Naira against the US Dollar late in the fourth quarter. Nevertheless, the overall financial condition of the Company was preserved as evidenced by the growth in assets and shareholders' funds and the improvement in the solvency margin.

We continue to implement controls and monitor enterprise-wide underwriting, operational, regulatory and other risks to ensure adequate mitigation thereof by way of controls and measures that are geared to minimise down-side impact on long–term performance. The increase in business volumes and escalation in the complexity of our transactions due to the geographical diversity of our operations has resulted in an enhanced focus on the areas of control, automation and compliance.

Looking ahead

Year 2015 is going to be an interesting one, due to economic and political uncertainties in many African nations. It is the year of election in many African countries, including Nigeria. Various projections reflect considerable growth potential on the continent with GDP growth expected to strengthen to 5 percent in the years ahead. This translates to a rapidly growing middle class, returns on investment, expanding populations, urbanisation and lower costs of doing business. Combined, these factors continue to contribute to the continent's economic growth and are expected to spur insurance growth.

As Continental Re, we shall continue to leverage on our strong financial condition and market positioning in Africa to seize opportunities. We maintain our firm commitment to grow our Company sustainably through volume growth, improved operational efficiencies, and development of critical skills. Our focus shall be to optimise returns from our capital investments, by consolidating our brand presence, enhancing our client services, securing strong growth in premiums, streamlining our underwriting practices, enhancing our operational efficiencies and strengthening our already formidable multi-national talent pool.

Conclusion

In conclusion, I would like to appreciate our valued partners and shareholders for their loyalty, and thank the Board of Directors and our staff for their unalloyed commitment and support. In the year 2013, we were the first African Insurance/Reinsurance Company (outside of South Africa) to sign up on the United Nations Environmental Programme's Principle of Sustainable Insurance. In the year 2014, our Company was the first to establish a leadership thoughts platform in Africa by way of Continental Re's CEO summit. I want to assure you of our continued passion for innovation and making a difference in the insurance industry to the benefit of all our stakeholders.

Thank you.

Dr. Olufemi Oyetunji
Group Managing Director

2014 Financial year business review

The following is an analysis of the Group's 2014 operating results as compared to the performance in 2013. This is with the objective of fully explaining business operations for a better understanding of the Group's performance.

Review of operations

As a composite reinsurance Company, Continental Reinsurance Plc (C Re) continues to accept Non-Life and Life business from Nigeria and other African countries with Life business coming substantially from Nigeria.

In order to have a proper focus and better service delivery, the technical and underwriting operations continue to be structured along regional lines as follows:

- Lagos office covering Nigeria, other Anglophone West African countries, Angola and South Africa
- Douala office covering Central Africa
- Abidjan office covering Francophone West Africa
- Tunis office covering North Africa and the Middle East states
- Nairobi subsidiary covering Eastern Africa
- Gaborone subsidiary covering Southern Africa.

For reporting purposes in 2014, the Group's business will be reported along the above regional/subsidiary offices.

Note that from the 2013 financials, Continental Re reported as a group with the capitalisation and take-off of the Nairobi office as a subsidiary company and the acquisition of a majority stake in the former Botswana Reinsurance Company Limited, now operating as Continental Reinsurance Company Limited, Gaborone in 2014.

The other offices in Douala (established in 2004), Abidjan (established in 2012) and Tunis (established in 2013) together with Lagos which doubles as both the regional office for the Anglophone West Africa and Group Head Office operated as regional offices in 2014.

The Group business lines are arranged as follows:

- Fire which covers Property and all Engineering sub-classes
- General Accident
- Marine which includes Aviation
- Liability which includes Motor
- Energy (Oil and Gas)
- Life comprising Individual and Group Life.

Non-life business

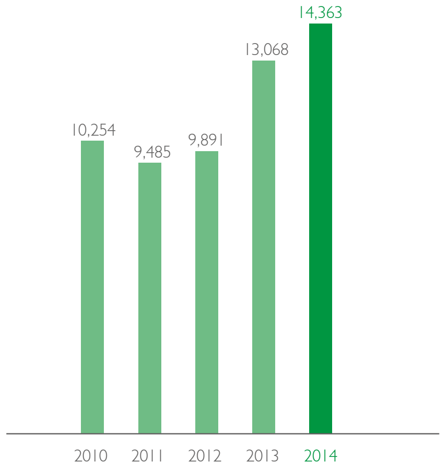
Premium income

The Group's Non-Life Gross Written Premium grew by 10 percent in 2014 over the performance in 2013 from NGN13.07 billion to NGN14.36 billion. This performance is a confirmation of the positive impact of regional expansion strategy adopted by management and assisted by the economic growth in many African countries.

The chart below shows Continental Re's steady Non-Life business growth in the last five years growing at 10 percent Average Annual Growth Rate (AAGR).

Non-life premium development

Amounts in NGN millions

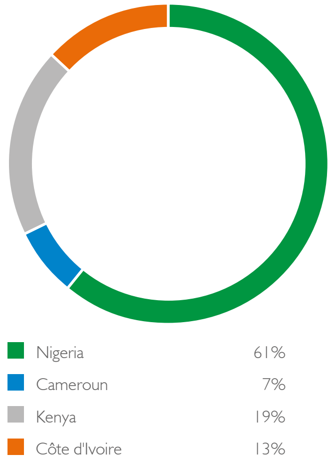


Geographical distribution

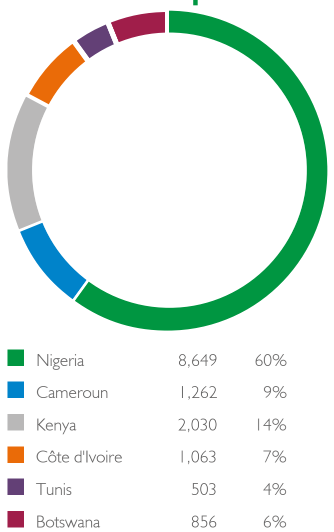
The Lagos office contributed 60 percent of Non-Life Revenue in 2014 compared to 61 percent in 2013. Revenue dropped by 5 percent year-on-year partly due to the transfer of the Tunis regional office business that was previously booked under Lagos. Douala office operations recorded a jump of 43 percent in premiums and its contribution to total revenue also increased from 7 percent in 2013 to 9 percent in 2014. The performance of Abidjan office year-on-year dropped by 38 percent just as the proportion to total dropped from 13 percent in 2013 to 7 percent in 2014. Revenue for the Nairobi subsidiary increased by 44 percent year-on-year and constituted 14 percent of total in 2014, down from 19 percent in 2013 due to transfer of Southern revenue to the Botswana subsidiary. The Tunis and Gaborone offices constituted 4 percent and 6 percent respectively of the 2014 total with Tunis going through its first full year of operations.

The charts below show the regional performances.

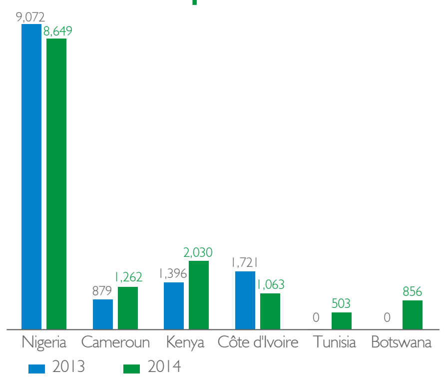
2013 Non-life premium distribution



2014 Non-life premium distribution



2013 Non-life premium income analysis



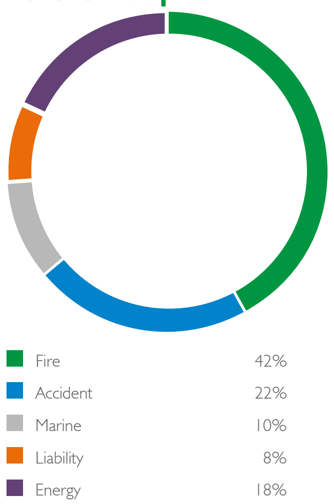
2014 Financial year business review
continued

Lines of business

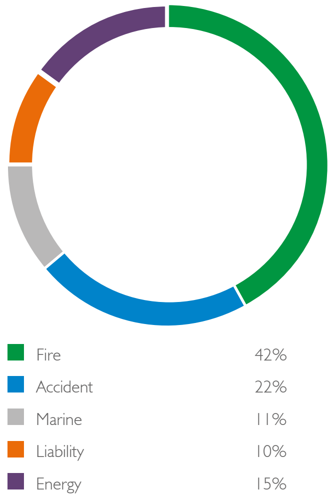
All the business lines except the Energy class recorded absolute increases year-on-year in 2014 even though the proportionate performances were mixed. Whereas the biggest year-on-year change came from Liability at 35 percent, with overall contribution increasing from 8 percent in 2013 to 10 percent in 2014, Fire (which remains the dominant class of business) recorded an increase of 9 percent in 2014 compared to a 39 percent increase in 2013 but retained the same proportion at 42 percent of the total income. The proportions of Marine, Accident and Energy classes were 11 percent, 22 percent and 15 percent respectively in 2014 compared to 10 percent, 22 percent and 18 percent in 2013. In absolute terms, while Marine and Accident witnessed year-on-year improvements increasing by 26 percent and 10 percent respectively, the Energy class decreased by 8 percent.

Management plans to consolidate on the 2014 gains by pursuing further the twin growth strategy of consolidation in existing and growth in new markets and segments.

2013 Gross premium income per line of business



2014 Gross premium income per business line



Combined ratio

Non-Life combined ratio is calculated as a percentage of Claims incurred, Commissions and charges and Management expenses to Net Earned Premium. The combined ratio for Non-Life operations increased by 6 percent from 87 percent in 2013 to 93 percent in 2014 mainly due to increased management expenses.

Claims

Non-Life Gross Claims paid in 2014 were NGN5.91 billion, a 16 percent increase from the NGN5.14 billion recorded in 2013. This compares adversely to the growth in Gross Premium Income of 10 percent. Net Claims Incurred (net of reserves for outstanding claims and retrocession recoveries) of NGN5.66 billion in 2014 is 13 percent higher than the NGN5.03 billion out-turn for 2013. Net Incurred Claims (Loss) ratio improved marginally in 2014 at 45 percent compared to 46 percent in 2013.

The claims experience in 2014 can be regarded as unfavourable characterised by slightly higher frequency of and magnitude especially in the Energy class of business.

Commissions and charges

Commissions and charges amounted to NGN3.80 billion in 2014 compared to NGN3.13 billion in 2013 representing an increase of 21 percent in nominal terms. The Commission ratio increased marginally from 29 percent in 2013 to 30 percent in 2014.

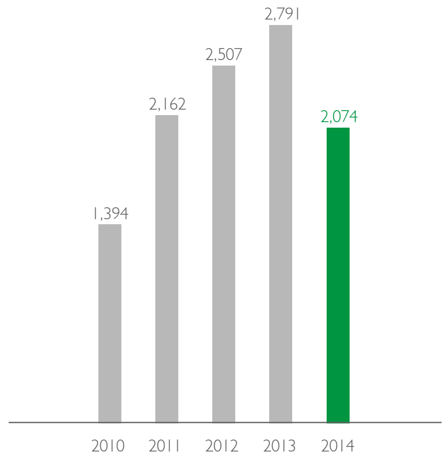
Life business

Premium income

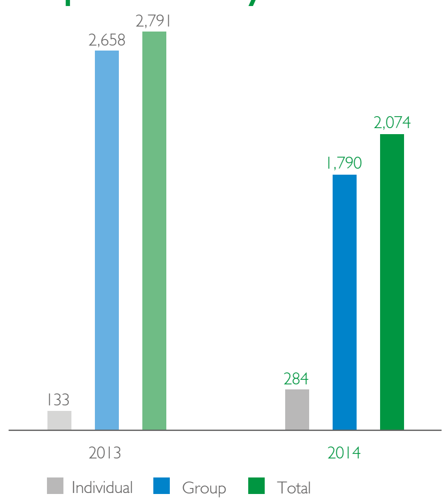
Life business slowed down in 2014 recording for the first time ever a year-on-year decrease of 26 percent compared to an increase of 11 percent in 2013. The drop in gross premium income was mainly due to reversals of 2013 group scheme business premium not paid in 2014 to conform to the "no premium, no cover rule". Despite this drop in 2014, the potential for growth of Life business across the African continent remains largely untapped and is regarded as very high. In this regard, contributions to Life revenue from the regional offices has continued to grow moving from 13 percent in 2013 to 14 percent in 2014. As shown in the Pie Chart below, AAGR for the last five years was 14 percent and this trend is expected to continue.

Group Life contributed 86 percent of the total of NGN2.074 billion gross premium generated in 2014, down from 95 percent in 2013. This mix shows the continued dominance of Group Life business, a trend expected to continue over the years mainly due to the impact of the Nigerian Pension Reform Act where the bulk of the premiums are generated. This trend is however expected to taper as the individual life business gains more acceptance.

Life premium development



Life premium analysis



Life business outgo

Life Gross claims paid in 2014 totalled NGN1.46 billion compared to NGN1.15 billion in 2013, an increase of 27 percent. At an Incurred Claims ratio of 75 percent, the claims experience got relatively worse in 2014 compared to 52 percent in 2013.

Commission and Charges paid were NGN546 million in 2014 compared to NGN747 million in 2013 representing a 27 percent decrease in line with changes in premium income.

2014 Financial year business review
continued

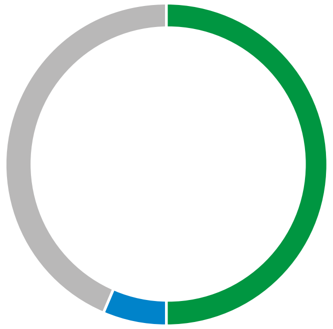
Investments
Guided by the Company's investment objectives of capital preservation, liquidity and optimal returns, our strategy is to optimise the use of the available investible funds to improve our stakeholders' wealth. This section of the report highlights our investment activities in 2014 to achieve these objectives. The objectives are driven by our Board approved investment policy that takes into consideration the various risks in the investment space to ensure a well-diversified investment portfolio.

2014 was a tough year for Nigeria. The dynamic of pre-election intrigue and uncertainty was aggravated by various external factors that included the significant drop in the oil price, which affected external reserves leading to pressure on the Naira and resulting in its devaluation. Prior to the devaluation, the Central Bank of Nigeria (CBN) had tightened liquidity in the economy by increasing the cash reserve ratio for private funds from 15 percent to 20 percent while public funds remained at 75 percent with banks. Towards the end of 2014 on the back of Naira devaluation, the CBN expanded the official USD/NGN midpoint to NGN168/USD from NGN155/USD representing a devaluation of around 8 percent and increased Monetary Policy Rate (MPR) from 12 percent to 13 percent.

Below is the summary of investment return for the year:

		₦'000
Assets under management as at 31st Dec 2014		16,401,657
Investment Income		
Realised		1,232,148
Unrealised:		
Fair value gain on property	83,559	
Fair value gain/(loss) on FVTPL	48,437	
Fair value gain/(loss) on FVTOCI	(101,673)	
Total unrealised gain/(loss)		30,323
Total Investment Income		1,262,471
ROI		**7.70%**

The devaluation of the Naira had a positive impact on our investment in the form of exchange gains treated in the books in respect of the Company's exposure to US dollars. Currently Dollar investments across the group are worth US$8.048 million distributed among the following asset classes:



On the other hand, the Naira appreciated against the CFA Franc (XOF) resulting in huge exchange losses on our XOF denominated investments. In addition to the XOF depreciation against the Naira, there are very limited investment asset options in the Francophone region of West and Central Africa in which we hold a sizeable amounts of our Cash and Cash Equivalent balances in low yield instruments returning less than 2 percent per annum. The loss was however slightly mitigated by the Naira devaluation against the Dollar.

Combined, the investment portfolio achieved a Return On Investment (ROI) of 8.3 percent as against the budget of 8 percent. This excludes the unrealised loss on the available for sale investment (comprised mainly of quoted equities). If the effect of unrealised loss on the quoted equities is adjusted, the ROI will drop to 7.7 percent

Market performance in 2014
The equity market
The Nigeria Equity Market closed the year on a negative note. The All Share Index closed the year at 34,558.79 from 41,210.10 as at January 1st, 2014 resulting in a negative return of 16.14 percent for the year. Various factors contributed to the negative return among which are; the unstable political environment in a pre-election year, significant decrease in oil prices and imminent and eventual Naira devaluation.

Money and fixed income market
The Nigerian fixed income market opened with a liquidity of circa NGN450 billion daily leading to depressed yields between 10.0 percent p.a. and 12.5 percent p.a. across the yield curve. This was partly due to the less aggressive mop-up by the Central Bank of Nigeria ("CBN") via Open Market Operation auctions. However, later in the last quarter of the year, the market witnessed a spike in yields due to sell-off by foreign investors, who are major holders of Treasury Bills and Federal Government bonds, following a steady decline in oil prices, the External Reserves and apparent tension

2014 Group investment performance

	Value		Return		Yield	
Investment Classification	2014 ₦'000	2013 ₦'000	2014 ₦'000	2013 ₦'000	2014 %	2013 %
Cash and cash equivalent	3,963,090	4,787,639	480,757	562,012	12.13%	11.74%
Available for sale	2,406,037	2,259,534	202,868	183,742	8.43%	8.13%
Held to maturity	4,878,062	5,830,270	331,989	334,052	6.81%	5.73%
Financial assets designated as fair value through P & L	1,227,512	170,285	48,438	38,591	3.95%	22.66%
Investment property	2,926,956	1,746,800	172,396	136,218	5.89%	7.80%
Statutory deposit	1,000,000	1,000,000	127,696	105,537	12.77%	10.55%
Total	**16,401,657**	**15,794,528**	**1,364,144**	**1,360,152**	**8.32%**	**8.61%**

The overall yield as at the end of 2014 was 8.3 percent (2013: 8.6 percent) against the budgeted yield of 8 percent.

regarding the impending general elections in 2015. The External Reserves which opened the last quarter at $39.52 depreciated by 12.25 percent to close the year at $34.68 while the exchange rate which opened at USD/NGN165.48 in the inter-bank market depreciated by 10.88 percent to close at USD/NGN183.48 due to reversal of foreign flows.

Thus, the 91, 182 and 364 day Treasury Bills which opened at the beginning of the last quarter at 9.950 percent p.a., 10.100 percent p.a. and 10.350 percent p.a. respectively closed higher across the curve at 11.249 percent p.a., 14.480 percent p.a. and 15.990 percent p.a. respectively at the end of the year.

Cash and cash equivalent were purely money market instruments that comprise of Bankers Acceptances, Commercial Papers and Term Deposits with a tenure of less than 3 months. The yield of 12.13 percent is the average of the rates across the various currencies' bank placements. The cash and cash equivalent decreased by 21 percent from NGN4.787 billion as at December 31st, 2013 to NGN3.963 billion as at December 31st, 2014. The reason for the decline was attributable to the use of cash for acquisition of investment property in Abidjan and further expansion to localise the business in the Southern Africa region.

Securities Available for Sale (AFS) comprised of equity instruments, Federal Government Bonds and mutual funds. The annualised yield as at December 31st, 2014 was 8.43 percent out of which equity was 7.56 percent excluding unrealised loss on equity (return on equity was 5.12 percent net of unrealised loss). The income on equity was basically dividend income and capital gain realised from trading. During the year, the equity market could not sustain the bullish run experienced in the second quarter of the year. The All Share Index had a negative return of 16.14 percent for the year.

Securities Held to Maturity (HTM) were made up of corporate Bonds and Government securities and the income was interest income that provided steady cash flow. The yield was 6.8 percent (2013: 5.7 percent).

Investment property: investment property increased by 62.77 percent from NGN1.746 billion as at December 31st, 2013 to NGN2.926 billion as at December 31st, 2014. The increase was the result of payment for property acquired in Abidjan for investment purpose and revaluation surplus. There was low demand for property in the highbrow areas of Ikoyi, Lekki and Victoria Island even though more constructions of residential accommodation were being undertaken. The low demand was attributed to high rent asking compared to affordability which created a supply gap thereby increasing the rate of vacant residential accommodation in these areas.

Conclusion
The operating environment in 2014 remained challenging due to increased competition, tighter regulations and increased costs of doing business. Despite the increase in revenues, the bottom line was hampered by challenges, with the main being an unfavourable claims experience and, given our pan-African base, foreign exchange losses suffered across a number of African currencies which depreciated against our reporting currency, the Naira. This performance however did not affect the Company's financial position as evidenced by the growth in assets and shareholders' funds and the improvement in solvency margin.

Client base in key insurance markets

+200

4

REPORTS

COMMITMENT TO CUSTOMER-CENTRICITY

Focusing our localised market development by empowering staff through an internalisation programme, designed to deepen the understanding of our strategic drivers and how everyone will ultimately be able to contribute to our growth and professional development aims.

Directors' report

The Directors present their report together with the audited financial statements of the Group for the year ended December 31st, 2014.

1. Legal form

Continental Reinsurance Plc (or "the Company") was incorporated as a private limited liability Company on July 24th, 1985. It was registered by the National Insurance Commission (NAICOM) as a reinsurer on November 14th, 2007. It initially commenced business as a general reinsurer and became a composite reinsurer in January 1990. The Company was converted to a public limited liability Company on March 27th, 2000. Its shares were officially listed on the Nigerian Stock Exchange on May 30th, 2007.

2. Principal activity

The Company is principally engaged in the business of reinsuring all classes of insurance business, including Life, Fire, Engineering, Bond, General Accident, Marine, Aviation, Motor, Liability and Energy within and outside Nigeria. Its product mix includes a full range of treaty and facultative reinsurance services.

The Company is a pan-African reinsurance Company operating in more than 50 African countries with four regional offices in Lagos (Nigeria), Douala (Cameroon), Abidjan (Côte d'Ivoire), Tunis (Tunisia) and two subsidiaries in Nairobi (Kenya) and Gaborone (Botswana). The Company also has 5 percent shareholding each in Aveni Reinsurance and Uganda Reinsurance.

3. Results for the year

The results of the two subsidiaries have been consolidated in the financial statements on pages 65 to 68. Below is a summary of the results for the year under review:

	Group ₦'000	Company ₦'000
Profit before taxation	1,587,969	1,279,994
Income tax expense	(732,325)	(618,471)
Profit after taxation	855,644	661,523

4. Business review

A review of the 2014 operating results compared to the group's performance in 2013 and outlook for the ensuing year are contained in the financial year business review on pages 22 to 27.

5. Property, plant and equipment

Movements in property, plant and equipment during the year are shown in note 22 on page 79. In the opinion of the Directors, the market value of the Company's properties is not less than the value shown in the accounts.

6. Dividend

The Board recommends, for approval and payment to shareholders whose names appear in the register of members on Friday, July 17th, 2015, a dividend of 11 kobo (2013: 11 kobo) on each ordinary share of 50 kobo each, amounting to NGN1,141,001,874.54 (2013: NGN1,141,001,874.54) from the profit after tax and from retained earnings account. The dividend is subject to deduction of withholding tax at the appropriate rate.

7. Event after reporting date

Subsequent upon the year end, the Company received regulatory approval to set up a Property and Engineering Risk Services subsidiary in South Africa to provide specialist engineering risk advisory services and underwriting support to insurance and reinsurance companies across Africa. Other than as disclosed, there are no post-Balance Sheet events which could have had a material effect on the state of affairs of the Company as at December 31st, 2014 or on the profit for the year ended on that date that have not been adequately provided for or disclosed.

8. Change on the Board

During the year Mr. Gbenga Falekulo, the Executive Director (Life), resigned from the Board with effect from January 29th, 2014 having retired from the Company with effect from January 1st, 2014.

9. Retirement by rotation

In accordance with Article 105 of the Company's Articles of Association, Mr. Vincent Le Guennou and Mr. Johnnie Wilcox retire by rotation and being eligible offer themselves for re-election.

10. Directors' interests

The direct and indirect interests of Directors in the issued share capital of the Company as recorded in the register of Directors' Shareholdings and/or as notified by them for the purpose of Section 275 of the Companies and Allied Matters Act, CAP C20, LFN 2004 are as follows:

Number of 50 kobo ordinary shares held as at December 31st

	2014		2013	
Directors	Direct	Indirect	Direct	Indirect
Dr. Olufemi Oyetunji	11,140,500	Nil	9,640,500	Nil
Mr. Rasack O. Falekulo (Resigned 29/01/14)	7,346,367	Nil	35,266,666	Nil
Mr. Lawrence M. Nazare	Nil	Nil	Nil	Nil
Mr. Hurley Doddy	Nil		Nil	
Mr. Vincent Le Guennou	Nil		Nil	
Mr. David S. Sobanjo	2,140,350	218,714,265	2,140,350	218,714,265
Ms. Nana Appiah-Korang	Nil		Nil	
Mr. Bakary H. Kamara	Nil		Nil	
Mr. Johnnie Wilcox	Nil		Nil	
Mr. Foluso Laguda	200,000	425,080,999	200,000	406,975,795

Note
* The indirect interest of Mr. Vincent Le Guennou, Mr. Hurley Doddy, Ms. N. Appiah-Korang, Mr. Bakary H. Kamara and Mr. Johnnie Wilcox who represent C-Re Holding Ltd, the majority shareholder, is 5,563,870,691 shares.
* Mr David Sobanjo represents AIICO Insurance Plc.
* Mr. Foluso Laguda represents Salag Ltd.

11. Directors' interests in contracts

For the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20, LFN 2004, none of the Directors has notified the Company of any declarable interest in contracts with which the Company was involved as at December 31st, 2014.

12. Substantial shareholding

According to the register of members, the following shareholders held more than 5 percent of the issued share capital of the Company as at December 31st, 2014:

Ordinary Shares of 50 kobo each

	2014		2013	
	Number	%	Number	%
C-Re Holding Ltd	5,563,870,691	53.64	5,251,041,322	50.62
STANBIC Nominees Nig. Ltd [Trading A/C]	570,000,000	5.50	598,130,840	5.76

13. Acquisition of own shares

The Company did not purchase any of its own shares during the year (2013: Nil).

14. Ownership structure

	December 31st, 2014			December 31st, 2013		
	No. of holders	No. of shares	%	No. of holders	No. of shares	%
Foreign	30	5,757,753,438	55.51	29	5,542,230,147	53.43
Nigeria	5,867	4,614,990,874	44.49	5,854	4,830,514,165	46.57

15. Notification of potential divestment

During the second half of the year, a notification was received from C-Re Holding Ltd of the potential divestment by ECP Africa Fund II and its partners (the "ECP Fund II Consortium") of their interests in C-Re Holding Ltd ("C-Re Holding"). C-Re Holding is a Mauritius based limited liability company wholly owned by the ECP Fund II Consortium and is currently the majority shareholder of Continental Reinsurance Plc. Subsequently, similar notifications were sent to the Company's primary regulator, NAICOM and the Nigerian Stock Exchange.

The Consortium is currently engaged in the process of the sale of C-Re Holding to a reputable party that is capable of supporting the growth and further development of Continental Reinsurance Plc. Whilst the transaction is not expected to affect C-Re Holding's status as a registered shareholder of Continental Reinsurance Plc, it will result in a change in the beneficial holding of the interest currently held by C-Re Holding.

16. Retrocessionaires

- Swiss Re
- Canopius (Lloyds)
- Advent Re
- Q-Re
- Trust Re
- Sirius Syndicate
- Milli Re
- Sava Re
- Antares Syndicate
- Santam Re
- Lanssforsakkringar
- GIC Re, India
- China Re
- Cathedral Syndicate, London
- Hannover Re
- Everest Re
- Ghana Re
- Ascot
- Catlin Re, London
- Chauser (Lloyds)
- CCR Algeria
- PTA Re
- Odyssey Re
- Amlin
- Labuan Re
- Kuwait Re
- Transatlantic Re
- Kiln
- Ingosstrakh
- Intern. Gen. Ins. (IGI)
- XL Re
- Helvetia Re
- CICA Re
- Kenya Re
- Fair Re Pool

Directors' report
continued

17. Principal brokers

The following brokers transacted business with the Company during the year under review:

Local

Glanvill Enthoven Reinsurance Brokers Limited
YOA Insurance Brokers
United African Insurance Brokers Limited
Ark Reinsurance Brokers
SCIB Insurance Brokers
Jomola Insurance Brokers
FBN Insurance Brokers
IBN Insurance Brokers
Jordan Global Insurance
Feybil Insurance Brokers

Foreign

Afro Asian Reinsurance Brokers
Alsford Page
AON Benfield, London
Atlas Re
CK Re
JB Boda & Company Private Limited, Bombay
Tysers & Company Ltd
Gras Savoye
Arab African Insurance – Reinsurance Brokers
Reinsurance Solution
Guy Carpenter
First Reinsurance Ltd
KEK Reinsurance Ltd
Willis Re
Alwen Hough Johnson
United Insurance Brokers
Pioneer Insurance Brokers

18. Donations

During the year under review, the Group made donations amounting to NGN6,125,186 to various charitable organisations within and outside Nigeria. The recipients are the following:

	₦
SOS Children's Village, Nigeria	2,308,932
Ebola – Liberian Government	776,250
Red Cross Road Safety Initiative, Kenya	557,316
Wesley Schools for Hearing Impaired Children, Lagos	300,000
Dispensaire De Edingding, Obala Centre Region, Cameroon	289,542
Wake up Africa NGO, Abidjan	273,896
Pacelli School for the Blind & Partially Sighted Children, Lagos	200,000
Onikan Health Centre, Lagos	200,000
National Handicap Carers Association of Nigeria (NAHCAN), Lagos	200,000
Little Saints Orphanage, Lagos	200,000
Hearts of Gold Children Hospice, Lagos	200,000
Lagos State Rehabilitation Centre, Ikorodu	150,000
Star Children Development Initiative, Ibadan	150,000
Special Persons Association of Nigeria	100,000
Cerebral Palsy Awareness Charity Walk, Kenya	87,700
Rotary Club of Milimani – Scholarship Fund, Kenya	87,700
Royal Golf Club-Education and Safety Initiative in the Slum, Kenya	43,850

19. Analysis of shareholding

The issued and fully paid up share capital of the Company as at December 31st, 2014 was NGN5,186,372,156.00 divided into 10,372,744,312 ordinary shares of 50 kobo each. The range of shareholding is as follows:

Range Holdings	Number of Holders	Holdings	%
1 – 1,000	676	410,788	00.0
1,001 – 5,000	1,193	3,920,792	0.04
5,001 – 10,000	927	8,158,990	0.08
10,001 – 50,000	1,620	45,080,057	0.43
50,001 – 100,000	623	53,413,037	0.51
100,001 – 500,000	560	135,427,864	1.31
500,001 – 1,000,000	129	95,673,484	0.92
1,000,001 – 5,000,000	93	216,394,938	2.09
5,000,001 – 10,000,000	29	204,324,304	1.97
10,000,001 – 50,000,000	25	671,454,188	6.47
50,000,001 – 100,000,000	10	719,341,981	6.93
100,000,001 – 999,999,999,999	12	8,219,143,889	79.24
		10,372,744,312	100

20. Unclaimed dividends

Of the dividends declared from 2007 to 2013, total unclaimed dividends as at December 31st, 2014, was NGN295,250,103.16. The bulk of the unclaimed dividends for the years 2007 and 2008 were transferred by the Registrars in 2011 to a fixed deposit account maintained with Sterling Bank Plc. The account is jointly managed by both the Company and Sterling Registrars. The total amount in the account as at December 31st, 2014 was NGN158,499,881.10.

21. Employment and employees

▶ Employment policy

The Company appreciates that people are its most important asset in achieving its business objectives. It therefore provides policies and best practices that will make employees to deliver the best results by giving priority to their professional fulfilment and ensuring that they acquire the right competencies. As an equal opportunity employer, the Company ensures diversity and inclusion in its people management activities.

It is the policy of the Company that there should be no discrimination in considering applications for employment, including those of the physically challenged persons. All employees are given equal opportunities to develop. In the event of an employee becoming disabled in the course of employment, the Company is in a position to arrange appropriate training to ensure continuous employment of such employee without subjecting him/her to any disadvantage in his/her career development and, in addition, ensure that they fit into the Company's working environment. Currently, the Company does not have any physically challenged person.

▶ Health, safety at work and welfare of employees

Health and safety regulations are ensured in all the Company's offices and employees are aware of the existing regulations while adequate information on health related issues are provided regularly. The Company provides free medical care to employees and a number of their immediate family members through retainer agreement with reputable medical care providers, as well as through health insurance schemes. Employees also undergo comprehensive medical examination regularly. In addition, employees are adequately insured against occupational and other hazards. Fire prevention and fire-fighting equipment are installed in strategic locations in all the offices.

Furthermore, the Company has in place, Personal Accident Insurance Scheme and Group Life insurance covers for all its employees. It contributes to Employees' Compensation in accordance with the Employees Compensation Act 2011. It also operates a contributory pension plan in line with the Amended Pension Reform Act, 2014 as well as Retirement Benefit Scheme approved by the Joint Tax Board.

▶ Learning and development

The Company places high premium on the development of its manpower. Consequently, employees are sponsored to attend both local and internationally organised training courses, workshops, seminars and conferences for knowledge acquisition and professional networking. These are complemented by e-learning and on-the-job training and training attachments in reputable reinsurance companies and with retrocessionaires.

▶ Employees involvement and engagement

The Company encourages participation of employees in arriving at decisions in respect of matters affecting their well-being and to achieve this, ensures, through various fora, that employees are informed on matters concerning them. Management and team retreats, informal lunch sessions with the leadership continued to be used to promote employee engagement. Formal and informal channels are also utilised in communication with employees with an appropriate two-way feedback mechanism.

▶ Employee remuneration and talent management

It is the policy of the Company to pay its employees competitive remuneration. In line with this, job evaluation and remuneration surveys are carried out regularly to guide in recruiting, motivating and retaining high talents for the achievement of the Company's business objectives.

▶ Internal communication/employee relationship

The Company recognises the importance of internal communication and employee relationship for the success of its diversification and growth strategy. It has put in place systems that stimulates information flow and information sharing among its employees and throughout the Group. The channels of communication adopted include face-to-face interaction, use of telecommunication devises, meetings, social media platforms, newsletters, notice boards, intranet, e-mails and other appropriate communication platforms. Internal communication promotes employee involvement harnessing contributions towards the achievement of the Company's strategic goals and initiatives.

22. Auditors

The Auditors, Messrs. Ernst & Young have indicated their willingness to continue in office as Auditors of the Company and in accordance with Section 357 (2) of the Company's and Allied Matters Act, CAP C20, LFN 2004, a resolution will be proposed at the Annual General Meeting to authorise the Directors to fix their remuneration.

BY ORDER OF THE BOARD

Abimbola A. Falana (Mrs.)
Company Secretary
FRC/2013/NBA/00000000688

6, Catholic Mission Street (8th Floor)
Lagos

Dated: February 25th, 2015

Corporate governance report

The embedding of the highest standards of corporate governance throughout the Continental Reinsurance group is identified as fundamental in the attainment of the group's strategic goals and strengthening its competitive advantage. The Board is thus committed to sound and effective corporate practices and has continued to exercise its oversight responsibilities of the business and affairs of the Company and the group with the highest standards of ethics and integrity ensuring compliance with corporate governance requirements in all countries in which the Company has operations while also maintaining its commitment to international best practices.

1. Board of Directors

Composition and structure

The Board is comprised of individuals with diverse mix of skills, experience and expertise appropriate for the Company's business needs. Individual Directors are persons with upright personal characters and knowledge on Board matters, a sense of accountability, integrity and are fully committed to enhancing shareholder value.

There are currently nine (9) directors on the Board, seven (7) of whom are Non-Executive Directors while two are Executive Directors as shown below:

Non-Executive Directors

Mr. Hurley Doddy (American) – Chairman
Mr. Vincent Le Guennou (French)
Mr. David S. Sobanjo
Ms. Nana Appiah-Korang (Ghanaian)
Mr. Bakary H. Kamara (Mauritanian)
Mr. Johnnie Wilcox
Mr. Foluso Laguda

Executive Directors

Dr. Olufemi Oyetunji – Group Managing Director/CEO
Mr. Lawrence M. Nazare (Zimbabwean) – Executive Director and Group Head of Operations

The Board has commenced the process of identifying an individual to be appointed as an independent Director.

The roles of the Chairman and the Group Managing Director/CEO are separate and are clearly defined. Whilst the responsibility of the Chairman is primarily leadership and governance of the Board as a whole and creating a conducive atmosphere at Board Meetings for the effective performance of the individual Directors; the Managing Director is responsible for the overall performance of the Company including responsibilities for effective day to day monitoring and management controls.

There is also clear separation of responsibilities between the Board and the Management which ensures non-interference of the Board in Management functions and vice versa.

Term of office of Directors

In keeping with best practice and as provided in the Company's Articles of Association one third of the Directors excluding the Executive Directors and those appointed by the Board during the year, retire by rotation at each Annual General Meeting. The Directors who retire by rotation in each year are those who have been longest in office since their last election/re-election. Directors appointed by the Board during the year either to fill casual vacancies or as additions to the existing Directors are subject to election at the Annual General Meeting immediately following their appointments.

Directors' and officers' liability insurance

To protect Directors against the risk of personal liability, the Company has taken out Directors' and Officers' Liability Insurance cover for all the Directors.

Directors' induction, training and development

Although no new Director was appointed during the year, the Company has in place an orientation process for new Directors. It is also customary for new Directors to receive an induction pack containing the corporate profile; synopsis of the Company's business, products and services; ethics and philosophy; duties of Directors; organisation structure; Directors' Code of Conduct; rules on Insider Trading and Directors' dealing in the Company shares; details and terms of reference of each of the Board Committees and copies of the Company's strategic plan, Memorandum and Articles of Association, statutory codes of Corporate Governance, approved policies, staff handbook, schedule of Meetings for the year; minutes of most recent meetings and other relevant information.

In line with the approved training plan for Directors, formal training on International Financial Reporting Standards (IFRS) and Enterprise Risk Management were held for Directors in April and October 2014 respectively.

To update their skills and knowledge and thus enhance their performance, Directors are also encouraged to attend external courses, conferences, seminars, workshops and other relevant training programs at the Company's expense.

Right of Directors to seek independent professional advice

The Directors are aware of their right to seek independent professional advice in furtherance of their duties if necessary and in appropriate circumstances. There was no indication from any of the Directors as to whether they did or did not take advantage of the policy.

2. Responsibilities of the Board

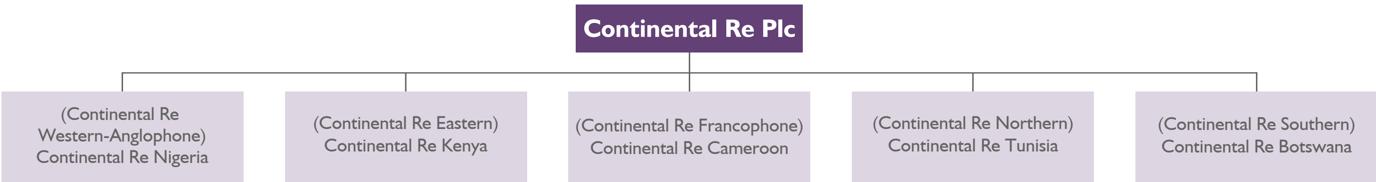
The Business and affairs of the Company are managed, controlled and operated in accordance with the Company's Memorandum and Articles of Association under the direction of the Board and in conformity with applicable laws and regulations guiding the Company's operations both locally and internationally. The Board continued to ensure good corporate governance practices and effectively monitors and oversees the performance of the Executive Management in order to protect and enhance shareholder value as well as meet the Company's obligations to its employees and other stakeholders.

The responsibilities of the Board include the following:

- formulating policies and setting long term strategic objectives of the Company
- reviewing and approving the Company's strategic plan
- monitoring corporate expenditures and acquisitions
- authorising and effectively monitoring strategic decisions and ensuring compliance with policies and achievement against objectives through quarterly performance reporting and budget reviews
- reviewing and evaluating the implementation of strategies, policies and corporate performance
- overseeing major capital expenditures and acquisitions
- formulating risk policy, monitoring potential risks within the Company including recognising and encouraging honest whistle blowing
- monitoring and managing potential conflicts of interest of key executives, Board members and Shareholders including misuse of corporate assets
- selecting, compensating and monitoring key executives and overseeing succession planning
- ensuring compliance with relevant laws and statutory regulatory requirements through quarterly reviews of compliance reports
- ensuring the integrity of the Company's financial reporting system
- ensuring that ethical standards are maintained.

In performing its responsibilities, the Board is guided by the need for objective judgment of issues independent of the Executive Management, the need for transparency and avoidance of conflict of interest and taking decisions on fully informed basis, in good faith, with due diligence and care in the best interest of the Company and shareholders. To this end, the Company is structured to allow for effective and efficient decision making.

Corporate governance
continued



In line with the strategic plan of setting up subsidiaries in the different regions in Africa due to local regulatory requirements and to capture growth, the Board during the year, approved a new group structure with clear job description and authority levels and working relationships for members of the management. The group structure, which is in the process of being implemented, is highlighted above.

The Board directs the affairs of the Company through Board Committees and delegates many of the operational decision making responsibilities to the Executive Management led by the Group Managing Director/CEO, with authority to sub-delegate and power to manage the Company's and the Group's business subject to the Articles and other regulations of the Company and the subsidiaries and with appropriate structures in place for the authorities delegated. The Board however, retains for itself, major decisions and has exclusively reserved for its consideration and decision making, the following matters which it does not delegate:

- approval of business strategy
- approval of annual operating budget and capital expenditure budget
- approval of financial statements
- formulation of dividend policy
- formulation of investment policy
- approval of material investments and disposals
- formulation of risk management strategy/risk appetite
- matters relating to share capital
- approval of major capital projects
- staff matters including remuneration, reward, recruitment and promotion of senior management.

3. Profiles of Directors

Mr. Hurley Doddy

Mr Hurley Doddy is an economics graduate from Princeton University. He holds a Chartered Financial Analyst (CFA) designation from the CFA Institute. He has over twenty five (25) years of private equity and finance experience. He is a Managing Director, founding partner and co-CEO of Emerging Capital Partners (ECP). Before joining ECP in 2000, Mr. Doddy was an Executive Director at Sumitomo Finance International, London. Mr. Doddy began his career in finance at Salomon Brothers in 1984 where he gained a wealth of experience and later became the Managing Director. He has served on numerous boards including African Venture Capital Association (AVCA), Oragroup (West and Central Africa), Celtel International (Pan African), Charaf Corporation (Morocco), Agromed S.A. (Tunisia), All Africa Airways (Mauritius), Air Ivoire (Côte d'Ivoire), Société Internationale de Plantations d'Heveas (SIPH) West Africa and Maarifa Education (East Africa). He was appointed to the Board in May, 2007 and is currently the Chairman of the Board.

Dr. Olufemi Oyetunji

Dr. Femi Oyetunji holds a PhD in Statistics from the University of Manchester, Institute of Science and Technology, England (1980); a Master of Science (M.Sc) degree in Statistics from Imperial College, London (1977) and a Bachelor of Science (B.Sc) First Class Honours degree in Statistics and Operational Research from the University of Manchester, Institute of Science and Technology, England (1976). He is a Fellow of the Institute of Actuaries, United Kingdom and has attended several management development programmes locally and overseas. He joined Continental Reinsurance as Managing Director/CEO on January 3rd, 2011. Dr Oyetunji was the founding Managing Director/CEO of Alexander Forbes Consulting Actuaries Nigeria Limited and as the Chief Actuary, supervised many large insurance and pension schemes, a position he held before joining Continental Reinsurance. He continued to serve on the Board of the company as a non-executive director until his resignation early in the current year. He is currently a non-executive director of CrusaderSterling Pensions Ltd.

Mr. Lawrence Nazare

Mr. Lawrence Nazare is currently Executive Director and Group Head of operations. He holds a Bachelor of Law (Hons) Degree, (1988) and a post-graduate Bachelor of Laws Degree (1989) from the University of Zimbabwe and is an admitted Legal Practitioner. Mr. Nazare's experience in reinsurance spanned over twenty one (21) years. Prior to joining Continental Reinsurance in May 2010, he was the Managing Director of ZB Reinsurance Ltd, formerly Inter-market Reinsurance Limited, Zimbabwe, a Hannover Re Joint Venture Company. He was Chairman of Credit Insurance Zimbabwe Limited; Vice President of the Insurance Institute of Zimbabwe; a member of the regulatory Non-Life advisory Committee and Chairman of the organisation of Eastern and Southern Africa Insurers (OESAI). He served as Chairman of The Insurance Council of Zimbabwe for three consecutive terms, was co-Chairman of the Non-Life Advisory Committee and Chairman of the Zimbabwe Reinsurance Association.

Mr. Vincent Le Guennou

Mr. Vincent Le Guennou was appointed to the Board of Continental Re on May 30th, 2007. He is a graduate of l'Ecole des Hautes Etudes Commerciales (HEC) in Paris. He holds a Bachelor in Economics from Universite de Paris Dauphine and an M.B.A from Harvard Business School. He is currently the co-CEO of Emerging Capital Partners (ECP) as well as Managing Director and founding partner. Mr. Le Guennou joined ECP in 2000 as Director for West Africa and the Maghreb. Prior to this he was member of the international department of the Saur group for six years (Saur was a former affiliate of the Bouygues group which specialises in water and electricity distribution and waste water treatment). While on secondment from Saur, Mr. Le Guennou served as Chief Finance Officer of Compagnie Ivoirienne d'Electricité in Côte d'Ivoire, a company listed on the regional stock exchange.

Mr. Le Guennou began his career in 1989 with Arthur Andersen in Paris, where he rose to become senior auditor in the banking and capital markets division. Mr. Le Guennou has served on the Boards of various companies including Charaf Corporation (Morocco), Eranove (West Africa), SIPH (West Africa), Veolia Water Maroc (Morocco), General Assurance Mediterraneenne (Algeria), Oragroup (West Africa), All Africa Airways (Mauritius), SAH (Tunisia), Air Ivoire (Côte d'Ivoire) and Maarifa Education (East Africa).

Mr. David S. Sobanjo

Mr. David Sobanjo is a graduate of Actuarial Science (1981) from the University of Lagos. He also holds an MSc in Business Administration (1995) from the same University and an MBA (Marketing, 1999) from Enugu State University of Science and Technology. He has vast experience in insurance and management spanning over 35 years. He became an Associate of the Chartered Insurance Institute, London in 1984, a fellow of the Institute in 1988 and a fellow of the Chartered Insurance Institute of Nigeria in 1992. He was the Group Managing Director and Chief Executive Officer of AIICO Insurance Plc before his retirement in September 2013 and continues to serve the company as a non-executive director. He joined the Board of Continental Re as a non-executive director in February 2006.

Ms. Nana Appiah-Korang

Ms. Nana Appiah-Korang joined the Board in May 2007. She holds a bachelor's degree in mathematics and a minor in economics from Mount Holyoke College. She is currently an executive Director of Emerging Capital Partners (ECP). Prior to joining ECP, she worked for the Real Estate Principal Investment Group of Goldman, Sachs & Co. in New York where she executed real estate private equity transactions in the US and played an active role in the marketing of the Whitehall XII funds to potential investors in the US, Europe and Asia.

Mr. Bakary Kamara

Mr. Bakary Kamara's appointment to the Board was effective from July 18th, 2011. He holds a Diploma of the Insurance Institute of Tours (France), 1977, Diploma of High Studies in Insurance Law (D.E.S.S.) from François Rabelais Université – Tours (France), (1977), a Bachelor's Degree (BA) in General Law (1974) and a Master's Degree (MA) in Civil Law (1976) from the University Cheikh Anta Diop, Dakar. He was the Managing Director/CEO of African Reinsurance Corporation (Africa Re), and currently serves on various Boards and Councils. He belongs to a number of professional bodies and is a permanent member of the Executive Committee of the African Insurance Organisation. He is also a member of the Ouagadougou Forum, a gathering of prominent African captains of industry, professionals and scholars and Member of the Association of African Insurance Lawyers.

Corporate governance continued

Mr. Johnnie F. Wilcox
Mr. Johnnie F. Wilcox is Fellow of the Chartered Insurance Institute of London with over 35 years working experience in the Insurance Industry covering direct Insurance, reinsurance, risk management, reinsurance broking and insurance education. He was appointed to the Board of Continental Re in May 2013. Prior to that he was the former Managing Director of United African Insurance Brokers Ltd (UAIB) and during his tenure led a team of professionals at UAIB providing risk solutions and consulting services to Insurance and reinsurance companies within the continent of Africa. He has extensive contacts within the African continent and has served on the executive of numerous regional Associations including the African Insurance Association (AIO), West African Insurance Companies Association (WAICA), and the West African Insurance Institute, amongst others.

Mr. Foluso Laguda
Mr. Foluso Laguda joined the Board of Continental Re in September 2013. He holds an MBA from Imperial College, London, UK with specialization in Entrepreneurship and Corporate Finance; a Bachelor of Engineering Honours Degree in Mechanical Engineering from UMIST, Manchester, UK. He is an experienced Strategy Consultant with over 15 years of leadership in advisory, information and research businesses. He has worked with several global corporations across Consumer Packaged Goods, Technology Media and Telecoms, and Financial Services sectors – on the development and implementation of business growth and innovation programmes. He is a member of the Institute of Directors (MIoD) in both Nigeria and the UK and currently serves on the board of several companies including SALAG Limited.

Multiple Directorship
Although all the Directors serve on other Boards, this has not interfered with their ability to discharge their responsibilities on the Board of the Company. They have demonstrated that they have sufficient time to the business of the Company through regular attendance at all Board and Board Committee meetings and effectively discharged their duties during the year.

Board evaluation
A formal evaluation of the performance of the Board and of individual directors to be carried out by an external consultant has been scheduled for the current year 2015.

4. Board meetings
The Board met five (5) times during the 2014 financial year for the review of Annual and quarterly financial Statements, review of management reports, review of performance of regional offices and subsidiaries, approval of group strategy/structure, review of reports and recommendations of Board Committees, approval of retrocession strategy for 2015, review and approval of annual operating and CAPEX budgets, policies and other issues on the operations and strategies of the Company and the group. Board papers were sent in advance of meetings and Directors were provided appropriate and relevant information to enable them make informed decision on any matter before them.

The dates of the meetings and details of Directors' attendance at the meetings are shown in the table below:

	Meetings					
Directors	05/03/2014	25/04/2014	22/07/2014	21/10/2014	09/12/2014	No. of Meetings Attended
Mr. Hurley Doddy	✓	✓	✓	✓	✓	5
Dr. Olufemi Oyetunji	✓	✓	✓	✓	✓	5
Mr. Lawrence M. Nazare	✓	✓	✓	✓	✓	5
Mr. Vincent Le Guennou	✓	✓	✓	✓	✓	5
Mr. David S. Sobanjo	✓	✓	✓	✓	✓	5
Ms. Nana Appiah-Korang	✓	✓	✓	✓	✓	5
Mr. Bakary H. Kamara	✓	✓	✓	✓	✓	5
Mr. Johnnie Wilcox	✓	✓	✓	✓	✓	5
Mr. Foluso Laguda	✓	✓	✓	✓	✓	5

5. Board Committees
There are three standing Board Committees that assists the Board in the execution of its responsibilities. During the year, the Corporate Governance, Compliance and Establishment Committee was renamed **'Corporate Governance, Nomination and Remuneration Committee'** and its terms of reference amended to include agreeing the conditions of service of staff, management and Directors and recommending Directors' nomination and remuneration to the Board. The three Committees were reconstituted at the Board meeting held on March 5th, 2014 as follows:

- Corporate Governance, Nomination and Remuneration Committee
  Mr. Bakary H. Kamara (Chairman)
  Mr. David S. Sobanjo
  Ms. Nana Appiah-Korang
  Mr. Foluso Laguda
- Underwriting Committee
  Mr. Bakary H. Kamara (Chairman)
  Mr. David S. Sobanjo
  Mr. Johnnie Wilcox
  Dr. Olufemi Oyetunji
  Mr. Lawrence M. Nazare
- Investment/Finance, General Purposes and Enterprise Risk Management Committee
  Mr. Vincent Le Guennou (Chairman)
  Ms. Nana Appiah-Korang
  Mr. Johnnie Wilcox
  Mr. Foluso Laguda
  Dr. Olufemi Oyetunji
  Mr. Lawrence M. Nazare

The Committees functioned effectively during the year and operated within the powers delegated to them by the Board.

Terms of reference of the Committees
Corporate Governance, Nomination and Remuneration Committee
- Formulate Corporate Governance Policy for the Company.
- Ensure effective implementation of the Policy.
- Ensure compliance with relevant laws and regulations in the course of business.
- Formulate recruitment policy for the Company.
- Agree the conditions of service.
- Review remuneration from time to time.
- Recruitment of top Management staff.
- Review organogram of the organisation from time to time for effective performance.
- Agree the conditions of service of staff, management and Directors.
- Recommend Directors' nomination and remuneration to the Board.

Underwriting Committee
- Review underwriting policy of the Company.
- Formulate geographical expansion of the Company.
- Review the retrocession cover of the Company.
- Product development.
- Consider adequacy of technical reserve.
- Formulate Risk Management Policy.
- Consider Actuarial Reports.

Investment/Finance, General Purposes and Enterprise Risk Management Committee
- Approve and review Investment Policy of the Company.
- Review and approve assets allocation and Managers.
- Consider quarterly and annual accounts.
- Approve investment within limits stipulated by the Board.
- Consider annual budgets.
- Consider capital raising exercise and/or financial restructuring of the Company.
- Consider internal audit report.
- Consider investment quarterly reports.
- Together with the Company's legal adviser, review any legal matters that could have a significant impact on the Company's business.
- Review the Executive Committee's ("EXCO") reports detailing the adequacy and overall effectiveness of the Company's risk management function and its implementation by management, and reports on internal control and any recommendation and confirm that appropriate action has been taken.
- Review the risk philosophy, strategy and policies recommended by EXCO and consider reports by EXCO, ensure compliance with such policies, and with the overall risk profile of the Company. Risk in the widest sense includes market risk, credit risk, liquidity risk, operation risk and commercial risk, which together cover detailed combined risks such as: interest rate risk; country risk; counterpart risk, including provisioning risk; currency and foreign exchange risks; technology risk; price risk; disaster recovery risk; operational risk; prudential risk; reputational risk; competitive risk; legal risk; compliance and control risks; sensitive risks, e.g. environmental, health and safety; concentration of risks across a number of portfolio dimensions; investment risk; asset valuation risk; and other risks appropriate to the business which may be identified from time to time.
- Review the adequacy of insurance coverage.
- Review risk identification and measurement methodologies.
- Monitor procedures to deal with and review the disclosure of information to clients.

Meetings of the Committees/Record of attendance
During the year, the Corporate Governance, Nomination and Remuneration Committee met four (4) times while the

Corporate governance
continued

Underwriting Committee and Investment/Finance, General Purposes and Enterprise Risk Management Committee met three (3) times. Records of attendance at the meetings are set out in the tables below:

Corporate Governance, Nomination and Remuneration Committee

Members	04/03/14	25/04/14	21/07/14	20/10/14	Total Attended
Mr. Bakary H. Kamara	✓	✓	✓	✓	4
Mr. David S. Sobanjo	✓	✓	✓	✓	4
Ms. Nana Appiah-Korang	✓	✓	✓	✓	4
Mr. Foluso Laguda	n/a	✓	✓	✓	3

n/a – Mr. Foluso Laguda had not become a member of the Committee on 04/03/14

Underwriting Committee

Members	04/03/14	21/07/14	20/10/14	Total Attended
Mr. Bakary H. Kamara	✓	✓	✓	3
Mr. David S. Sobanjo	✓	✓	✓	3
Mr. Johnnie Wilcox	n/a	✓	✓	2
Dr. Olufemi Oyetunji	✓	✓	✓	3
Mr. Lawrence Nazare	✓	✓	✓	3

n/a – Mr. Johnnie Wilcox had not become a member of the Committee on 04/03/14

Investment/Finance, General Purposes and ERM Committee

Members	04/03/14	21/07/14	20/10/14	Total Attended
Mr. Vincent Le Guennou	✓	✓	✓	3
Ms. Nana Appiah-Korang	✓	✓	✓	3
Mr. Johnnie Wilcox	n/a	✓	✓	2
Mr. Foluso Laguda	n/a	✓	✓	2
Dr. Olufemi Oyetunji	✓	✓	✓	3
Mr. Lawrence Nazare	✓	✓	✓	3

n/a – Mr. Johnnie Wilcox and Mr. Foluso Laguda had not become members of the Committee 04/03/14

An ad-hoc Building Committee comprising Ms. Nana Appiah-Korang, Mr. David S. Sobanjo, Mr. Johnnie Wilcox and Dr. Femi Oyetunji was constituted during the year charged with reviewing proposals in respect of the development of the Company's properties and making recommendations to the Board.

The Chairman of each of the Committees reports to the Board on the deliberations of the Committees while minutes of meetings of all the Committees are circulated to all the Directors.

Other ad-hoc Committees are set up from time to time and as the need arises to address specific issues.

6. Statutory Audit Committee

The Audit Committee which is a statutory Committee established in accordance with the provisions of Section 359, subsections 3 and 4 of the Companies and Allied Matters Act CAP C20, LFN 2004 comprises six members, three of whom are representatives of the Board namely – Mr. David S. Sobanjo, Mr. Bakary H. Kamara and Ms. Nana Appiah-Korang while the remaining three namely Custodian & Allied Insurance Plc represented by Mr. Wole Oshin (Chairman). SONAR – Burkina Faso represented by Mr. Andre Bayala and I & I Investment represented by Mr. Blakey O. Ijezie – are representatives of shareholders elected at the last Annual General Meeting. The representatives of the Board on the Committee are Non-Executive Directors. The terms of reference of the Committee remained unchanged. The Committee met four times during the year and reviewed (i) audited and interim financial statements ensuring that they are in line with regulatory requirements and are in accordance with acceptable accounting standards; (ii) the Management Letter on the Audit of the Financial Statements; (iii) quarterly claims report; (iv) the scope and planning of audit requirements; and made recommendations to the Board in regard to the remuneration of the external auditors of the Company. The Committee also received and reviewed quarterly internal audit reports and other reports from the management in the discharge of its duties. The group Managing Director, the Executive Director, the CRO, the Heads of Finance and Internal Audit attend meetings of the Committee.

Record of attendance of members at the meetings of the Committee is set out below.

Members of the Committee	Meetings 03/03/2014	22/4/2014	21/7/2014	20/10/2014	No. of Meetings Attended
Custodian & Allied Insurance Plc represented by Mr. Wole Oshin (Chairman)	✓	✗	✓	✓	3
SONAR – Burkina Faso represented by Mr. Andre Bayala	✗	✓	✓	✓	3
I & I Investment represented by Mr. Blakey O. Ijezie	✓	✓	✓	✓	4
Mr. David S. Sobanjo	✓	✓	✓	✓	4
Mr. Bakary H. Kamara	✓	✓	✓	✓	4
Ms. Nana Appiah-Korang	✓	✓	✓	✓	4

Mr. Andre Bayala died after the year end on March 10th 2015.

All Directors have access to the advice and services of the Company Secretary and apart from being Secretary to the Board, the Company Secretary also acts as Secretary to all the Committees. During the year, the Company Secretary provided necessary assistance and information as were required by members of the Board and the Committees.

7. Management Committees

Executive Management Committee

The Committee comprising the Group Managing Director/CEO, the Executive Director/Group Head of Operations, the Chief Risk Officer and the Head of Finance, is responsible for the day to day operations and management of the Company. The Committee works with and assists the Group Managing Director/CEO to define business goals and objectives; chart and define corporate strategies; track and manage strategic business performance against formulated plans and expected results and outcomes; make decisions on operating plans and budgets as well as review financial results and control and make recommendations on major policies to the Board for approvals as required through the relevant Board Committees. The Committee effectively discharged its responsibilities and acted within the authority delegated to it by the Board.

Other Committees

These include Enterprise Risk Management Committee; Technical Committee, Credit Control Committee and Treaty Wording Committee while ad-hoc Committees are set up from time to time and as the need arises to address specific issues.

8. Remuneration

Non-Executive Directors

Non-Executive Directors' remuneration is by way of annual Directors' fees as approved from time to time by the Company in general meeting based on the recommendation of the Board. Non-Executive Directors are also paid sitting allowance and are reimbursed expenses incurred by them in attending and returning from meetings of the Company. The Board undertakes a peer review of its compensation and remuneration levels every two years to ensure that the Company remains competitive.

Managing Director and other senior executives

The remuneration policy of the Company is formulated to attract, retain and compete for talents both locally and internationally. The policy is also formulated to motivate and enhance commitment of Executive Directors and Senior Executives and to ensure improvement in their productivity impacting positively on overall Company's performance.

The remuneration package of the Managing Director and other Senior Executives which is a mix of fixed pay and performance related element is approved by the Board on the recommendation of the Corporate Governance, Nomination and Remuneration Committee. Annual increments and benefits are also approved by the Board on the recommendation of the Committee. The fixed pay comprises basic salary, benefits and allowances while the performance related element consists of an annual performance bonus. The bonus which is a percentage of the Company's profit before tax is subject to the approval of the Board and its distribution is based on laid down criteria.

Executive Directors do not receive Director's fees and sitting allowance paid to Non-Executive Directors.

9. Code of business conduct

The Directors' code of conduct was recently revised as part of the Board's commitment to entrenching best practices in the Company and in its continued recognition that honesty, integrity and accountability are crucial for the success of the Company's business. The code is sufficiently detailed and gives clear guidance to the Directors in the discharge of their duties.

The Board has also approved a new code of conduct and ethics for all employees. The code outlines the general ethical standards that all employees are expected to comply with and has been formally communicated to all employees.

10. Insider trading and dealing in company's shares

The Board has approved a Securities Trading Policy which sets out the guidelines on the purchase and sale of securities by Directors, employees and associates. The policy is to assist all Directors, and employees to understand the restrictions placed on them as insiders of the Company with respect to their securities transactions and to avoid the conduct known as "insider trading". Insider trading is prohibited by the Company and the prohibition extends to dealings through nominees, agents or other associates including family members. The policy is available on the Company's website.

11. Conflict of interest

The Company's policy requires Directors to conduct their affairs in such manner and with such ethics and integrity that no conflict of interest, real or implied could exist and to promptly disclose any real or potential conflict of interest that they may have regarding any matters that may come before the Board or its committees.

The Board noted the Managing Director's disclosure with respect to the calculation of reserves as at December 31st, 2014 which was carried out by Alexander Forbes Consulting Actuaries Nigeria Limited, a company in which the Managing Director, Dr. Femi Oyetunji, was a Non-Executive Director. Apart from this, no other real or potential conflict of interest situation was disclosed.

Corporate governance
continued

12. Human resources policy
The Company pays great attention to employee engagement, health care, development and motivation in line with its conviction that people remain the most valuable assets to achieving the corporate objectives. Sound human resources policies and global best practices are adopted in all the areas of people management. The policies are documented, communicated and reviewed regularly.

13. Anti-bribery and corruption policy
The Group Anti-Bribery & Corruption policy was reviewed during the year. The policy prohibits corrupt practices generally and prevents the making or offering of payments to government officials or any other persons in order to obtain or keep business or to obtain some other benefit for the Company or an employee of the Company. Along with the Company's Board of Directors, the Company's Senior Management is responsible for ensuring that the Company complies with the Policy as well as applicable anti-corruption laws. There were no reported cases of fraud during the year.

14. Whistle-blowing policy
The Group has in place, a whistle-blowing Policy and procedure that encourage honest whistle-blowing. The policy is currently being reviewed and will include an online mechanism for reporting any illegal or unethical behaviour as internal control and compliance measures.

15. Corporate social responsibility (CSR)
We continue to tailor our CSR to meet the needs of local communities in consonant with the Company's mission and values and also driven by stakeholder expectations. In order to achieve the benefits of our localisation aims, CSR application remains the responsibility of the various regional offices in which the Company is represented. We continue to infuse this throughout the corporate culture; the key being to build a coordinated system for CSR planning, execution, and communication. It is the focus of the Company to expand its social responsibility to more areas, communities and locations across the continent.

In 2014, we proactively responded to the needs of communities by engaging various stakeholders in ongoing dialogues on social concerns such as particular educational needs and promoting local activities that aim to enrich public and community life. A list of the recipients of our CSR activities during the year can be found in the Directors' Report. Our global CSR expenditure in 2014 was NGN6,125,186 (2013: NGN4,459,312.82).

We are still fully committed to the sponsorship of the 15 minutes French language education programme tagged 'Ambience Continental Re', aired on Ray Power 100.5 FM Radio every Thursday from 5.15 p.m. to 5.30 p.m. We also provide significant support to a house for the less privileged at the SOS village in Ijebu-Owu, Ogun state, Nigeria, and other less privileged institutions in Lagos, Douala, Abidjan and Nairobi.

We shall continue to fulfil our corporate commitment of fostering mutually beneficial relationships by working in concert with various partners and devoting resources to support various community needs that reflect the Company's objectives.

16. Principles of sustainable insurance
The Company continues to affirm its commitment to the UNEP-FI Principles of Sustainable Insurance (PSI) through its signatory status and has embedded Environmental, Social and Governance (ESG) issues in its decision making.

The Board and Management of the Company is fully committed to embracing fundamental aspirations of the PSI and turning them into concrete actions. These include integrating ESG issues into the Company's management and operational DNA, to working together with clients, suppliers and governments to raise awareness of ESG issues, alongside developing new kinds of risk management products and services.

Continental Re is cognizant of the fact that the management of risk in a holistic manner is a critical element of business success and sustainability. A strong Enterprise Risk Management (ERM) culture has been adopted and is currently being embedded group-wide. The aim is to ensure that Continental Re's business strategy and values are accurately aligned with its risk appetite in order to achieve a resilient business, brand as well as protect its stakeholders, including shareholders, clients, employees, regulators and the broader public. The risk appetite statement approved by the Board of Directors addresses all relevant ESG issues to ensure a sustainable insurance governance model.

Continental Re is aware of the ESG issues that could affect the insurance industry such as ageing and demographic changes, water and food scarcity, biodiversity loss and ecosystem degradation, extreme weather events and climate change, human rights and labour standards. This is why Continental Re is committed to addressing ESG issues within its portfolio at product development, underwriting stages while providing relief and support at claims stage. Our ERM and capital adequacy models include allowances for ESG related risks to raise awareness and assess impact at capital level. We also continue to invest valuable time and resources in research on topics covering products adequacy and distribution.

In addition, we are addressing our environmental impacts through monitoring and reducing our direct impacts by making our operations more efficient. We put particular effort in managing our energy consumption and reducing our carbon footprint.

17. Risk management
Organisation structure
Risk Management is an intrinsic function of the Company. Continental Re has a Group Risk Management Function headed by a Chief Risk Officer. Beyond the implementation of enterprise risk management ("ERM"), the risk management function is also involved in a number of areas including business planning, reserving methodology, retrocession and capital adequacy. Continental Re's risk management approach is built on the three lines of defence framework with individual business units as the first line of defence (fully responsible for ensuring a risk and control process is established as part of their day-to-day operations), the risk management function as the second line of defence and internal audit as the third line of defence.

Risk appetite and strategic plan
The Company's risk appetite is set by the Board of Directors and Continental Re's strategic plan is derived from the Company's risk appetite. It focuses on how we can achieve growth in a rapidly evolving terrain, through expansion initiatives that drive geographic diversification and deeper market penetration. The plan also aims to aid strategy implementation and uses a 'Multi-Domestic Enterprise' model as the fulcrum of the growth strategy.

Enterprise risk management
Continental Re is continuously embedding the Enterprise Risk Management (ERM) framework across all business units in the group. The ERM framework enables the company to identify, monitor and control current risks as well as emerging risks consistently across the Group.

Our significant risk categories encompass the following:

- Underwriting risk:
  Underwriting risk is the risk that the insured losses are higher than expected. This is the risk that the premium income does not adequately cover the claims that Continental Re is obliged to pay. This risk could arise from unknown accumulations, inadequate pricing, human error and/or provisioning assumptions. Continental Re has a well-documented underwriting guideline for all our classes of businesses. The guideline sets out the Company's underwriting procedures on how to manage and oversee technical operations in the core business.
- Market/investment risk:
  Market risk is the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. Continental Re has a well-defined investment guideline policy, which states the counterparty credit limits, asset allocation parameters, investment authority limits and includes limitations on credit rating, interest, liquidity, and currency risk exposures.
- Credit risk:
  Credit risk is the risk of loss or adverse change in the financial position resulting directly or indirectly, from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which undertakings are exposed, in the form of counterparty default risk, spread risk, or market risk concentrations. The company's investment and credit control policies cover this risk, as well as monitoring receivables and adherence to NAICOM's "no premium no cover" policy.
- Liquidity risk:
  Liquidity risk is the risk that a firm would not have enough cash or liquid assets to meet its short term obligations. The Company's liquidity policy is documented in the Investment Policy as well as the Group's risk register.
- Operational risk:
  Operational risk is the risk of loss resulting from inadequate or failed strategy, internal processes or from personnel, systems, and external events including reputational damage. In addition to the various processes and guidelines, Continental Re continues to review and develop a set of measures and controls aimed at effectively managing operational risks.
- Reputational risk:
  Reputation risk is arguably the most valuable asset an organisation possesses. Reputational risk relates to the trustworthiness and standing of the firm with its stakeholders, in its market and its wider environment. Reputation risk is of utmost importance to Continental Re and the Company's framework for corporate communication is built to serve the corporate strategy. Communication in Continental Re is coordinated in order to ensure inclusivity as well as build, maintain and protect the Company's reputation with its various stakeholders.

Corporate governance continued

18. Relationship with shareholders
The Company is committed to maintaining good relations with shareholders. All shareholders have equal rights, are treated fairly and are provided with full and timely information about the Company's performance and strategies. This is achieved through the release of quarterly, half yearly and annual financial results in the local press, media releases for strategic announcements and distribution of annual report and corporate brochure, features, advertisements, press interviews, corporate opinion on topical issues etc. The quarterly, half yearly and annual financial results are promptly displayed on the Company's website. Other information is also available on the Company's website and its social media platforms.

The Company's Annual General Meetings are conducted in an open manner and shareholders are given sufficient time and opportunity to participate fully at the meetings. Comments/suggestions of shareholders at the meetings are considered by the Board and immediate action taken where appropriate. Queries and requests for information or clarification by shareholders are promptly dealt with and following the release of the Company's annual and quarterly results, meetings are held with a number of institutional shareholders to discuss the results. The Board and management also meet with shareholders upon request.

19. External auditors
The Board continued to maintain an objective and professional relationship with the external auditors. The auditors did not render any other service to the Company during the year outside their statutory obligations. Information on remuneration of the auditors can be found in note 6 to the consolidated financial statements.

20. Compliance with regulatory requirements
As part of its commitment to achieving 100 percent compliance with statutory and other regulatory requirements, the Company has developed a compliance manual of all regulatory requirements to assist in ensuring timely compliance within the laid down statutory compliance periods. The Company's level of compliance is monitored regularly by the Internal Auditor on a weekly basis and by the Audit Committee and the Board through quarterly compliance reports detailing the Company's level of compliance and sanctions imposed, if any, prepared by the Chief Compliance Officer. The following penalties were paid during the year:

The sum of NGN14,390,000.00 to the Securities & Exchange Commission in respect of outstanding penalties for late filing of returns from January 2008 to December 2013

- The sum of NGN2,000,000.00 to the Financial Reporting Council for late-submission of documents required by the Council in 2012 indicating the Company's IFRS readiness
- The sum of NGN3,250,000 to the National Insurance Commission for late filing of returns.

21. Internal audit
There is an internal audit unit headed by a professionally qualified Accountant who reports to the Audit Committee and the Board through the Managing Director. The unit assists the Board in assessing the effectiveness of the internal controls put in place and ensures that all the controls including financial, operational, compliance and risk management are functioning effectively. The purpose, authority and responsibility of the internal Audit activities are clearly defined in the Company's Internal Audit Charter and annual audit plan approved by the Board on the recommendation of the Audit Committee. During the year, the internal audit reviewed the effectiveness of the internal controls at the head office, the regional offices in Cameroon and Tunis and the subsidiary in Kenya and submitted its quarterly findings to the audit Committee and the Board. Corrective actions were taken where control weaknesses were identified. There were however, no major breaches of internal controls and procedures during the year.

22 . Communication
Following expansion to new markets and as part of our drive to deliver unified communication, we engaged a consulting firm to develop Continental Re's brand strategy by carrying out a key stakeholder perception audit. After analysing the results, recommendations on visual designs and communication messages that capture the Company's heritage and evolution which will aid our pan-African growth across the continent were given. We now have in place a centralised strategic focus approach of articulating our pan-African strength that is rooted in our vision and aligned to our business strategy which is expected to guide and build successful market evolution over time.

Through various stakeholder engagements, we shall continue to build trusted relationships and achieve greater collaboration by our responsive service and consistent brand applications thereby creating an enabling environment for the successful growth of our business and our evolving position as the premier pan-African reinsurer.

Audit Committee's report

To the members of Continental Reinsurance Plc

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, CAP C20, LFN 2004 members of the Audit Committee of Continental Reinsurance Plc hereby report on the financial statements of the Company for the year ended December 31st, 2014 as follows:

- the scope and plan of the audit for the year ended December 31st, 2014 were adequate
- we have reviewed the financial statements and are satisfied with the explanations obtained
- we have reviewed the external Auditors' management letter for the period and are satisfied with the management's responses and that management has taken appropriate steps to address the issues raised by the Auditors
- we are of the opinion that the accounting and reporting policies of the Company are in accordance with legal requirements and ethical practices.

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

Mr. Wole Oshin
Chairman, Audit Committee
FRC/2013/CIIN/00000003054

February 25th, 2015

Members of the Audit Committee
Custodian & Allied Insurance Plc represented by
Mr. Wole Oshin
Shareholder (Chairman)

SONAR – Burkina Faso represented by
Mr. Andre Bayala (died on March 10th, 2015)
Shareholder

I & I Investments Ltd represented by
Mr. Blakey Ijezie
Shareholder

Ms. Nana Appiah-Korang
Director

Mr. David S. Sobanjo
Director

Mr. Bakary H. Kamara
Director

**A.M.
Best Rating**

B+ (Good)

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CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST, 2014

Statement of Directors' responsibilities

in relation to the preparation of the financial statements for the year ended December 31st, 2014

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 present fairly, in all material respects, the state of financial affairs of the Company and its subsidiaries at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company and its subsidiaries:

(a) keep 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) establish adequate internal controls to safeguard their assets and to prevent and detect fraud and other irregularities; and

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

The Directors accept responsibility for the preparation and fair presentation of 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, the 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.

The Directors are of the opinion that the consolidated financial statements present fairly, in all material respects, the state of the financial affairs of the Company and its subsidiaries 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 subsidiaries will not remain a going concern for at least twelve months from the date of this statement.

Mr. David S. Sobanjo
Director
FRC/2013/CIIN/00000002149

Dr. Olufemi Oyetunji
Managing Director/CEO
FRC/2013/NSA/00000000685

March 5th, 2014

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 subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31st, 2014, 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 December 31st, 2014 and of their 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.

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 subsidiaries.

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

April 27th, 2015

Summary of significant accounting policies

1. General information

The consolidated financial statements of Continental Reinsurance Plc and its subsidiaries (collectively, the Group) for the year ended December 31st, 2014 were authorised for issue in accordance with a resolution of the Directors on February 25th, 2015.

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 December 10th, 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, Côte d' Ivoire in March 2012. In 2014, the Company opened a regional office in Tunis, Tunisia and acquired a subsidiary in Gaborone, Botswana. 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).

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 cut 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 maximise total return on investment.

In addition, the Group also provides top-class specialised 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 subsidiaries, Continental Reinsurance Limited, Kenya and Continental Reinsurance Limited, Botswana ("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 Companies and Allied Matters Act CAP C20 LFN 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011, Insurance Act 2003 and its interpretations issued by the National Insurance Commission in its Insurance Industry Policy Guidelines is included where appropriate.

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 where otherwise stated.

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 42.

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 subsidiaries as at December 31st, 2014. 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.

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

The following new standards and amendments became effective as of January 1st, 2014:

- Investment Entities – Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of interest in other Entities and IAS 27 Separate Financial Statements
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 Financial Instruments: Presentation
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets
- IFRIC 21 Levies
- Improvements to IFRSs – 2010-2012 Cycle: Amendments to IFRS 13 – Short-term receivables and payables

None of these standards and amendments impact the Group's consolidated financial statements.

The accounting policies adopted in the preparation of the 2014 consolidated financial statements are consistent with those followed in the preparation of the Group's 2013 financial statements, except for the adoption of new standards or interpretations effective as of January 1st, 2014.

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

Summary of significant accounting policies continued

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.

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 ₦1,252,418,000 (2013: ₦1,108,507,000) and Company ₦1,124,687,000 (2013: ₦1,041,004,000).

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.

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 these liabilities and the attached uncertainty.

The carrying value at the reporting date of non-life contract liabilities for the Group is ₦9,532,275,000 (2013: ₦8,764,872,000) and Company ₦7,879,619,000 (2013: ₦7,920,155,000)

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 ₦83,623,000 (2013: ₦49,091,000) and Company ₦45,039,000 (2013: ₦41,946,000). 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 27 to the financial statements.

The carrying value at the reporting date of gratuity benefit obligation for the Group is ₦184,379,000 (2013: ₦45,900,000) and Company ₦184,379,000 (2013: ₦45,900,000).

Valuation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist to assess fair value as at December 31st, 2014. 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 20 to the consolidated financial statements.

2.6 Standards and interpretations issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1st, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1st, 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

Amendments to IAS 19 defined benefit plans: Employee contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in

Summary of significant accounting policies continued

which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1st, 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from July 1st, 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements are effective from July 1st, 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair value measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1st, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after January 1st, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 1: IAS 1 Disclosure initiative

– effective date: January 1st, 2016

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.

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.

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.

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 recognised 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.

2.7.2 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 profit or loss.

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 reporting 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 reporting date, 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 reporting date. Similarly, provision is made for "unallocated claims expenses" being the estimated administrative expenses that will be incurred after the reporting date in settling all claims outstanding as at the date,

Summary of significant accounting policies continued

including IBNR. Differences between the provision for outstanding claims at a reporting 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.

2.7.6 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 profit or loss.

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.

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 other non-operating costs, 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 profit or loss 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 profit or loss 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 reporting date. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in profit or loss.

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: 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 profit or loss. 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 profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss 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.

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'.

Summary of significant accounting policies continued

(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:

- 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
- those that the Group upon initial recognition designates as available-for-sale; or
- 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.

(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 profit or loss and reported as 'Interest and similar income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in profit or loss 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 profit or loss. 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 profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss 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 41.3(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 are 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.

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 profit or loss 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 reporting date.

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.

Summary of significant accounting policies
continued

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.

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 been 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.

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.

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 profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Summary of significant accounting policies continued

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 (included in as part of freehold property) 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 reliably 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	33⅓
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 December 31st, 2014 (2013: nil).

Property, plant and equipment is derecognised 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 recognised in other income in the profit or loss in the year the asset is derecognised.

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 fulfilment 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 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

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 reporting date 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 reporting 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 contributes 8 percent while the employer contributes 10 percent 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 reporting date 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 recognised 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

Summary of significant accounting policies continued

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. Provisions 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 is 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 reporting date 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 Companies and Allied Matters Act.

2.26 Contingency reserves

Contingency reserves are done in accordance with the provisions of the Insurance Act, CAP I17 LFN 2004:

(a) for general business the contingency reserve is credited with the higher of an amount not less than 3 percent of the total premium or 20 percent of the net profits until the reserves reaches the greater of the minimum paid up capital or 50 percent of net premium

(b) for life business the reserve is credited with the higher of an amount equal to 1 percent of the gross premium or 10 percent 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 2014	% equity interest 2013
Continental Reinsurance Limited, Nairobi	Life and non-life reinsurance business	Kenya	70	100
Continental Reinsurance Limited, Gaborone	Life and non-life reinsurance business	Botswana	60	nil

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.

Consolidated statement of profit or loss and other comprehensive income for the year ended December 31st, 2014

	Notes	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Insurance premium revenue	1.1	16,153,740	15,036,612	13,069,529	13,848,129
Insurance premium ceded to retrocessionaires	1.2	(1,959,233)	(1,685,709)	(1,644,607)	(1,590,406)
Net insurance premium revenue		**14,194,507**	**13,350,903**	**11,424,922**	**12,257,723**
Insurance Benefits					
Insurance claims and loss adjustment expenses	2.1	7,369,473	6,376,258	6,013,823	5,912,103
Insurance claims and loss adjustment expenses recoverable from retrocessionaire	2.1	(489,306)	(114,213)	(485,414)	(103,537)
Net insurance benefits and claims		**6,880,167**	**6,262,045**	**5,528,409**	**5,808,566**
Underwriting expenses	2.2	5,947,275	5,411,036	4,938,265	4,798,351
Insurance benefits and underwriting expenses		**12,827,442**	**11,673,081**	**10,466,674**	**10,606,917**
Underwriting profit		**1,367,065**	**1,677,822**	**958,248**	**1,650,806**
Interest income	3	940,442	1,001,601	838,546	762,620
Net fair value gains/(loss) on financial assets designated at fair value through profit or loss	4	48,437	38,591	(7,467)	37,344
Fair value gains on investment properties	4	83,559	71,112	83,559	71,112
Other income	5	353,462	291,930	351,913	291,339
Foreign exchange (loss)/gain		(391,497)	202,013	(460,617)	202,013
Administrative expenses	6.1	(572,385)	(376,372)	(280,864)	(340,521)
Impairment of financial assets	6.2	(241,114)	(673,303)	(203,324)	(673,303)
Profit before income tax		**1,587,969**	**2,233,394**	**1,279,994**	**2,001,410**
Income tax expense	8	(732,325)	(479,994)	(618,471)	(414,953)
Profit for the year		**855,644**	**1,753,400**	**661,523**	**1,586,457**
Other comprehensive income					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Remeasurement gains on available for sale financial assets	7	75,972	448,675	74,498	445,066
Reclassification adjustments to gains on available for sale financial assets included in profit or loss	7	(54,841)	(87,519)	(54,841)	(87,519)
Exchange difference on translation of foreign operation		(69,329)	(32,394)	–	–
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:					
Actuarial (loss)/gain on defined benefit plans	26.2	(86,935)	7,444	(86,935)	7,444
Income tax relating to component of other comprehensive income	9.1	26,081	(2,233)	26,081	(2,233)
Other comprehensive (loss)/income for the year net of tax		(109,052)	333,973	(41,197)	362,758
Total comprehensive income for the year		**746,592**	**2,087,373**	**620,326**	**1,949,215**
Profit attributable to:					
Equity holders of the parent		820,382	1,753,400	661,523	1,586,457
Non-controlling interests		35,262	–	–	–
		855,644	**1,753,400**	**661,523**	**1,586,457**
Total comprehensive income attributable to:					
Equity holders of the parent		711,109	2,087,373	620,326	1,949,215
Non-controlling interests		35,483	–	–	–
		746,592	**2,087,373**	**620,326**	**1,949,215**
Earnings per share:					
Basic (kobo)	10	8	17	6	15
Diluted (kobo)	10	8	17	6	15

See accompanying summary of significant accounting policies and notes to the financial statements which form an integral part of these financial statements.

Consolidated statement of financial position as at December 31st, 2014

	Notes	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Assets					
Cash and cash equivalents	11	4,844,323	5,673,748	3,303,155	5,605,227
Financial assets					
Financial asset designated as fair value through profit or loss	12	1,227,512	170,285	171,524	170,285
Loans and other receivables	13	234,910	379,174	207,802	370,833
Available-for-sale investments	14.1	2,406,037	2,259,534	2,356,882	2,213,919
Held to maturity investments	14.2	4,878,062	5,830,270	4,372,487	4,732,522
Reinsurance receivables	15	6,743,336	6,292,066	5,274,202	5,613,677
Retrocession assets	16	477,628	358,106	335,935	279,247
Deferred acquisition costs	17	1,759,685	1,428,293	1,383,416	1,213,441
Other assets	18	981,264	365,839	1,214,437	546,073
Investment in subsidiaries	19	–	–	1,722,633	987,405
Investment properties	20	2,926,956	1,746,800	2,926,956	1,746,800
Intangible assets	21	1,214	9,667	1,214	9,667
Property, plant and equipment	22	726,717	611,628	613,858	553,200
Statutory deposits	23	1,000,000	1,000,000	1,000,000	1,000,000
Total assets		**28,207,644**	**26,125,410**	**24,884,501**	**25,042,296**
Liabilities					
Insurance contract liabilities	24	10,784,693	9,873,379	9,004,306	8,961,159
Reinsurance creditors	25	1,404,170	1,169,024	1,175,735	1,169,024
Other liabilities	26	535,096	311,142	457,106	288,057
Retirement benefit obligations	27	184,379	45,900	184,379	45,900
Current income tax payable	8	458,813	391,381	391,277	388,875
Deferred tax liabilities	9	64,113	49,091	45,039	41,946
Total liabilities		**13,431,264**	**11,839,917**	**11,257,842**	**10,894,961**
Equity					
Share capital	28	5,186,372	5,186,372	5,186,372	5,186,372
Share premium	29	3,915,451	3,915,451	3,915,451	3,915,451
Contingency reserve	30	2,785,131	2,420,096	2,705,666	2,349,131
Retained earnings	31	1,714,433	2,519,174	1,526,328	2,423,196
Available-for-sale reserve	32.1	297,704	276,794	292,842	273,185
Foreign currency translation reserve	32.2	(101,723)	(32,394)	–	–
Equity attributable to holders of the parent		**13,797,368**	**14,285,493**	**13,626,659**	**14,147,335**
Non-controlling interest	33	979,012	–	–	–
Total equity		**14,776,380**	**14,285,493**	**13,626,659**	**14,147,335**
Total liabilities and equity		**28,207,644**	**26,125,410**	**24,884,501**	**25,042,296**

Mr. David S. Sobanjo
Director
FRC/2013/CIIN/00000002149

Dr. Olufemi Oyetunji
Managing Director/CEO
FRC/2013/NSA/00000000685

Mr. Musa Kolo
Chief Financial Officer
FRC/2012/ICAN/00000000473

See accompanying summary of significant accounting policies and notes to the financial statements which form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended December 31st, 2014

		Attributable to the equity holders of the parent							
Group	Notes	Share capital (Note 28) ₦'000	Share premium (Note 29) ₦'000	Contingency reserve (Note 30) ₦'000	Retained earnings (Note 31) ₦'000	Available-for-sale reserve (Note 32.1) ₦'000	Foreign currency translation reserve (Note 32.2) ₦'000	Non controlling interest	Total equity ₦'000
As at January 1st, 2014		**5,186,372**	**3,915,451**	**2,420,096**	**2,519,174**	**276,794**	**(32,394)**	**–**	**14,285,493**
At acquisition		–	–	–	–	–	–	885,297	885,297
Change in shareholding		–	–	–	(58,232)	–	–	58,232	–
Profit for the year		–	–	–	820,382	–	–	35,262	855,644
Other comprehensive income		–	–	–	(60,854)	20,910	(69,329)	221	(109,052)
Total comprehensive income/(loss)		**5,186,372**	**3,915,451**	**2,420,096**	**3,220,470**	**297,704**	**(101,723)**	**979,012**	**15,917,382**
Transfer of contingency reserve		–	–	365,035	(365,035)	–	–	–	–
Dividends declared	26.1	–	–	–	(1,141,002)	–	–	–	(1,141,002)
At December 31st, 2014		**5,186,372**	**3,915,451**	**2,785,131**	**1,714,433**	**297,704**	**(101,723)**	**979,012**	**14,776,380**
As at January 1st, 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
Other comprehensive income		–	–	–	5,211	361,156	(32,394)	–	333,973
Total comprehensive income/(loss)		**5,186,372**	**3,915,451**	**1,873,319**	**4,103,198**	**276,794**	**(32,394)**	**–**	**15,322,740**
Transfer of contingency reserve		–	–	546,777	(546,777)	–	–	–	–
Dividends declared	26.1	–	–	–	(1,037,247)	–	–	–	(1,037,247)
At December 31st, 2013		**5,186,372**	**3,915,451**	**2,420,096**	**2,519,174**	**276,794**	**(32,394)**	**–**	**14,285,493**

		Attributable to the equity holders of the parent					
Company	Notes	Share capital (Note 28) ₦'000	Share premium (Note 29) ₦'000	Contingency reserve (Note 30) ₦'000	Retained earnings (Note 31) ₦'000	Available-for-sale reserve (Note 33) ₦'000	Total equity ₦'000
As at January 1st, 2014		**5,186,372**	**3,915,451**	**2,349,131**	**2,423,196**	**273,185**	**14,147,335**
Profit for the year		–	–	–	661,523	–	661,523
Other comprehensive income		–	–	–	(60,854)	19,657	(41,197)
Total comprehensive income		5,186,372	3,915,451	2,349,131	3,023,865	292,842	14,767,661
Transfer of contingency reserve		–	–	356,535	(356,535)	–	–
Dividends declared	26.1	–	–	–	(1,141,002)	–	(1,141,002)
At December 31st, 2014		**5,186,372**	**3,915,451**	**2,705,666**	**1,526,328**	**292,842**	**13,626,659**
As at January 1st, 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
Other comprehensive income		–	–	–	5,211	357,547	362,758
Total comprehensive income		**5,186,372**	**3,915,451**	**1,873,319**	**3,936,255**	**273,185**	**15,184,582**
Transfer of contingency reserve		–	–	475,812	(475,812)	–	–
Dividends declared	26 .1	–	–	–	(1,037,247)	–	(1,037,247)
At December 31st, 2013		**5,186,372**	**3,915,451**	**2,349,131**	**2,423,196**	**273,185**	**14,147,335**

See accompanying summary of significant accounting policies and notes to the financial statements which form an integral part of these financial statements.

Consolidated statement of cash flows for the year ended December 31st, 2014

	Notes	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Cash flows from operating activities					
Premium received from policy holders		16,838,375	16,776,161	14,039,884	12,621,228
Retrocession receipts in respect of claims		507,181	137,622	485,414	103,537
Acquisition costs paid		(4,878,966)	(4,035,537)	(3,956,261)	(3,036,060)
Retrocession premium paid		(1,988,327)	(2,113,971)	(1,685,709)	(1,590,406)
Cash paid to and on behalf of employees		(1,231,477)	(922,878)	(1,021,258)	(694,310)
Other operating cash receipts/payments		(1,072,053)	(1,649,380)	(1,130,510)	(1,242,158)
Claims paid		(7,803,905)	(7,278,592)	(6,833,619)	(5,479,466)
Income taxes paid	8	(623,790)	(447,032)	(586,895)	(391,642)
Net cash (used in)/provided by operating activities	**34**	**(252,962)**	**466,393**	**(688,954)**	**290,723**
Cash flows from investing activities					
Purchase of property, plant and equipment	22	(201,341)	(604,873)	(131,687)	(532,738)
Purchase of investment properties		(1,096,597)		(1,096,597)	–
Purchase of intangible assets	21	–	(4,364)	–	(4,364)
Proceeds from disposal of property, plant and equipment		4,012	6,929	3,779	6,929
Purchase of investment securities		(1,767,464)	(854,702)	(491,454)	(856,273)
Proceeds on redemption /sales of investments		2,717,508	666,287	1,107,354	666,287
Interest received		846,214	739,489	838,546	735,880
Dividend received		148,027	96,223	148,027	96,223
Investment in subsidiary		–	–	(735,228)	–
Net cash from/(used in) investing activities		**650,359**	**44,989**	**(357,260)**	**111,944**
Cash flows from financing activities					
Dividends paid to equity holders parent	26.1	(1,141,002)	(1,021,857)	(1,141,002)	(1,021,857)
Net cash used in financing activities		**(1,141,002)**	**(1,021,857)**	**(1,141,002)**	**(1,021,857)**
Net decrease in cash and cash equivalents		(743,605)	(510,475)	(2,187,216)	(619,190)
Cash and cash equivalents at beginning of year		6,630,640	7,147,778	6,526,753	7,147,778
Effect of exchange rate changes on cash and cash equivalents		(8,675)	(6,663)	(2,345)	(1,835)
Cash and cash equivalents at end of year	**35**	**5,878,360**	**6,630,640**	**4,337,192**	**6,526,753**

See accompanying summary of significant accounting policies and notes to the financial statements which form an integral part of these financial statements.

Notes to the consolidated financial statements

1. Revenue

1.1 Insurance premium revenue

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Premium revenue arising from insurance contracts issued				
Life insurance contracts				
Gross Premium	2,073,934	2,790,593	1,937,588	2,602,090
Change in life insurance contract liabilities (Note 24.3)	(71,130)	5,742	(71,130)	73,245
Non life insurance contracts				
Gross Premium	14,362,844	13,068,203	11,238,629	11,451,162
Change in unearned premium provision	(211,908)	(827,926)	(35,558)	(278,368)
Total Premium revenue arising from insurance contracts issued	**16,153,740**	**15,036,612**	**13,069,529**	**13,848,129**

1.2 Insurance premium ceded to retrocessionaires

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Premium revenue ceded to retrocessionaire on insurance contracts issued				
Life insurance contracts	380,354	408,464	359,902	390,314
Non life insurance contracts	1,578,879	1,277,245	1,284,705	1,200,092
Total Premium revenue ceded to retrocessionaire on insurance contracts issued	1,959,233	1,685,709	1,644,607	1,590,406
Net insurance premium revenue	**14,194,507**	**13,350,903**	**11,424,922**	**12,257,723**

2. Insurance benefits and underwriting expenses

2.1 Insurance claims and loss adjustment expenses

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Life insurance contracts	1,461,997	1,241,525	1,350,957	1,167,101
Non life insurance contracts	5,907,476	5,134,733	4,662,866	4,745,002
Total cost of policyholder benefits	7,369,473	6,376,258	6,013,823	5,912,103
Insurance claims and loss adjustment expenses recoverable from retrocessionaire	(489,306)	(114,213)	(485,414)	(103,537)
Net insurance benefits and claims	**6,880,167**	**6,262,045**	**5,528,409**	**5,808,566**

2.2 Underwriting expenses

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Amortisation of deferred expenses (Note 17)	3,897,913	3,631,383	3,009,305	3,172,141
Costs incurred for the maintenance of insurance contracts	271,430	242,710	271,431	242,710
Management expenses (See Note 6.1)	1,777,932	1,536,943	1,657,529	1,383,500
Total underwriting expenses	5,947,275	5,411,036	4,938,265	4,798,351
Total insurance benefits and underwriting expenses	**12,827,442**	**11,673,081**	**10,466,674**	**10,606,917**

3. Interest income

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Cash and bank balances interest income	480,757	562,012	412,323	355,112
Held-to-maturity and loans and receivables interest income	331,989	334,052	298,527	301,971
Statutory deposits interest income	127,696	105,537	127,696	105,537
Interest income	**940,442**	**1,001,601**	**838,546**	**762,620**

Notes to the consolidated financial statements
continued

4. Net fair value gains/(loss) on assets at fair value through profit or loss

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Net fair value gains on financial assets designated at fair value through profit or loss	48,437	38,591	(7,467)	37,344
Fair value gains on investment properties	83,559	71,112	83,559	71,112
Total	131,996	109,703	76,092	108,456

5. Other (loss)/income

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Available-for-sale:				
Dividends	148,529	96,355	148,027	96,223
Gain on disposal of available-for-sale securities	54,841	87,519	54,841	87,519
Rental income on investment properties (Note 20)	88,837	65,106	88,837	65,106
Other income	61,255	42,950	60,208	42,491
	353,462	291,930	351,913	291,339

6. Operating expenses

6.1 Management and administrative expenses

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Management expenses (Note 2.2)	1,777,932	1,536,943	1,657,529	1,383,500
Administrative expenses	572,385	376,372	280,864	340,521
	2,350,317	1,913,315	1,938,393	1,724,021
Management and administrative expenses comprises the following:				
Depreciation and amortisation (Note 21 and 22)	89,969	101,585	73,831	87,720
Auditor's remuneration	23,936	19,004	14,000	14,000
Employee benefits expenses (Note 6.1.1)	942,589	827,487	836,879	769,401
Loss on disposal of property, plant and equipment	5,559	11,358	5,559	11,358
Other operating expenses	1,288,264	953,881	1,008,124	841,542
Total management and administrative expenses	2,350,317	1,913,315	1,938,393	1,724,021

6.1.1 Employee benefit expense

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Wages and salaries (local)	742,966	596,777	648,857	596,777
Wages and salaries (other regions)	108,198	49,857	108,198	–
Pension:				
Defined Benefit Staff Gratuity Plan	63,903	150,677	63,903	150,677
Defined Contributory Plan	27,521	30,176	15,921	21,947
	942,589	827,487	836,879	769,401

The amount of Employer's pension contribution included amount of ₦15,921,609 (2013: ₦7,217,207) 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.

6.2 Impairment of financial assets

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Reinsurance receivables (reversals)/charge (Note 15.1)	(167,406)	523,190	(205,196)	523,190
Loans and other receivables (Note 13.1)	225,378	150,113	225,378	150,113
Available for sale financial assets	69,500	–	69,500	–
Other assets (Note 18)	113,642	–	113,642	–
	241,114	673,303	203,324	673,303

7. Net gain on available for sale financial assets

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Net gain/(loss) on available-for-sale financial assets				
Equity instruments	70,758	465,172	70,516	462,309
Debt Instruments	5,214	(16,497)	3,983	(17,243)
Remeasurement gains on available-for-sale financial assets	75,972	448,675	74,498	445,066
Reclassification adjustments to gains included in profit or loss	(54,841)	(87,519)	(54,841)	(87,519)
Total net remeasurement gains on available for sale financial assets	21,131	361,156	19,657	357,547

8. Taxation

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Per consolidated statement of profit or loss:				
Income tax based on profit for the year	467,592	412,332	365,667	354,436
Education tax	25,610	24,464	25,610	24,464
Back duty charge on prior years*	198,020	–	198,020	–
	691,222	436,796	589,297	378,900
Deferred tax expense (Note 9.1)	41,103	43,198	29,174	36,053
Income tax expense	732,325	479,994	618,471	414,953

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Per consolidated statement of financial position:				
At January 1st	391,381	401,617	388,875	401,617
Charged to profit or loss	691,222	436,796	589,297	378,900
Payments during the year	(623,790)	(447,032)	(586,895)	(391,642)
	458,813	391,381	391,277	388,875

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Reconciliation of tax charge				
Profit before income tax	1,587,969	2,233,394	1,279,994	2,001,410
Tax at Nigerian's statutory income tax rate of 30%	476,391	670,018	383,998	600,423
Non-deductible expenses	299,913	46,583	287,168	42,421
Tax exempt income	(250,897)	(246,849)	(259,613)	(238,133)
Back duty charge on prior years	198,020	–	198,020	–
Education tax levy	25,610	24,464	25,610	24,464
Tax rate differential on fair value gains	(16,712)	(14,222)	(16,712)	(14,222)
At effective income tax rate of Group 46% (2013:21%) and Company 48% (2013:21%)	732,325	479,994	618,471	414,953

Notes to the consolidated financial statements
continued

9. Deferred taxation

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Deferred income tax (assets)/liabilities are attributable to the following items:				
Deferred tax liabilities				
Property, plant and equipment	29,311	11,640	10,237	4,495
Investment properties	58,855	50,499	58,855	50,499
	88,166	**62,139**	**69,092**	**54,994**
Deferred tax assets				
Employee benefits	(24,053)	(13,048)	(24,053)	(13,048)
	(24,053)	**(13,048)**	**(24,053)**	**(13,048)**
Net	**64,113**	**49,091**	**45,039**	**41,946**

9.1 Movements in temporary differences during the year:

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
As at January 1st	49,091	3,660	41,946	3,660
Recognised in profit or loss on:				
Property, plant and equipment	17,671	2,120	5,742	(5,025)
Investment properties	8,356	7,111	8,356	7,111
Employee benefits	15,076	33,967	15,076	33,967
Total recognised in profit or loss	41,103	43,198	29,174	36,053
Total recognised in other comprehensive income on:				
Employee benefits	(26,081)	2,233	(26,081)	2,233
At December 31st	**64,113**	**49,091**	**45,039**	**41,946**

*Back duty charge on prior years
This relates to additional tax liability which arose as a result of tax audit exercise carried out by the Federal Inland Revenue Service (FIRS) on previous years financials covering 2007 to 2011.

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 December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Net profit attributable to ordinary shareholders (₦'000)	820,382	1,753,400	661,523	1,586,457
Weighted average number of shares for the year (₦'000)	10,372,744	10,372,744	10,372,744	10,372,744
Basis and diluted earnings per ordinary share (kobo)	8	17	6	15

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 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Cash in hand	110	281	110	281
Balances held with local banks:				
Current account	353,597	375,101	119,463	306,580
Domiciliary account	9,841	225,555	9,839	225,555
Balances held with foreign banks	517,685	285,172	517,685	285,172
Placements with banks and other financial institutions	3,963,090	4,787,639	2,656,058	4,787,639
	4,844,323	**5,673,748**	**3,303,155**	**5,605,227**

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 34.

12. Financial assets designated at fair value through profit or loss

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Managed Funds				
External Portfolio Management	1,227,512	170,285	171,524	170,285
	1,227,512	**170,285**	**171,524**	**170,285**

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 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Staff loans and advances	234,910	212,960	207,802	212,960
Other advances	375,491	316,327	375,491	307,986
Impairment on other receivables (Note 13.1)	(375,491)	(150,113)	(375,491)	(150,113)
Total loans and other receivables	**234,910**	**379,174**	**207,802**	**370,833**

13.1 Reconciliation of impairment on loans and other receivables:

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
At January 1st	150,113	48,217	150,113	48,217
Written off during the year	–	(48,217)	–	(48,217)
Charge for the year: other advances (Note 6.2)	225,378	150,113	225,378	150,113
At December 31st	**375,491**	**150,113**	**375,491**	**150,113**

Notes to the consolidated financial statements
continued

14. Investment securities

	Group December 31st, 2014	Group December 31st, 2013	Company December 31st, 2014	Company December 31st, 2013
Analysis of investment securities				
Equity	2,133,706	1,992,832	2,110,689	1,971,443
Debt	5,150,393	6,096,972	4,618,680	4,974,998
	7,284,099	8,089,804	6,729,369	6,946,441

Analysis by class

14.1 Available-for-sale:	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Equity instruments	2,133,706	1,992,832	2,110,689	1,971,443
Debt instruments	272,331	266,702	246,193	242,476
Total available-for-sale	2,406,037	2,259,534	2,356,882	2,213,919

14.2 Held-to-maturity	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Debt instruments	4,878,062	5,830,270	4,372,487	4,732,522
Total Investment securities	7,284,099	8,089,804	6,729,369	6,946,441

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Equity Instruments				
Securities at Available-for-sale – Fair value				
Quoted	1,027,724	1,117,909	1,004,707	1,096,520
Unquoted	1,105,982	874,923	1,105,982	874,923
Total equity instruments	2,133,706	1,992,832	2,110,689	1,971,443

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

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Debt Instruments				
Securities at Available-for-sale – Fair value				
Government bonds	272,331	266,702	246,193	242,476
	272,331	266,702	246,193	242,476
Securities at held-to-maturity – amortised cost				
Listed	2,753,697	3,279,934	2,461,055	2,412,515
Unlisted	2,124,365	2,550,336	1,911,432	2,320,007
	4,878,062	5,830,270	4,372,487	4,732,522
Total debt instruments	5,150,393	6,096,972	4,618,680	4,974,998

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

15. Reinsurance receivables

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Due from ceding companies	6,425,841	7,439,798	5,167,350	6,761,409
Due from ceding companies (Pipeline)	2,480,366	2,032,850	2,342,828	2,032,850
Premium reserves retained by ceding companies	105,182	161,237	(5,713)	161,237
	9,011,389	9,633,885	7,504,465	8,955,496
Impairment on reinsurance receivables (Note 15.1)	(2,268,053)	(3,341,819)	(2,230,263)	(3,341,819)
	6,743,336	6,292,066	5,274,202	5,613,677

15.1 Reconciliation of impairment on reinsurance receivables	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
At January 1st	3,341,819	2,818,629	3,341,819	2,818,629
Written off during the year	(906,360)	–	(906,360)	–
(Credit)/charge for the year (Note 6.2)	(167,406)	523,190	(205,196)	523,190
At December 31st	2,268,053	3,341,819	2,230,263	3,341,819

16. Retrocession assets

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Retrocessionaires' share of claims recoverable	131,006	92,758	87,453	82,204
Retrocessionaires' share of Reserve for Outstanding Claims	79,779	109,197	79,779	40,892
Retrocessionaires' share of life insurance contract liabilities	266,843	156,151	168,703	156,151
Total retrocession assets (Note 24)	477,628	358,106	335,935	279,247

At December 31st, 2014, 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 December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
At January 1st	1,428,293	1,077,360	1,213,441	1,077,360
Expenses deferred	4,229,305	3,982,316	3,179,280	3,308,222
Amortisation (Note 2.2)	(3,897,913)	(3,631,383)	(3,009,305)	(3,172,141)
At December 31st	1,759,685	1,428,293	1,383,416	1,213,441

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continued

18. Other assets

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Prepayments	34,762	44,862	27,493	39,411
Deposit for property (Note 18.1)	332,382	–	332,382	–
Due from stockbrokers (Note 18.2)	50,639	212,907	50,639	212,907
Intercompany balances	–	–	728,064	189,576
Withholding tax receivable	14,353	13,216	14,353	13,216
Others (Note 18.3)	734,920	167,004	247,298	163,113
	1,167,056	**437,989**	**1,400,229**	**618,223**
Impairment on others	(185,792)	(72,150)	(185,792)	(72,150)
	981,264	**365,839**	**1,214,437**	**546,073**
Reconciliation of impairment on others				
At January 1st	72,150	72,150	72,150	72,150
Charge for the year (Note 6.2)	113,642	–	113,642	–
At December 31st	**185,792**	**72,150**	**185,792**	**72,150**

18.1
This relates to deposit made for property in Douala which is yet to be concluded upon at the reporting date.

18.2
This relates to amount due as proceeds on disposal/redemption of financial assets which remained outstanding at year end.

18.3
Included in this account are costs incurred for the purpose of increase in share capital of the Company which management believes are recoverable.

19. Investment in subsidiaries

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Continental Reinsurance Limited, Nairobi, Kenya			1,022,859	987,405
Continental Reinsurance Limited, Gaborone, Botswana			699,774	–
			1,722,633	**987,405**
Movement in this account is as shown below:				
Opening			987,405	–
Additional investment in Continental Reinsurance Limited, Kenya			35,454	987,405
Investment in Continental Reinsurance Limited, Botswana			699,774	–
Closing			**1,722,633**	**987,405**

20. Investment properties

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Opening	1,746,800	1,661,000	1,746,800	1,661,000
Additions (acquisition)	1,096,597	14,688	1,096,597	14,688
Fair value adjustments	83,559	71,112	83,559	71,112
Closing	**2,926,956**	**1,746,800**	**2,926,956**	**1,746,800**

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 December 31st, 2014 and December 31st, 2013. 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 ₦88,836,943.97 (year ended December 31st, 2013: ₦65,105,506.45) 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.

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Rental Income derived from investment properties	88,837	65,106	88,837	65,106
Direct operating expenses (including repairs & maintenance) generating income	(9,800)	(20,830)	(9,800)	(20,830)
Profit arising from investment properties carried at fair value	**79,037**	**44,276**	**79,037**	**44,276**

The fair value disclosure on investment properties is as follows:

	Fair value measurement using			
Date of valuation – December 31st, 2014	Quoted prices in active market Level 1 ₦'000	Significant observable inputs Level 2 ₦'000	Significant unobservable inputs Level 3 ₦'000	Total ₦'000
Investment properties	–	–	2,926,956	2,926,956

During the reporting period ending December 31st, 2014, 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)
Income capitalisation using DCF Analysis	Estimated rental per wing per annum	₦9.65m to ₦12.48m (₦10.40m)
	Average annual growth	4%
	Average annual probable vacancy rate	1.4%
	Discount rate (equated yield)	8.7%-9.3% (10.16%)
Three bedroom flats		
Valuation technique	Significant unobservable inputs	Range (weighted average)
Income capitalisation using DCF Analysis	Estimated rental per wing per annum	₦0.47m to ₦3.5m (₦3.06m)
	Average annual growth	4%-4.5% (4.07%)
	Average annual probable vacancy rate	1.4%
	Discount rate (equated yield)	9.0%-9.44% (8.46%)

Notes to the consolidated financial statements continued

20. Investment Properties continued

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.

21. Intangible assets – Group and Company

	Computer software ₦'000	Total ₦'000
Cost:		
At January 1st, 2013	54,699	54,699
Cost capitalised	4,364	4,364
At December 31st, 2013	**59,063**	**59,063**
Cost capitalised	–	–
At December 31st, 2014	**59,063**	**59,063**

	Computer software ₦'000	Total ₦'000
Accumulated amortisation and impairment:		
At January 1st, 2013	37,624	37,624
Amortisation	11,772	11,772
At December 31st, 2013	**49,396**	**49,396**
Amortisation	8,453	8,453
At December 31st, 2014	**57,849**	**57,849**

	Computer software ₦'000	Total ₦'000
Carrying amount:		
At December 31st, 2014	**1,214**	**1,214**
At December 31st, 2013	9,667	9,667

22. Property, plant and equipment

Group	Freehold property ₦'000	Motor vehicles ₦'000	Furniture and fittings ₦'000	Office partitioning ₦'000	Computer equipment ₦'000	Total ₦'000
Cost/Valuation:						
At January 1st, 2013	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	317
At December 31st, 2013	**430,158**	**199,888**	**133,512**	**57,015**	**70,757**	**891,330**
Additions	29,397	85,258	48,162	22,859	15,665	201,341
Disposals		(43,883)	(4,603)	–	(4,318)	(52,804)
Exchange difference	501	326	249	132	139	1,347
At December 31st, 2014	**460,056**	**241,589**	**177,320**	**80,006**	**82,243**	**1,041,214**
Accumulated depreciation:						
At January 1st, 2013	–	95,432	56,560	45,366	41,869	239,227
Charge for the year	–	52,764	18,208	4,599	14,242	89,813
Disposal	–	(44,732)	(3,079)	–	(1,686)	(49,497)
Exchange difference		78	56	–	25	159
At December 31st, 2013	–	**103,542**	**71,745**	**49,965**	**54,450**	**279,702**
Charge for the year	–	42,936	19,581	4,599	14,400	81,516
Disposal	–	(38,651)	(4,599)	–	(3,684)	(46,934)
Exchange difference		63	56	45	49	213
At December 31st, 2014	–	107,890	86,783	54,609	65,215	314,497
Net book value:						
At December 31st, 2014	460,056	133,699	90,537	25,397	17,028	726,717
At December 31st, 2013	430,158	96,347	61,766	7,050	16,307	611,628

Company	Freehold property ₦'000	Motor vehicles ₦'000	Furniture and fittings ₦'000	Office partitioning ₦'000	Computer equipment ₦'000	Total ₦'000
Cost/Valuation:						
At January 1st, 2013	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 December 31st, 2013	**430,158**	**172,966**	**94,502**	**57,015**	**64,237**	**818,878**
Additions	29,397	45,129	36,403	13,586	7,172	131,687
Disposals	–	(43,883)	(4,603)	–	(3,995)	(52,481)
At December 31st, 2014	**459,555**	**174,212**	**126,302**	**70,601**	**67,414**	**898,084**
Accumulated depreciation:						
At January 1st, 2013	–	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 December 31st, 2013	–	**96,680**	**66,781**	**49,965**	**52,252**	**265,678**
Charge for the year	–	37,380	13,995	2,803	11,200	65,378
Disposal	–	(38,651)	(4,599)	–	(3,580)	(46,830)
At December 31st, 2014	–	**95,409**	**76,177**	**52,768**	**59,872**	**284,226**
Net book value:						
At December 31st, 2014	**459,555**	**78,803**	**50,125**	**17,833**	**7,542**	**613,858**
At December 31st, 2013	**430,158**	**76,286**	**27,721**	**7,050**	**11,985**	**553,200**

Notes to the consolidated financial statements continued

23. Statutory deposits

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
At December 31st	1,000,000	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.

24. Insurance contract liabilities

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Unearned Premium (Note 24.1)	5,979,095	5,338,434	4,615,879	4,580,322
Outstanding Claims (Note 24.2)	3,553,180	3,426,438	3,263,740	3,339,833
	9,532,275	8,764,872	7,879,619	7,920,155
Life (Note 24.3)	1,252,418	1,108,507	1,124,687	1,041,004
Total insurance liabilities	**10,784,693**	**9,873,379**	**9,004,306**	**8,961,159**
Total retrocessionaire's share of insurance liabilities (Note 16)	(477,628)	(358,106)	(335,935)	(279,247)
Net insurance contracts	**10,307,065**	**9,515,273**	**8,668,371**	**8,681,912**

24.1 Reserve for Unearned Premium

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
At January 1st	5,338,434	4,301,953	4,580,322	4,301,953
Increase in the year (Note 1.1)	14,362,844	13,068,203	11,238,629	11,451,162
Released during the year	(13,722,183)	(12,031,722)	(11,203,072)	(11,172,793)
At December 31st	**5,979,095**	**5,338,434**	**4,615,879**	**4,580,322**

24.2 Reserve for Outstanding Claims

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
At January 1st	3,426,438	3,808,324	3,339,833	3,808,324
Incurred in the current accident year	5,907,476	5,134,733	4,662,866	4,745,002
Paid during the year	(5,780,734)	(5,516,619)	(4,738,959)	(5,213,493)
At December 31st	**3,553,180**	**3,426,438**	**3,263,740**	**3,339,833**

24.3 Insurance liabilities on life policy holders

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
At January 1st	1,108,507	1,127,174	1,041,004	1,127,174
Increase/(decrease) in retrocessionaire's share	72,781	(12,925)	12,553	(12,925)
Accretion/(decretion) (Note 1.1)	71,130	(5,742)	71,130	(73,245)
At December 31st	**1,252,418**	**1,108,507**	**1,124,687**	**1,041,004**

25. Reinsurance creditors

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Due to retrocessionaires	157,152	319,555	157,152	319,555
Due to ceding companies	1,247,018	849,469	1,018,583	849,469
	1,404,170	**1,169,024**	**1,175,735**	**1,169,024**

This represents the amount payable to insurance and reinsurance companies.

26. Other liabilities

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Sundry creditors	179,461	166,859	179,461	166,859
Rent received in advance	71,953	40,999	71,953	40,999
Accrued expenses	134,772	16,892	72,921	16,892
Dividend payable (Note 26.1)	36,384	36,341	36,384	36,341
Information technology development levy	12,800	20,014	12,800	20,014
Others	99,726	30,037	5,950	6,952
Intercompany balance	–	–	77,637	–
	535,096	**311,142**	**457,106**	**288,057**

26.1 Dividends paid and proposed

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
At January 1st	36,341	20,951	36,341	20,951
Declared during the year	1,141,045	1,037,247	1,141,045	1,037,247
Paid during the year	(1,141,002)	(1,021,857)	(1,141,002)	(1,021,857)
	36,384	**36,341**	**36,384**	**36,341**
Proposed for approval at the annual general meeting (not recognised as a liability as at December 31st): at 11 kobo per share (2013: 11 kobo).			1,141,002	1,141,002

27. Retirement benefit obligations

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Defined contribution scheme (Note 26.1)	–	2,407	–	2,407
Defined benefit gratuity scheme (Note 26.2)	184,379	43,493	184,379	43,493
	184,379	45,900	184,379	45,900

27.1 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 8 percent and 10 percent, 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 December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Balance at beginning of year	2,407	–	2,407	–
Provisions during the year	23,995	21,947	23,995	21,947
Transfer to PFA	(26,402)	(19,540)	(26,402)	(19,540)
Balance at end of year	**–**	**2,407**	**–**	**2,407**

Notes to the consolidated financial statements continued

27. Retirement benefit obligations continued

27.2 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.

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Statement of financial position obligation for:				
The amounts recognised in the statement of financial position are:				
Present value of funded obligations	356,651	378,645	356,651	378,645
Fair value of plan assets	(172,272)	(335,152)	(172,272)	(335,152)
Deficit of funded plans	184,379	43,493	184,379	43,493
Unrecognised net (gain)/loss	–	–		–
Unrecognised past service costs	–	–		–
(Asset)/liability in the consolidated statement of financial position	**184,379**	**43,493**	**184,379**	**43,493**
The movement in the defined benefit obligation over the year is as follows:				
At beginning of the year	378,645	436,837	378,645	436,837
Service cost	52,120	55,435	52,120	55,435
Member contribution	–	–	–	–
Interest cost	49,226	51,239	49,226	51,239
Actuarial (Gains)/Loss	(19,137)	(34,297)	(19,137)	(34,297)
Benefit paid	(104,203)	(130,569)	(104,203)	(130,569)
At end of the year	**356,651**	**378,645**	**356,651**	**378,645**
The amounts recognised in the profit or loss are as follows:				
Current service cost	52,120	55,435	52,120	55,435
Net interest	11,783	15,311	11,783	15,311
Total, included in staff costs	**63,903**	**70,746**	**63,903**	**70,746**
The amounts recognised in other comprehensive income				
Re-measurement (gain)/loss on net defined benefit plans	86,935	(7,444)	86,935	(7,444)
The movement in the plan assets over the year is as follows:				
Assets at fair value – opening	335,152	272,727	335,152	272,727
Interest return	37,443	35,928	37,443	35,928
Employer contribution	9,952	183,919	9,952	183,919
Benefit paid	(104,203)	(130,569)	(104,203)	(130,569)
Actuarial loss	(106,072)	(26,853)	(106,072)	(26,853)
At end of the year	**172,272**	**335,152**	**172,272**	**335,152**
Composition of Plan assets				
Cash	36.03%	9.60%	36.03%	9.60%
Equity	98.80%	61.00%	98.80%	61.10%
Bonds	37.30%	29.00%	37.30%	29.40%
The principal actuarial assumptions were as follows:				
Average long term discount rate (p.a.)	15.00%	13.00%	15.00%	13.00%
Average long term rate of inflation (p.a.)	10.00%	10.00%	10.00%	10.00%
Average long term pay increase (p.a.)	10.00%	12.00%	10.00%	12.00%

A quantitative sensitivity analysis for significant assumption as at December 31st, 2014 is as shown below:

		Discount rate ₦'000	Salary increase ₦'000	Mortality rate ₦'000
Assumptions Sensitivity level				
Impact on defined benefit obligation	+1%	(21,158)	24,649	742
	-1%	23,787	(22,202)	(670)

28. Share capital

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Authorised 25,000,000,000 Ordinary shares of 50k each	12,500,000	7,500,000	12,500,000	7,500,000
Issued and fully paid 10,372,744,312 Ordinary shares of 50k each	5,186,372	5,186,372	5,186,372	5,186,372

29. Share premium

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
At December 31st	3,915,451	3,915,451	3,915,451	3,915,451

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

30. Contingency reserve

The statutory contingency reserve has been computed in accordance with Section 21 (1) of the Insurance Act, Cap 117 LFN 2004. The composition on the account are as follows:

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Non-Life	2,601,160	2,255,501	2,184,536	2,184,536
Life	183,971	164,595	164,595	164,595
Total	**2,785,131**	**2,420,096**	**2,349,131**	**2,349,131**
Movement in this account is as shown below:				
Opening	2,420,096	1,873,319	2,349,131	1,873,319
Addition during the year	365,035	546,777	356,535	475,812
Closing	**2,785,131**	**2,420,096**	**2,705,666**	**2,349,131**

31. Retained earnings

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

32. Other reserves

32.1 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.

32.2 Foreign currency translation reserve:

Foreign currency translation reserve comprise the exchange differences arising on translation of its subsidiary. Gains or losses arising therefrom is recognised in other comprehensive income.

Notes to the consolidated financial statements
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33. Non-Controlling interests

During 2014 financial year, British American Asset Management (BAAM) invested additional capital in Continental Reinsurance Limited, Kenya (CRe Limited, Kenya); subsidiary of Continental Reinsurance Plc (CRe Plc), the transaction was not a disposal but capital injection. Formerly, CRe Plc had 100 percent shareholding in CRe Limited, Kenya, with the accommodation of capital set out below, the shareholding of CRe Plc was watered down to 70 percent. The accommodation of BAAM was to fulfil regulatory requirement that there should be equity participation from indigenous companies or citizen(s) from Kenya when a foreign entity is investing in Kenya.

Also as set out below, CRe Plc and Botswana Insurance Company Limited co-founded Continental Reinsurance Limited, Botswana, this led to CRe Plc having shareholding of 60 percent and Botswana Insurance Company Limited 40 percent in Continental Reinsurance Limited, Botswana.

The Non-Controlling interest in the two subsidiaries is hereby presented below:

	Continental Reinsurance Limited, Kenya ₦'000	Continental Reinsurance Limited, Botswana ₦'000	Total ₦'000
At acquisition	418,781	466,516	885,297
Change in shareholding	58,232	–	58,232
Profit for the year	25,432	9,830	35,262
Other comprehensive income	221	–	221
	502,666	**476,346**	**979,012**

34. Reconciliation of profit before taxation to net cashflows (outflow)/inflow from operating activities

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Profit before income tax	1,587,969	2,233,394	1,279,994	2,001,410
Adjustments for:				
Depreciation and amortization (Note 6.1)	89,969	101,585	73,831	87,720
Increase/(decrease) in provision for bad and doubtful balances	241,130	523,190	203,324	523,190
Profit on disposal of investments	(54,841)	(87,519)	(54,841)	(87,519)
Loss on disposal of property, plant and equipment	5,545	11,358	5,570	11,358
Interest received	(846,244)	(762,620)	(838,546)	(762,620)
Dividend received	(148,027)	(96,223)	(148,027)	(96,223)
Unrealised foreign exchange loss/(gain)	(67,498)	(202,013)	–	(202,013)
Fair value loss on investment property and financial assets designated at fair value	(131,996)	(112,065)	(76,092)	(108,456)
Changes in operating assets/liabilities				
Reinsurance debtors	(34,244)	(1,266,807)	(571,990)	(672,075)
Prepayments and other assets	(533,476)	20,962	(124,189)	(491,023)
Retrocession assets	(116,333)	499,900	(56,688)	499,900
Reinsurance creditors and other liabilities	615,076	433,424	(62,323)	448,462
Deferred acquisition costs	14,217	(136,081)	169,975	(136,081)
Provision for unexpired risks	(159,341)	278,369	35,557	278,369
Outstanding claims	(266,452)	(381,886)	(76,093)	(468,491)
Retirement benefit obligations	138,479	(143,543)	138,479	(143,543)
Income tax paid (Note 8)	(586,895)	(447,032)	(586,895)	(391,642)
Net cash (used in)/generated from operating activities	**(252,962)**	**466,393**	**(688,954)**	**290,723**

35. Cash and cash equivalents for purposes of the consolidated statement of cashflows

	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Cash in hand	110	281	110	281
Balances held with other banks:				
Current account	353,597	375,101	119,463	306,580
Domiciliary account	9,841	225,555	9,839	225,555
Balances held with foreign banks	517,685	285,172	517,685	285,172
Placements with banks and other financial institutions	3,963,090	4,787,639	2,656,058	4,787,639
Treasury bills	1,034,037	956,892	1,034,037	921,526
	5,878,360	**6,630,640**	**4,337,192**	**6,526,753**

36. 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 purchase from related parties are made at normal market prices.

Purchase of actuarial services:	Group December 31st, 2014 ₦'000	Group December 31st, 2013 ₦'000	Company December 31st, 2014 ₦'000	Company December 31st, 2013 ₦'000
Alexander Forbes Consulting Actuaries Nigeria Ltd.	2,947	2,947	3,904	2,947

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	2014 ₦'000	2013 ₦'000
Mortgage loan	–	–	–	–	4,137
Personal loan	–	1,087	–	1,087	19,955
Car loan	–	4,329	–	4,329	125
	–	**5,416**	–	**5,416**	**24,217**

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 percent 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 (2013: Nil).

Notes to the consolidated financial statements continued

36. Related party transactions continued

Compensation of key management personnel

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

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Short-term employee benefits:				
Salaries and allowances	284,176	243,987	252,412	203,065
Long-term employee benefits:				
Post employment pension benefits	21,751	14,708	13,942	8,365
	305,927	258,695	266,354	211,430

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

	Number	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	2	3	2	3
	2	8	2	3

Employees

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

	Group 2014 Number	Group 2013 Number	Company 2014 Number	Company 2013 Number
Managerial and Senior Staff	62	50	55	46
Junior Staff	7	6	1	1
	69	56	56	47

	₦'000	₦'000	₦'000	₦'000
Staff cost				
Salaries and allowances	590,389	324,022	464,224	277,630
Staff pension	29,920	30,081	18,323	21,947
Staff gratuity	1,213	133,632	–	133,632
	621,522	487,735	482,547	433,209

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

	Group 2014 Number	Group 2013 Number	Company 2014 Number	Company 2013 Number
₦500,000 – ₦1,000,000	10	13	9	12
₦1,000,001 – ₦1,500,000	14	4	11	2
₦1,500,001 – ₦2,000,000	3	6	2	4
₦2,000,001 – ₦2,500,000	4	8	1	8
₦2,500,001 – ₦3,000,000	5	2	4	2
₦3,000,001 – Above	33	23	29	19
	69	56	56	47

37. Contingencies and commitments

Contingent liabilities

There were no contingent liabilities at the end of the year (2013: Nil).

Capital commitment and operating leases

There were no capital commitments at the end of the year (2013: Nil).

The Company has entered into commercial property leases on its investment property portfolio. These cancellable leases have remaining terms of between one and two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	2014 ₦'000	2013 ₦'000
Within one year	60,038	37,630
After one year but not more than five years	11,915	3,369
	71,953	40,999

38. Compliance with regulatory bodies

Penalties:

	2014 ₦'000	2013 ₦'000
(a) The Company contravened certain sections of the Financial Reporting Council of Nigeria (FRCN) Act 2011 with respect to late submission of the 2013 accounts.	2,000	–
(b) The Company contravened certain sections of the Security Exchange Commission (SEC) Act with respect to late filling of 2013 accounts.	15,335	–
(c) The Company contravened 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	2,750	–
Non compliance with NAICOM guideline on retrocession placement	63,308	–
	83,393	–

39. 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 December 31st, 2014 or the profit for the year then ended that have not been adequately provided for or disclosed.

Notes to the consolidated financial statements
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40. 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	2,588,449		67,610	
Total cash and cash equivalents		**2,588,449**		**67,610**
Investment properties		**1,644,200**		**193,000**
Investment securities:				
Quoted equities	689,597		254,034	
Unquoted equities	–		–	
Corporate Bonds	586,575		310,044	
Government bonds	2,467,800		344,121	
Total investment securities		**3,743,972**		**908,199**
Total assets representing insurance contract liabilities		7,976,621		1,168,809
Total insurance contract liabilities		7,879,619		1,124,687
Balance due to shareholders' funds		**97,002**		**44,122**

41. Segment information

For management reporting purposes, the Company 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.

	Life insurance ₦'000	Non-life insurance ₦'000	Eliminations ₦'000	Total segments ₦'000
December 31st, 2014				
Gross Premium	2,073,934	14,362,844	–	16,436,778
Change in Reserve for unearned premium	(71,130)	(211,908)	–	(283,038)
Earned premium income	2,002,804	14,150,936	–	16,153,740
Less: Retrocession costs	(380,354)	(1,578,879)	–	(1,959,233)
Net premium written	**1,622,450**	**12,572,057**	–	**14,194,507**
Expenses				
Gross claims paid	1,461,997	5,946,363	–	7,408,360
Change in Reserve for outstanding claims.			–	–
Ceded Outstanding Claims Reserve	–	(38,887)	–	(38,887)
Claims incurred	**1,461,997**	**5,907,476**	–	**7,369,473**
Retrocession recoveries	(246,372)	(242,934)	–	(489,306)
Net claims incurred	**1,215,625**	**5,664,542**	–	**6,880,167**
Underwriting expenses:				
Acquisition and maintenance cost	459,048	3,710,296	–	4,169,344
Depreciation and amortisation	13,817	76,152	–	89,969
Management and Administration expenses	265,961	2,235,501	–	2,501,462
	738,826	**6,021,949**	–	**6,760,775**
Underwriting (loss)/profit carried forward	**(332,001)**	**885,566**	–	**553,565**

	Life insurance ₦'000	Non-life insurance ₦'000	Eliminations ₦'000	Total segments ₦'000
December 31st, 2014 (continued)				
Underwriting (loss)/profit brought forward	(332,001)	885,566	–	553,565
Investment Income	97,098	937,305	–	1,034,403
Results of operating activities	**(234,903)**	**1,822,871**	–	**1,587,968**
Income tax expense	(8,258)	(724,067)	–	(732,325)
Profit for the year	(243,161)	1,098,804	–	855,643
Segment assets	**4,731,027**	**25,751,370**	**(2,274,753)**	**28,207,644**
Segment liabilities	**2,232,204**	**11,860,467**	**(602,831)**	**13,489,840**
				58,576
December 31st, 2013				
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)	(109,414)	–	(114,214)
Net claims incurred	**1,236,725**	**5,025,320**	–	**6,262,045**
Underwriting expenses:				
Acquisition and maintenance cost	692,895	3,181,198	–	3,874,093
Depreciation and amortisation	16,686	84,899	–	101,585
Management and Admin expenses	417,157	2,067,875	–	2,485,032
	1,126,738	**5,333,972**	–	**6,460,710**
Underwriting profit	24,408	603,740	–	628,148
Investment Income	268,346	1,336,900	–	1,605,246
Results of operating activities	**292,754**	**1,940,640**	–	**2,233,394**
Income tax expenses	(107,669)	(372,325)	–	(479,994)
Profit for the year	**185,085**	**1,568,315**	–	**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**

Notes to the consolidated financial statements
continued

41. Segment information continued

The segment information provided to the Company Executive Board for the reportable segments for the year ended December 31st, 2014 is as follows:

	Nigeria ₦'000	Cameroon ₦'000	Kenya ₦'000	Abidjan ₦'000	Tunis ₦'000	Botswana ₦'000	Total ₦'000	Eliminations ₦'000	Consolidated ₦'000
Gross premium	10,433,612	1,360,224	2,387,632	1,098,943	505,629	650,738	16,436,778	–	16,436,778
Change in reserve for unearned premium	(64,766)	(185,055)	(118,087)	(44,012)	(123,677)	252,559	(283,038)	–	(283,038)
Earned premium income	**10,368,846**	**1,175,169**	**2,269,545**	**1,054,931**	**381,952**	**903,297**	**16,153,740**	**–**	**16,153,740**
Retrocession costs	(1,352,656)	(161,609)	(167,267)	(88,749)	(37,851)	(151,101)	(1,959,233)	–	(1,959,232)
Net premium written	9,016,190	1,013,560	2,102,278	966,182	344,101	752,196	14,194,507	–	14,194,508
Expenses									
Gross claims paid	4,861,246	410,932	1,047,851	500,658	272,489	239,091	7,332,267	–	7,332,266
Change in reserve for outstanding claims	97,226	(77,135)	161,313	(3,585)	(195,795)	94,070	76,094	–	76,094
Ceded outstanding claims reserve	(38,887)	–	–	–	–	–	(38,887)	–	(38,887)
Claims incurred	**4,919,585**	**333,797**	**1,209,164**	**497,073**	**76,694**	**333,161**	**7,369,473**	**–**	**7,369,473**
Retrocession recoveries	(479,955)	(2,239)	(7,049)	(63)	–	–	(489,306)	–	(489,306)
Net claims incurred	**4,439,630**	**331,558**	**1,202,115**	**497,010**	**76,694**	**333,161**	**6,880,168**	**–**	**6,880,167**
Underwriting expenses:									
Acquisition and maintenance cost	2,533,594	345,297	698,341	294,460	81,870	215,782	4,169,344	–	4,169,344
Depreciation and amortisation	61,312	5,742	11,353	4,639	2,134	4,789	89,969	–	89,969
Management and Admin expenses	1,712,441	180,415	257,715	145,760	67,065	138,066	2,501,462	–	2,501,462
	4,307,347	**531,454**	**967,409**	**444,859**	**151,069**	**358,637**	**6,760,775**	**–**	**6,760,775**
Underwriting profit	269,214	150,548	(67,246)	24,313	116,338	60,398	553,566	–	553,566
Investment Income	710,379	61,177	152,523	49,426	22,741	38,156	1,034,402	–	1,034,403
Results of operating activities	**979,593**	**211,725**	**85,277**	**73,740**	**139,080**	**98,554**	**1,587,969**	**–**	**1,587,969**
Income tax expenses	(618,493)	(29,201)	(90,293)	(10,170)	(19,182)	(23,561)	(790,900)	–	(790,900)
Profit for the year	361,100	182,524	(5,016)	63,569	119,898	74,993	797,068	–	797,068
Segment Assets	19,413,638	2,521,376	3,430,093	2,037,053	937,258	2,142,979	30,482,397	(2,274,753)	28,207,644
Segment liabilities	9,023,099	1,086,783	1,710,201	878,026	403,984	990,578	14,092,671	(602,831)	13,489,840

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

	Nigeria ₦'000	Cameroon ₦'000	Kenya ₦'000	Abidjan ₦'000	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

Notes to the consolidated financial statements
continued

42. 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.

42.1 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 Normal Distribution approach to the non-life reserves indicates that at the 75th percentile, the reserves would be equivalent to NGN4.12bn, ie a deterioration of NGN0.51bn 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.

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

	Gross Written Premium ₦'000	Ceded to Retrocessionaire ₦'000	Net Written Premium ₦'000	Percentage (GWP)	Percentage (Retro)
Insurance Risk By Region					
Group					
2014					
Anglophone west	10,188,989	1,352,659	8,836,330	62%	69%
Eastern Africa	2,441,222	241,914	2,199,308	15%	12%
Southern Africa	841,772	76,342	765,430	5%	4%
Central Africa	1,360,223	161,609	1,198,614	8%	8%
Northern Africa	505,629	37,960	467,669	3%	2%
Francophone West	1,098,944	88,749	1,010,195	7%	5%
Total	16,436,779	1,959,233	14,477,546	100%	100%
2013					
Anglophone west	10,501,545	1,270,449	9,231,096	66%	75%
Eastern Africa	1,892,882	103,408	1,789,474	12%	6%
Southern Africa	680,399	63,148	617,251	4%	4%
Central Africa	973,482	88,305	885,177	6%	5%
Northern Africa	285,408	27,549	257,859	2%	2%
Francophone West	1,525,080	132,850	1,392,230	10%	8%
Total	15,858,796	1,685,709	14,173,087	100%	100%
Company					
2014					
Anglophone west	10,188,989	1,352,659	8,836,330	77%	82%
Eastern Africa	22,432	3,631	18,801	0%	0%
Southern Africa	–	–	–	0%	0%
Central Africa	1,360,223	161,609	1,198,614	10%	10%
Northern Africa	505,629	37,960	467,669	4%	2%
Francophone West	1,098,944	88,749	1,010,195	9%	6%
Total	13,176,217	1,644,608	11,531,609	100%	100%
2013					
Anglophone west	10,501,545	1,270,448	9,231,097	74%	80%
Eastern Africa	87,338	8,106	79,232	1%	0%
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%

Notes to the consolidated financial statements
continued

42. Management of financial and insurance risk continued
42.1 Management of Insurance risk continued

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

Insurance Risk By Product	Gross Written Premium ₦'000	Ceded to Retrocessionaire ₦'000	Net Written Premium ₦'000	Percentage (GWP)	Percentage (Retro)
Group					
2014					
Accident	3,182,209	216,469	2,965,740	19%	11%
Energy	2,114,961	552,116	1,562,845	13%	28%
Fire	5,991,247	652,714	5,338,533	36%	34%
Group Life	1,861,395	357,458	1,503,937	11%	18%
Individual Life	284,471	43,446	241,025	2%	2%
Liability	1,399,898	23,595	1,376,303	9%	1%
Marine	1,602,597	113,435	1,489,162	10%	6%
Total	16,436,778	1,959,233	14,477,545	100%	100%
2013					
Accident	2,881,480	181,236	2,700,244	18%	11%
Energy	2,301,624	415,936	1,885,688	15%	25%
Fire	5,588,761	615,732	4,973,029	35%	36%
Group Life	2,657,662	362,412	2,295,250	17%	21%
Individual Life	65,428	9,054	56,374	0%	1%
Liability	1,088,844	1,339	1,087,505	7%	0%
Marine	1,274,997	100,000	1,174,997	8%	6%
Total	15,858,796	1,685,709	14,173,087	100%	100%
Company					
2014					
Accident	1,846,015	114,912	1,731,103	14%	7%
Energy	2,114,960	531,171	1,583,789	16%	32%
Fire	4,670,288	546,725	4,123,563	36%	33%
Group Life	1,725,205	318,775	1,406,430	13%	19%
Individual Life	212,383	41,127	171,256	2%	3%
Liability	1,106,700	–	1,106,700	8%	0%
Marine	1,500,666	91,894	1,408,772	11%	6%
Total	13,176,217	1,644,604	11,531,613	100%	100%
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%	35%
Group Life	2,538,364	360,623	2,177,741	18%	23%
Individual Life	63,726	9,054	54,672	1%	1%
Liability	1,017,736	–	1,017,736	7%	0%
Marine	1,180,674	92,729	1,087,945	9%	6%
Total	14,053,252	1,590,406	12,462,846	100%	100%

Group

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
2006	322,931	585,286	879,416	911,364	923,271	925,910	927,973	927,709	928,089
2007	268,943	502,348	763,905	837,893	870,610	874,206	890,841	915,532	
2008	561,732	2,037,252	2,789,045	2,942,534	3,027,955	3,161,242	3,166,730		
2009	761,783	1,612,655	2,161,483	2,349,797	2,618,300	2,656,360			
2010	848,906	2,094,862	2,435,854	2,667,725	2,941,440				
2011	941,952	2,275,503	3,139,104	4,125,773					
2012	1,530,087	3,453,121	4,133,416						
2013	1,595,242	3,728,907							
2014	1,814,575								

Life Claims development triangle

Months/Years	12	24	36	48	60	72	84	96	108
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
2006	35,517	73,659	79,182	82,476	82,476	82,476	82,476	82,476	82,476
2007	84,845	105,402	107,546	118,454	118,454	118,454	118,454	118,454	
2008	420,276	691,171	725,373	727,536	727,536	727,536	727,536		
2009	308,126	514,514	589,528	593,189	593,189	594,767			
2010	364,487	686,230	723,131	724,079	745,206				
2011	572,378	1,206,677	1,254,870	1,277,979					
2012	398,108	789,713	974,445						
2013	724,746	1,356,008							
2014	548,312								

Company

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
2006	322,931	585,286	879,416	911,364	923,271	925,910	927,973	927,709	928,089
2007	268,943	502,348	763,905	837,893	870,610	874,206	890,841	915,532	
2008	561,732	2,037,252	2,789,045	2,942,534	3,027,955	3,161,242	3,166,730		
2009	761,783	1,612,655	2,161,483	2,349,797	2,618,300	2,656,360			
2010	848,906	2,094,862	2,435,854	2,667,725	2,941,440				
2011	941,952	2,275,503	3,139,104	4,125,773					
2012	1,530,087	3,453,121	4,133,416						
2013	1,336,644	2,721,133							
2014	1,333,048								

Life Claims development triangle

Months/Years	12	24	36	48	60	72	84	96	108
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
2006	35,517	73,659	79,182	82,476	82,476	82,476	82,476	82,476	82,476
2007	84,845	105,402	107,546	118,454	118,454	118,454	118,454	118,454	
2008	420,276	691,171	725,373	727,536	727,536	727,536	727,536		
2009	308,126	514,514	589,528	593,189	593,189	594,767			
2010	364,487	686,230	723,131	724,079	745,206				
2011	572,378	1,206,677	1,254,870	1,277,979					
2012	398,108	789,713	974,445						
2013	716,968	1,327,875							
2014	515,833								

Notes to the consolidated financial statements
continued

42. Management of financial and insurance risk continued

42.2 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:

Group	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
At December 31st, 2014							
Financial assets							
Cash and cash equivalents	4,844,323		4,844,323	–	–	–	–
Reinsurance receivables	6,743,336		3,724,327	588,679	715,156	1,138,580	576,594
Loans and other receivables	234,910		234,910	–	–	–	–
Retrocession assets	477,628		477,628	–	–	–	–
Other assets	946,502		946,502	–	–	–	–
Financial asset designated at fair value	1,227,512		1,227,512	–	–	–	–
Debt Securities – *held to maturity*							
Listed	2,628,657		–	–	–	2,628,657	–
Unlisted	2,249,405		–	–	–	2,249,405	–
Debt Securities – *available for sale*	–						
Listed	272,331		272,331	–	–	–	–
Equities – *available for sale*	–						
Listed	1,102,347		1,102,347	–	–	–	–
Unlisted	1,031,359		1,031,359	–	–	–	–
Statutory deposits	1,000,000		–	–	–	–	1,000,000
Non financial asset							
Investment properties	2,926,956		–	–	–	–	2,926,956
	25,685,266		**13,861,239**	**588,679**	**715,156**	**6,016,642**	**4,503,550**
Financial liabilities							
Other liabilities	350,617		350,617	–	–	–	–
Reinsurance creditors	1,404,170		1,404,170	–	–	–	–
	1,754,787		**1,754,787**	–	–	–	–

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

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

Group	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
At December 31st, 2013							
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	320,977		320,977	–	–	–	–
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	–
Debt Securities – *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
	24,030,960		**10,865,053**	**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**	–	–	–	–

Notes to the consolidated financial statements continued

42. Management of financial and insurance risk continued

42.2 Financial risk management continued

Company	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
At December 31st, 2014							
Financial assets							
Cash and cash equivalents	3,303,155		3,303,155	–	–	–	–
Reinsurance receivables	5,274,202		3,014,103	367,427	359,597	956,482	576,593
Loans and other receivables	207,802		207,802	–	–	–	–
Retrocession assets	335,935		335,935	–	–	–	–
Other assets	1,186,944		1,186,944	–	–	–	–
Financial asset designated at fair value	171,524		171,524	–	–	–	–
Debt Securities – Held to maturity							
Listed	2,336,040		–	2,336,040	–		–
Unlisted	2,036,447		–	–	122,166	1,914,281	–
Debt Securities – available for sale							
Listed	246,193		–	–	–	246,193	–
Equities – available for sale							
Listed	1,079,330		1,079,330	–	–	–	–
Unlisted	1,031,359		1,031,359	–	–	–	–
Statutory deposits	1,000,000		–	–	–	–	1,000,000
Non financial asset							
Investment properties	2,926,956		–	–	–	–	2,926,956
	21,135,887		10,330,152	2,703,467	481,763	3,116,956	4,503,549
Financial liabilities							
Other liabilities	288,766		288,766	–	–	–	–
Reinsurance creditors	1,175,735		1,175,735	–	–	–	–
	1,464,501		1,464,501	–	–	–	–

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

Company	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
At December 31st, 2013							
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	506,662		506,662	–	–	–	–
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	–
Debt Securities – 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
	22,239,172		10,171,013	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
Please refer to the maturity profile table on Note 42.2.3 on Liquidity risks, for the maturity analysis of financial instruments only.

Notes to the consolidated financial statements continued

42. Management of financial and insurance risk continued

42.2 Financial risk management continued

Maturity analysis on expected maturity basis

Group	Current ₦'000	Non-current ₦'000	Total ₦'000
At December 31st, 2014			
Cash and cash equivalents	4,844,323	–	4,844,323
Financial asset designated as fair value	1,227,512	–	1,227,512
Loans and other receivables	234,910	–	234,910
Available-for-sale investments	2,406,037	–	2,406,037
Held to maturity investments	–	4,878,062	4,878,062
Reinsurance receivables	5,028,163	1,715,173	6,743,336
Retrocession assets	477,628	–	477,628
Deferred acquisition costs	1,759,685	–	1,759,685
Other assets	981,264	–	981,264
Investment properties	–	2,926,956	2,926,956
Intangible assets	–	1,214	1,214
Property, plant and equipment	–	726,717	726,717
Statutory deposits	–	1,000,000	1,000,000
Total assets	**16,959,522**	**11,248,122**	**28,207,644**
Liabilities			
Insurance contract liabilities	10,784,693		10,784,693
Reinsurance creditors	1,404,170	–	1,404,170
Other liabilities	535,096	–	535,096
Retirement benefit obligations	184,379	–	184,379
Current income tax	458,813	–	458,813
Deferred taxation	–	64,113	64,113
Total liabilities	**13,367,151**	**64,113**	**13,431,264**
Net maturity mismatch	3,592,371	11,184,009	14,776,380

Group	Current ₦'000	Non-current ₦'000	Total ₦'000
At December 31st, 2013			
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
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

Company	Current ₦'000	Non-current ₦'000	Total ₦'000
At December 31st, 2014			
Cash and cash equivalents	3,303,155	–	3,303,155
Financial asset designated as fair value	171,524	–	171,524
Loans and other receivables	207,802	–	207,802
Available-for-sale investments	2,356,882	–	2,356,882
Held to maturity investments	–	4,372,487	4,372,487
Reinsurance receivables	3,741,127	1,533,075	5,274,202
Retrocession assets	335,935	–	335,935
Deferred acquisition costs	1,383,416	–	1,383,416
Other assets	1,214,437	–	1,214,437
Investment properties	–	2,926,956	2,926,956
Intangible assets	–	1,214	1,214
Property, plant and equipment	–	613,858	613,858
Statutory deposits	–	1,000,000	1,000,000
Investment in subsidiary	–	1,722,633	1,722,633
Total assets	**12,714,278**	**12,170,223**	**24,884,501**
Liabilities			
Insurance contract liabilities	9,004,306		9,004,306
Reinsurance creditors	1,175,735	–	1,175,735
Other liabilities	457,106	–	457,106
Retirement benefit obligations	184,379	–	184,379
Current income tax	391,277	–	391,277
Deferred taxation	–	45,039	45,039
Total liabilities	**11,212,803**	**45,039**	**11,257,842**
Net maturity mismatch	1,501,475	12,125,184	13,626,659

Notes to the consolidated financial statements continued

42. Management of financial and insurance risk continued

42.2 Financial risk management continued

Maturity analysis on expected maturity basis continued

Company	Current ₦'000	Non-current ₦'000	Total ₦'000
At December 31st, 2013			
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

42.2.1 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 ₦91.134 million and Company ₦72.747 million (2013: Group ₦105.007 million and Company ₦79.952 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 fluctuate 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 percent movement in market prices will result in an unrealised gain or loss for the Group of ₦10.273 million and Company ₦10.047 million (December 2013: Group ₦17.923 million, Company ₦15.442 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 percent 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 percent movement in foreign exchange rate in USD against the Naira will result in ₦39.4 million gain or loss for the Group and Company of ₦36.36 million (2013: Group ₦35.23 million and Company ₦35.093 million). In Euro, Group ₦2.34 million and Company ₦2.09 million (2013: Group ₦2.412 million and Company ₦2.073 million). And in other currencies, Group ₦83.57 million and Company ₦40.69 million (2013: Group ₦39.581 million and Company ₦21.154 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.

Group	Naira ₦'000	USD ₦'000	Euro ₦'000	CFA ₦'000	KSHS ₦'000	Other ₦'000	Total ₦'000
December 31st, 2014							
Assets							
Cash and cash equivalents	1,452,941	354,490	4,717	1,393,926	406,658	1,231,591	4,844,323
Reinsurance receivables	972,271	2,092,426	229,834	2,058,537	462,477	927,791	6,743,336
Investment securities	5,141,420	1,493,829	–	–	554,729	94,121	7,284,099
Liabilities							
Other liabilities	535,096	–	–	–	–	–	535,096
December 31st, 2013							
Assets							
Cash and cash equivalents	4,879,240	458,759	–	164,113	68,521	103,115	5,673,748
Reinsurance receivables	2,160,732	1,665,618	241,199	842,799	678,389	703,329	6,292,066
Investment securities	5,293,391	1,398,634	–	–	1,143,363	254,416	8,089,804
Liabilities							
Other liabilities	311,142	–	–	–	–	–	311,142

Notes to the consolidated financial statements continued

42. Management of financial and insurance risk continued

42.2 Financial risk management continued

42.2.1 Sensitivities continued

(c) Sensitivity analysis – currency risk continued

Company	Naira ₦'000	USD ₦'000	Euro ₦'000	CFA ₦'000	KSHS ₦'000	Other ₦'000	Total ₦'000
December 31st, 2014							
Assets							
Cash and cash equivalents	1,452,941	343,007	4,717	1,393,926	14,521	94,043	3,303,155
Reinsurance receivables	972,271	1,798,762	203,920	2,058,537	–	240,712	5,274,202
Investment securities	5,141,420	1,493,829	–	–	75,890	18,230	6,729,369
Liabilities							–
Other liabilities	457,106	–	–	–	–	–	457,106
December 31st, 2013							
Assets							
Cash and cash equivalents	4,879,240	445,055	–	164,113	–	116,819	5,605,227
Reinsurance receivables	2,160,732	1,665,618	207,280	842,799	–	737,248	5,613,677
Investment securities	5,293,391	1,398,634	–	–	–	254,416	6,946,441
Liabilities							
Other liabilities	288,057	–	–	–	–	–	288,057

42.2.2 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:

	Fire and Engineering	Marine and Aviation	Motor, Accident and Liability	Energy
Credit Rating				
AA+	0%	0%	0%	0%
A+	41%	7%	30%	19%
A	13%	65%	5%	74%
A-	30%	28%	55%	7%
BBB-	1%	0%	0%	0%
B++	3%	0%	0%	0%
B+	11%	0%	10%	0%
B	1%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**

42.2.2 Credit Risk continued

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 are 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			
	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Maximum exposure to credit risk before collateral held or other credit enhancements:				
Cash and cash equivalents	4,844,323	5,673,748	3,303,155	5,605,227
Reinsurance receivables	6,743,336	6,292,066	5,274,202	5,613,677
Loans and other receivables	234,910	379,174	207,802	370,833
Debt securities	5,150,393	6,096,972	4,618,680	4,974,998
Total assets bearing credit risk	16,972,962	18,441,960	13,403,839	16,564,735

Group	Cash and cash equivalents ₦'000	Reinsurance receivables ₦'000	Loans and other receivables ₦'000	Debt securities ₦'000	Total ₦'000
Age analysis for past due and impaired					
December 31st, 2014					
Neither past due nor impaired	4,844,323	5,028,162	234,910	5,150,393	15,257,788
Past due but not impaired	–	1,715,174	–	–	1,715,174
Impaired	–	2,268,053	375,491	–	2,643,544
Gross	4,844,323	9,011,389	610,401	5,150,393	19,616,506
Impairment allowance – collective	–	(2,268,053)	(375,491)	–	(2,643,544)
Net	4,844,323	6,743,336	234,910	5,150,393	16,972,962
December 31st, 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

Company	Cash and cash equivalents ₦'000	Reinsurance receivables ₦'000	Loans and other receivables ₦'000	Debt securities ₦'000	Total ₦'000
Age analysis for past due and impaired					
December 31st, 2014					
Neither past due nor impaired	3,303,155	3,741,126	207,802	4,618,680	11,870,763
Past due but not impaired	–	1,533,076	–	–	1,533,076
Impaired	–	2,230,263	375,491	–	2,605,754
Gross	3,303,155	7,504,465	583,293	4,618,680	16,009,593
Impairment allowance – collective	–	(2,230,263)	(375,491)	–	(2,605,754)
Net	3,303,155	5,274,202	207,802	4,618,680	13,403,839
December 31st, 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

Notes to the consolidated financial statements continued

42. Management of financial and insurance risk continued

42.2 Financial risk management continued

42.2.2 Credit Risk continued

(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 business. The Group does not rate any of its financial assets measured at amortised cost.

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

Group	AA+ ₦'000	A+ ₦'000	A ₦'000	BBB- ₦'000	Below BBB ₦'000	Not rated ₦'000	Total ₦'000
December 31st, 2014							
Cash and cash equivalents	–	4,844,323	–	–	–	–	4,844,323
Reinsurance receivables	–	–	–	–	–	6,743,336	6,743,336
Loans and other receivables	–	–	–	–	–	234,910	234,910
Debt securities	–	3,026,027	2,124,365	–	–	–	5,150,392
December 31st, 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

Company	AA+ ₦'000	A+ ₦'000	A ₦'000	BBB- ₦'000	Below BBB ₦'000	Not rated ₦'000	Total ₦'000
December 31st, 2014							
Cash and cash equivalents	–	3,303,155	–	–	–	–	3,303,155
Reinsurance receivables	–	–	–	–	–	5,274,202	5,274,202
Loans and other receivables	–	–	–	–	–	207,802	207,802
Debt securities	–	2,707,248	1,911,432	–	–	–	4,618,680
December 31st, 2013							
Cash and cash equivalents	–	5,605,227	–	–	–	–	5,605,227
Reinsurance receivables	–	–	–	–	–	3,219,828	3,219,828
Loans and other receivables	–	–	–	–	–	370,833	370,833
Debt securities	–	2,654,991	2,320,007	–	–	–	4,974,998

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

Group	< 90 days ₦'000	91-180 days ₦'000	181-270 days ₦'000	271-365 days ₦'000	1-2 years ₦'000	2-3 years ₦'000	Total ₦'000
December 31st, 2014							
Life	101,102	22,036	34,447	597	121,939	136,579	416,700
Non-Life	3,623,225	566,643	618,212	61,900	892,599	564,057	6,326,636
Total	**3,724,327**	**588,679**	**652,659**	**62,497**	**1,014,538**	**700,636**	**6,743,336**
Profile	55%	9%	10%	1%	15%	10%	100%

Group	< 90 days ₦'000	91-180 days ₦'000	181-270 days ₦'000	271-365 days ₦'000	1-2 years ₦'000	2-3 years ₦'000	Total ₦'000
December 31st, 2013							
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%

Company	< 90 days ₦'000	91-180 days ₦'000	181-270 days ₦'000	271-365 days ₦'000	1-2 years ₦'000	2-3 years ₦'000	Total ₦'000
December 31st, 2014							
Life	76,470	19,560	24,902	46,273	319,969	93,246	580,420
Non-Life	2,937,633	347,866	224,600	63,823	733,280	386,579	4,693,781
Total	**3,014,103**	**367,426**	**249,502**	**110,096**	**1,053,249**	**479,825**	**5,274,201**
Profile	57%	7%	5%	2%	20%	9%	100%

Company	< 90 days ₦'000	91-180 days ₦'000	181-270 days ₦'000	271-365 days ₦'000	1-2 years ₦'000	2-3 years ₦'000	Total ₦'000
December 31st, 2013							
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%

Impaired financial assets

At December 31st, 2013, the Group impaired reinsurance receivables was ₦2,280,654,000, Company ₦2,230,263,000 (2013: ₦3,341,818,000).

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.

Notes to the consolidated financial statements
continued

42. Management of financial and insurance risk continued
42.2 Financial risk management continued
42.2.2 Credit Risk continued
42.2.2.1 Concentration of credit risk

Concentration risk (including geographical risk) includes identification of the concentration of risks insured by Continental Reinsurance Plc utilise 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 are 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

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Nigeria	2,275,405	2,431,183	2,275,405	2,431,183
Cameroon	1,428,669	1,758,031	1,428,669	1,758,031
Kenya	1,765,770	1,086,269	537,744	407,880
Abidjan + Tunis	789,022	717,232	789,022	717,232
Gaborone	484,470	299,351	243,362	299,351
Total	6,743,336	6,292,066	5,274,202	5,613,677

(b) Business Class

	Group 2014 ₦'000	Group 2013 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Life operation	464,653	1,626,547	426,157	1,572,929
Non life Facultative	4,117,958	2,788,626	3,372,549	2,351,286
Non life Treaty	2,160,725	1,876,893	1,475,496	1,689,462
Total	6,743,336	6,292,066	5,274,202	5,613,677

42.2.3 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.

Group	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
December 31st, 2014							
Financial assets							
Cash and cash equivalents	4,844,323	–	–	–	–	–	4,844,323
Reinsurance receivables	3,398,123	326,204	588,679	715,156	1,138,580	576,594	6,743,336
Loans and other receivables	150,418	4,038	11,267	12,115	57,072	–	234,910
Other assets	946,502					–	946,502
Retrocession assets	477,628					–	477,628
Debt Securities at amortised cost	350,779	197,795	1,576,771	46,574	2,310,038	396,105.25	4,878,062
Debt Securities at available for sale		26,135			246,196		272,331
Total relevant financial assets	**10,167,773**	**554,172**	**1,576,771**	**46,574**	**2,556,234**	**396,105**	**18,397,092**
Financial liabilities							
Other liabilities	350,617	–	–	–	–	–	350,617
Total financial liabilities	**350,617**	–	–	–	–	–	**350,617**
Insurance contract liabilities				10,784,693			10,784,693
December 31st, 2013							
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	320,977					–	320,977
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	**7,889,273**	**1,072,452**	**340,938**	**961,282**	**4,781,335**	–	**19,938,916**
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

Notes to the consolidated financial statements continued

42. Management of financial and insurance risk continued
42.2 Financial risk management continued
42.2.3 Liquidity Risk continued

Company	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
December 31st, 2014							
Financial assets							
Cash and cash equivalents	3,303,155	–	–	–	–	–	3,303,155
Reinsurance receivables	2,718,173	295,930	367,427	359,597	956,482		4,697,609
Loans and other receivables	123,309	4,038	11,267	12,115	57,072	–	207,801
Other assets	1,186,944	–	–	–	–	–	1,186,944
Retrocession assets	335,935	–	–	–	–	–	335,935
Debt Securities at amortised cost	350,779	197,795	1,576,771	46,574	1,943,450	257,118	4,372,487
Debt Securities at available for sale					246,193		246,193
Total relevant financial assets	**8,018,295**	**497,763**	**1,576,771**	**46,574**	**2,189,643**	**257,118**	**14,350,124**
Financial liabilities							
Other liabilities		–	–	–	–	–	–
Total financial liabilities	–	–	–	–	–	–	–
Insurance contract liabilities				9,004,306			9,004,306
December 31st, 2013							
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	506,662	–	–	–	–	–	506,662
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	**7,657,178**	**960,921**	**883,885**	**2,134,359**	**6,130,102**	**402,072**	**18,168,517**
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

42.3 Fair value of financial assets and liabilities
(a) Financial instruments not measured at fair value

	At December 31st, 2014 Group		At December 31st, 2013 Group	
	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000
Financial assets				
Cash and cash equivalents	4,844,323	4,844,323	5,673,748	5,673,748
Reinsurance receivables	6,743,336	6,743,336	6,292,066	6,292,066
Loans and other receivables	234,910	234,910	379,174	379,174
Other assets	981,264	981,264	365,839	365,839
Retrocession assets	477,628	477,628	358,106	358,106
Debt securities at amortised cost				
Listed	2,753,697	2,753,697	3,279,934	3,340,082
Unlisted	2,124,365	2,124,365	2,550,336	2,387,493
Financial liabilities				
Other liabilities	535,096	535,096	311,142	311,142

	At December 31st, 2014 Company		At December 31st, 2013 Company	
	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000
Financial assets				
Cash and cash equivalents	3,303,155	3,303,155	5,605,227	5,605,227
Reinsurance receivables	5,274,202	5,274,202	5,613,677	5,613,677
Loans and other receivables	207,802	207,802	370,833	370,833
Other assets	1,214,437	1,214,437	546,073	546,073
Retrocession assets	335,935	335,935	279,247	279,247
Debt securities at amortised cost				
Listed	3,279,934	3,279,934	2,412,515	2,471,393
Unlisted	2,550,336	2,550,336	2,320,007	2,158,429
Financial liabilities				
Other liabilities	457,106	457,106	288,057	288,057

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 asset or liability that are not based on observable market data (unobservable inputs).

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

Group	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
December 31st, 2014				
Financial assets				
Financial asset designated at fair value	1,227,512	–	–	1,227,512
Debt securities at available for sale				
Listed	272,331	–	–	272,331
Equity securities at available for sale				
Listed	1,027,724	–	–	1,027,724
Unlisted	–	1,105,982		1,105,982
December 31st, 2013				
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

Notes to the consolidated financial statements continued

42. Management of financial and insurance risk continued

42.3 Fair value of financial assets and liabilities continued

(b) Financial instruments measured at fair value continued

Company	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
December 31st, 2014				
Financial assets				
Financial asset designated at fair value	171,524	–	–	171,524
Debt securities at available for sale				
Listed	246,193	–	–	246,193
Equity securities at available for sale				
Listed	1,004,707	–	–	1,004,707
Unlisted	–	1,105,982		1,105,982
December 31st, 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

(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 portfolio 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.

42. Management of financial and insurance risk continued

42.4 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 satisfy 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 percent.

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

Consolidated statement of value added for the year ended December 31st, 2014

	Group 2014 ₦'000	%	Group 2013 ₦'000	%	Company 2014 ₦'000	%	Company 2013 ₦'000	%
Net premium income:								
Local	9,016,190		8,694,800		9,016,190		8,694,800	
Foreign	5,178,318		4,656,103		2,408,732		3,562,923	
Other income	1,342,341		1,605,247		1,182,992		1,364,428	
	15,536,849		**14,956,150**		**12,607,914**		**13,622,151**	
Claims, commission, charges and management expenses								
local	(6,430,005)		(7,070,091)		(6,430,005)		(7,070,091)	
imported	(6,473,517)		(4,703,579)		(3,974,405)		(3,673,515)	
Value added	**2,633,327**	**100.0**	**3,182,480**	**100.0**	**2,203,504**	**100.0**	**2,878,545**	**100.0**
Applied as follows:								
To pay employees:								
Salaries, pension and other allowances	942,589	35.8	827,487	26.0	836,879	38.0	769,401	26.7
To pay Government:								
Income tax	691,222	26.1	436,796	13.7	589,297	26.6	378,900	13.2
Information technology levy	12,800	0.5	20,014	0.6	12,800	0.6	20,014	0.7
Retained for growth:								
Depreciation and amortisation	89,969	3.4	101,585	3.2	73,831	3.4	87,720	3.0
Deferred taxation	41,103	1.6	43,198	1.4	29,174	1.3	36,053	1.3
Profit for the year	855,644	32.5	1,753,400	55.1	661,523	30.0	1,586,457	55.1
	2,633,327	**99.9**	**3,182,480**	**100.0**	**2,203,504**	**99.9**	**2,878,545**	**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.

Five-year financial summary

Statement of financial position as at

	IFRS				
	December 31st				
	2014 ₦'000	2013 ₦'000	2012 ₦'000	2011 ₦'000	2010 ₦'000
Assets					
Cash and cash equivalents	3,303,155	5,605,227	6,263,827	5,815,044	5,655,176
Financial asset held for trading	171,524	170,285	132,942	108,956	175,031
Loans and other receivables	207,802	370,833	192,575	153,584	144,706
Available-for-sale investments	2,356,882	2,213,919	1,910,396	1,736,086	1,876,705
Held to maturity investments	4,372,487	4,732,522	4,359,087	5,076,223	4,056,865
Reinsurance receivables	5,274,202	5,613,677	5,427,732	4,602,289	3,988,642
Retrocession assets	335,935	279,247	779,147	146,974	101,470
Deferred acquisition costs	1,383,416	1,213,441	1,077,360	975,157	930,234
Other assets	1,214,437	546,073	1,113,603	181,718	34,638
Investment properties	2,926,956	1,746,800	1,661,000	1,653,500	1,557,834
Intangible assets	1,214	9,667	17,075	4,913	9,239
Property, plant and equipment	613,858	553,200	114,695	103,423	106,687
Investments in subsidiary	1,722,633	987,405	–	–	–
Statutory deposits	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total assets	**24,884,501**	**25,042,296**	**24,049,439**	**21,557,867**	**19,637,227**
Liabilities					
Insurance contract liabilities	9,004,306	8,961,159	9,237,451	7,747,320	6,686,979
Reinsurance creditors	1,175,735	1,169,024	754,969	722,385	275,970
Other liabilities	457,106	288,057	252,265	345,897	356,866
Retirement benefit obligation	184,379	45,900	164,110	3,893	75,690
Current income tax payable	391,277	388,875	401,617	381,624	336,074
Deferred tax liabilities	45,039	41,946	3,660	41,470	31,448
Total liabilities	**11,257,842**	**10,894,961**	**10,814,072**	**9,242,589**	**7,763,027**
Equity					
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	1,526,328	2,423,196	2,344,587	1,986,024	1,662,242
Contingency reserve	2,705,666	2,349,131	1,873,319	1,435,136	1,094,207
Available-for-sale reserve	292,842	273,185	(84,362)	(207,705)	15,928
Total equity	**13,626,659**	**14,147,335**	**13,235,367**	**12,315,278**	**11,874,200**
Total liabilities and equity	**24,884,501**	**25,042,296**	**24,049,439**	**21,557,867**	**19,637,227**

Income statement for year ended

	IFRS				NGAAP
	December 31st				
	2014 ₦'000	2013 ₦'000	2012 ₦'000	2011 ₦'000	2010 ₦'000
Gross premium	13,176,217	14,053,252	12,293,652	11,647,038	11,644,720
Profit before income tax	1,279,994	2,001,410	1,699,731	1,829,729	1,585,000
Income tax expense	(618,471)	(414,953)	(414,953)	(387,150)	(354,766)
Profit after taxation	661,523	1,586,457	1,284,778	1,442,579	1,230,234
Appropriations:					
Transfer to contingency reserve	356,535	475,812	438,183	340,929	321,526
Transfer to retained earnings	304,988	1,110,645	846,595	1,101,650	908,708
Earnings per share (kobo)	6	15	12	14	12
Net assets per share (kobo)	131	136	128	119	115

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.

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OTHER INFORMATION

Share capital history

	Authorised (NGN)		Issued & fully paid up (NGN)		
	Increase	Cumulative	Increase	Cumulative	Consideration
1985	–	10,000,000	–	–	–
1986	–	10,000,000	–	5,070,000	Cash
1987	–	10,000,000	3,730,000	8,800,000	Cash
1988	5,000,000	15,000,000	1,200,000	10,000,000	Cash
1989	–	15,000,000	2,450,000	12,450,000	Cash
1990	–	15,000,000	1,490,000	13,940,000	Cash
1991	–	15,000,000	1,060,000	15,000,000	Cash
1992	85,000,000	100,000,000	4,918,000	19,918,000	Cash
1993	–	100,000,000	10,934,000	30,852,000	Cash and Bonus (1 for 15)
1994	–	100,000,000	24,148,000	55,000,000	Cash and Bonus (1 for 8)
1995	–	100,000,000	17,012,000	72,012,000	Cash and Bonus (1 for 15)
1996	–	100,000,000	6,197,237	78,209,237	Cash, Stock split (N1,000 to N1)
1997	100,000,000	200,000,000	36,317,763	114,527,000	Cash
1998	–	200,000,000	35,487,588	150,014,588	Cash and Bonus (1 for 10)
1999	300,000,000	500,000,000	29,985,414	180,000,002	Cash and Bonus (1 for 15)
2000	–	500,000,000	12,000,000	192,000,002	Cash
2001	–	500,000,000	63,598,223	255,598,225	Cash and Bonus (1 for 8)
2002	–	500,000,000	44,503,325	300,101,550	Cash and Bonus (1 for 6)
2003	500,000,000	1,000,000,000	103,565,104	403,666,654	Cash and Bonus (1 for 4)
2004	–	1,000,000,000	254,674,470	658,241,124	Cash and Bonus (1 for 9)
2005	1,000,000,000	2,000,000,000	198,566,308	856,907,432	Cash and Bonus (1 for 9)
2006	5,5000,000,000	7,500,000,000	383,683,372	1,240,590,804	Cash
2007	–	7,500,000,000	3,945,781,353	5,186,372,157	Cash, Stock split (N1 to N0.50)
2008	–	7,500,000,000	–	5,186,372,157	–
2009	–	7,500,000,000	–	5,186,372,157	–
2010	–	7,500,000,000	–	5,186,372,157	–
2011	–	7,500,000,000	–	5,186,372,157	–
2012	–	7,500,000,000	–	5,186,372,157	–
2013	5,000,000,000	12,500,000,000	–	5,186,372,157	–
2014	–	12,500,000,000	–	5,186,372,157	–

Proxy form

Continental Reinsurance Plc RC: 73956

28th Annual General Meeting to be held at Victoria Crown Plaza (VCP) hotel, 292b, Ajose Adeogun Street, Victoria Island, Lagos on Thursday, July 30th, 2015 at 11.00 a.m.

I/We ______________________________ being a member/members of CONTINENTAL REINSURANCE PLC,

hereby appoint ** ______________________________ of ______________________________ or failing him,

the Chairman as my/our proxy to act and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held

on ______________________________, 2015 and at any and every adjournment thereof.

Dated this ____________________ day of ____________________ 2015

Shareholder's signature ______________________________

RESOLUTIONS	FOR	AGAINST
To receive the Audited Financial Statements and the Reports of the Directors, Auditors and Audit Committee		
To declare a dividend		
To re-elect Mr. Vincent Le Guennou		
To re-elect Mr. Johnnie Wilcox		
To authorise the Directors to fix the remuneration of the Auditors		
To elect members of the Audit Committee		
To approve the remuneration of the Directors: ▶ Chairman: NGN2,985,000.00 per annum ▶ Other Directors: NGN1,990,000.00 each per annum		

Please indicate with an "X" in the appropriate space how you wish your votes to be cast on the resolutions set out above. Unless otherwise indicated, the proxy will vote or abstain at his/her discretion

Notes

1. A member (shareholder) who is unable to attend the Annual General Meeting is entitled to appoint a proxy to attend the meeting and vote on his/her behalf. This Proxy Form has been prepared to enable you exercise your right to vote in case you cannot personally attend the meeting.
2. Provision has also been made on this form for the Chairman of the meeting to act as your proxy, but if you wish, you may insert, in the space marked **, the name of any person, whether a member of the Company or not, who will attend the meeting and vote on your behalf.
3. In the case of joint shareholders, the signature of any of them will suffice, but the names of all Joint Shareholders must be stated.
4. To appoint a proxy using this form, the form must be completed and signed and must be deposited at the registered office of the Company or the office of the Registrars, Sterling Registrars Limited, 24, Campbell Street, Lagos not later than 48 hours before the time for holding the meeting.
5. If this Proxy form is executed by a corporate shareholder, it must be sealed under the common seal of the corporate shareholder or under the hand of an officer or attorney duly authorized in that behalf.
6. It is the requirement of the law under the Stamp Duties Act Cap. S8 LFN 2004, that any instrument of Proxy to be used for the purpose of voting by any persons entitled to vote at any meeting of shareholders, must bear the appropriate stamp duty, and not adhesive postage stamps. TO BE VALID THIS FORM MUST ACCORDINGLY, BE STAMPED AT THE STAMP DUTIES OFFICE.

Before posting or depositing the above form, please tear off this admission card and retain it for admission to the meeting.

Admission Card — **Continental Reinsurance Plc** RC: 73956

Number of shares held ______________________________

Please admit the shareholder named on this form or his duly appointed proxy to the 28th Annual General Meeting to be held at Victoria Crown Plaza (VCP) Hotel, 292b, Ajose Adeogun Street, Victoria Island, Lagos on Thursday, July 30th, 2015 at 11.00 a.m.

Name of shareholder ______________________________

Name of person attending ______________________________

Signature of person attending ______________________________

Note:
You are requested to sign this form at the entrance in the presence of the Registrar on the day of the Annual General Meeting.

The Registrar,
Sterling Registrars Limited,
8th Floor, Knight Frank Building,
24, Campbell Street,
Lagos

Mandate form
for E-dividend payment

CONTINENTAL REINSURANCE
Pan-African commitment made local

The Registrar,
Sterling Registrars Limited
8th Floor, Knight Frank Building,
24, Campbell Street, Lagos.
Tel: 01-2806987, 7303445
Tel/Fax: 2806987

Date: ______________________

I/We hereby request that from now on, all dividends due or which may be due to me/us from my/our holding in Continental Reinsurance Plc, be paid directly to my/our bank account named below:

Surname/Company's name: ______________________

Other Names (for individual shareholder): ______________________

Current postal address: ______________________

E-mail address: ______________________

Mobile phone numbers: ______________________

Bank: ______________________

Bank branch: ______________________

Bank branch address: ______________________

Bank account number: ______________________

Bank sort code: ______________________

Shareholder's right thumbprint or signature: ______________________

Corporate Shareholder:

Authorised signature(s):

Company seal /Incorporation number (corporate shareholder):

Bank authorised signature and bank stamp:

Please complete and return to the registrars

The Registrar,
Sterling Registrars Limited,
8th Floor, Knight Frank Building,
24, Campbell Street,
Lagos

Data update form

CONTINENTAL REINSURANCE
Pan-African commitment made local

The Registrar,
Sterling Registrars Limited
8th Floor, Knight Frank Building,
24, Campbell Street, Lagos.
Tel: 01-2806987, 7303445
Tel/Fax: 2806987

Date: ______________________

Shareholder account number: ______________________

CSCS number: ______________________

Surname/Company's name: ______________________

Other name (individual shareholder): ______________________

E-mail address: ______________________

Mobile phone numbers: ______________________

Current postal address: ______________________

Signature(s)

The Registrar,
Sterling Registrars Limited,
8th Floor, Knight Frank Building,
24, Campbell Street,
Lagos

Continental Reinsurance

Nigeria
St. Nicholas House, 8th Floor
6 Catholic Mission Street
P.O. Box 2401, Lagos, Nigeria
Tel: +234 1 4622779, 8732624
Fax: +234 1 0700REINSURE, Ext. 138

Cameroon
Rue Ngosso Din
Derrière Pharmacie de la Côte, Bali
P.O. Box 4745, Douala, Cameroon
Tel: +237 33 42 24 94
Fax: +237 33 42 27 88

Côte d'Ivoire
2ème étage, Imm. Equinoxe,
Angle de la Route du Lycée Technique
et de la Rue de la Canebière (Carrefour Pisam)
Cocody Danga – BP 1073 Abidjan 01, Côte d'Ivoire
Tel: +225 22 44 51 80
Fax: +225 22 44 14 38

Tunisia
Rue Lac Léman, Imm. Regency – Bloc "C"
2ème étage – Bur 207
1053 Les Berges du Lac, Tunis, Tunisia
Tel: +216 71 964 997 / 988
Fax: +216 71 964 991

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