UnityKapital
assurance plc

# 2013
## Annual Report & Accounts

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# MISSION & VISION ▪ PRINCIPLES ▪ VALUES

## MISSION & VISION

**MISSION**

To help our Clients have Peace of Mind.

**VISION**

To be one of the top 3 insurance companies by 2015.

## PRINCIPLES

### INTEGRITY

We will act with openness fairness, integrity and diligence. We will always adhere to the applicable laws, regulations and standards of doing business.

### PERFORMANCE

We will promote a positive and challenging high performance culture. We will do this by encouraging personal accountability and personal development and measuring, rewarding and recognising success.

### RESPONSIBILITY

We will act responsibly as individuals and as a company. This applies to the management of our business, our approach to corporate risk and our interaction with key external stakeholder.

## VALUES

- Working in teams
- Serving our customers
- Respecting each other
- Being proactive
- Upholding the highest levels of integrity
- Guarding against arrogance
- Delivering to our shareholders
- Growing our people

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 38th **ANNUAL General Meeting** of members of UnityKapital Assurance Plc will be held at Reiz Continental Hotel, Plot 779, Cadastral Zone AO, Central Business District, Abuja on Wednesday 14th January, 2015 at 11.00 a.m to transact the following:

**ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the year ended December 31, 2013 together with the reports of the Directors, Auditors and Audit Committee thereon.
2. To re-elect/elect Directors
3. To approve the remuneration of the Directors
4. To appoint new Auditors
5. To authorize the Directors to fix remuneration of the Auditors
6. To Elect members of the Audit Committee

**Proxy**

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not also be a member. A proxy form is at the end of the financial statements. All instruments of proxy should be duly stamped at the stamp duties office and deposited at the office of the registrar, No 94 Agege Motor Roadside-Oro Bus Stop, Mushin, Lagos not later than 48 hours prior to the time of the meeting.

**Audit Committee**

In accordance with section 359(5) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004,any shareholder may nominate another shareholder for appointment to the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the date of the Annual General Meeting.

**Closure of Register of Members**

The Register of Members will be closed from 12th January, 2015 to 13th January,2015 (both days inclusive).

**Dated this 22nd day of December, 2014.**

**By the Order of the Board.**

Halima J Wushishi
Company Secretary

## OUR COMMITMENTS

### Customers

A satisfied and loyal customer base is core to our business.

We are committed to:

- Delivering consistent and reliable levels of customer service
- Acting with integrity, due care and diligence
- Communicating openly, honestly and with sensitivity and understanding
- Listening to our customers
- Handling complaints fairly and promptly
- Respecting our customers' rights to privacy and confidentiality
- Protecting our customers and our business from fraud

### Business Partners

We demand high standards from the companies we work with and believe that they should expect the same from us.

We are committed to:

- Carrying out our business with fairness and integrity
- Being reliable and quick to respond
- Awarding contracts and selecting business partners solely on the basis of fair and objective business criteria and having regard to high ethical standards
- Respecting all obligations and confidentiality
- Protecting our customers and our business from fraud

### Employees

Motivated and skilled employees are critical to our success.

We are committed to:

- Fostering a positive and challenging high performance culture
- Rewarding superior performance
- Encouraging personal development
- Encouraging a culture of frank and honest communication
- Encouraging teamwork and strong leadership
- Providing a safe and secure working environment
- Encouraging diversity and equal opportunities
- Ensuring that grievances and unethical behaviour can be raised without fear of discrimination

In return we expect our employees to:

- Act with integrity
- Take responsibility and accountability for their own actions
- Show support and commitment for change
- Focus their energy in getting the best from themselves and others
- Have the confidence and courage to act with conviction
- Show understanding for and meet external and internal customer needs

## OUR COMMITMENTS

- Show a relentless desire for success
- Create positive and effective working relationships

**Regulators**

We have an open, cooperative and transparent relationship with our regulators
We are committed to:

- Dealing with our regulators in an open, cooperative and transparent manner
- Managing our business with appropriate standards of risk management and controls
- Preventing and reporting any instances of significant financial crime
- Preventing breaches of relevant regulatory requirements
- Complying with all set standards

**Community & Environment**

We believe in continuous improvement of our environmental performance and in taking action around emerging environmental issues. Wherever we operate we will seek positive engagement with local communities.
We are committed to:

- As a business we have a responsibility to manage our impacts on the environment through appropriate use of resources such as energy, paper and water and the investment of our assets.
- We also have a responsibility to take proactive action on environmental issues that are likely to affect our business and the community at large.
- In each of these areas we will look to make continuous improvement and actively monitor our performance.

**Shareholders**

We are committed to fulfilling the aspirations of our shareholders through a commitment to business performance, and high standards of transparency, communication and corporate governance
We are committed to:

- A culture of business performance, focused on delivering returns to shareholders
- Comprehensive and transparent disclosure
- Aiding shareholder understanding through the disclosure of relevant financial and non-financial information
- Listening to the views of our shareholders
- Managing our business with appropriate standards of risk and control
- Ensuring due care in the selection of our third party advisers, including our auditors
- Preventing and reporting any market abuse
- Acting with due sense of responsibility on confidence entrusted to us

## CONSOLIDATED RESULT AT A GLANCE

| | 2013 (N'000) | 2012 (N'000) | Changes | % |
|---|---|---|---|---|
| Gross Premium written | 2,901,845 | 2,736,658 | 165,187 | 6 |
| Underwriting Profits | 800,475 | 1,671,364 | (870,889) | (52) |
| Investment and other incomes | 1,720,450 | 524,070 | 1,196,380 | 228 |
| Impairment charges on receivables | (243,702) | (411,155) | 167,453 | 41 |
| Profit Before Taxation | 222,471 | 473,018 | (250,547) | (53) |
| Profit/(Loss) after Taxation | 264,021 | 316,864 | (52,843) | (17) |
| property,plant & equipments | 2,307,303 | 2,349,854 | (42,551) | (2) |
| share capital | 6,933,333 | 6,933,333 | 0 | 0 |
| contingency reserve | 453,037 | 365,983 | 87,054 | 24 |
| shareholders fund | 9,008,178 | 9,117,919 | (109,741) | (1) |
| Total assets | 10,484,862 | 10,545,123 | (60,261) | (1) |
| Per share data<br>Earnings per share | 2 | 2 | 0 | 0 |
| Net assets per share | 66k | 65k | (1k) | 100 |
| Dividend per share (proposed) | 0k | 2k | | |

## CORPORATE INFORMATION

**UNITYKAPITAL ASSURANCE PLC** was incorporated in 1973 as a Private Limited Liability Company, under the name **KANO STATE INSURANCE COMPANY LIMITED** with registration number RC 11785. It started business in 1974 at its head office in Kano. The name was changed to **KAPITAL INSURANCE COMPANY LIMITED** in 1981. In 2007, the company implemented a scheme of merger with Intercontinental Assurance Company Limited and Global Commerce & General Assurance Company Limited and moved its Head Office to Plot 497, Abogo Largema Street, Central Business District, Abuja. It changed its name to UnityKapital Assurance Plc on August 4, 2008.

Following the Insurance Regulation of September 2005 which required Insurance Companies to recapitalize to the level of N 3billion for Non-Life Companies and N 2 billion for Life Companies, three insurance Companies which had over the years shared similar visions and missions met and decided to merge and consolidate. The Companies were Kapital Insurance Company Limited, Intercontinental Assurance Company Limited and Global Commerce and General Assurance Company Limited.

The companies made their marks in spread, technical expertise and prompt service delivery both at the level of Underwriting and Claims settlement.

## CORPORATE INFORMATION CONT.

### 1. DIRECTORS

| | |
|---|---|
| Henry James Semenitari | Chairman [ Appointed 24/07/2014 ] |
| Mallam Falalu Bello, OFR, FCIB | Chairman [ Resigned 10/03/2014 ] |
| Kina U. Ekebuike | Managing Director/CEO |
| John Abuh Oyidih | Executive Director [ Finance and Admin ] |
| Lawal Mijinyawa | Executive Director [ Operations ] |
| Emmanuel I. U. Ojei | Director |
| Farouk Lawal Yola | Director |
| Aisha Azumi Abraham (Mrs) | Director [ Appointed 24/07/2014 ] |
| Bonaventure E. Okhaimo | Director [ Appointed 24/07/2014 ] |
| Ado Y. Wanka | Director [ Resigned 23/10/2013 ] |
| Abdullahi Umar | Director [ Resigned 10/3/2014 ] |
| Kamaludeen Muhammed | Director [ Resigned 10/02/2014 ] |
| Adeleke D. Bamidele | Director [ Resigned 12/11/2014] |
| Olasogba Olugbenga | [ Overseer ] MD/CEO |
| Michael Danjuma Dogo | [ Overseer ] Operations |
| Nkiru T. Achara | [ Overseer ] Finance and Admin |

### 2. COMPANY SECRETARY\LEGAL ADVISER
Umar B. Sambo

### 3. REGISTERED OFFICE
Plot 497, Abogo Largema Street,
Off Constitution Avenue,
Central Business District, Abuja.
RC NO: 11785
COMPANY FRC REGISTRATION NO: FRC/2013/0000000000717

### 4. AUDITORS
Aminu Ibrahim & Co.
(Chartered Accountants)
City Plaza, 3rd Floor,
Plot 596, Ahmadu Bello Way,
Garki II, Abuja.

### 5. REGISTRARS
Unity Registrars Limited
(Unity Bank Building),
94, Agege Motor Road,
Idi-Oro Bus Stop, Mushin, Lagos.

### 6. MAJOR BANKERS
1. Unity Bank Plc
2. Sterling Bank Plc
3. First Bank Nigeria Plc
4. Fidelity Bank Plc
5. Guaranty Trust Bank Plc
6. Eco Bank
7. Keystone Bank

### 7. REGULATORY AUTHORITY
National Insurance Commission

## BOARD OF DIRECTORS

**Henry James Semenitari**
Chairman (Appointed 24/07/2014)

**Mallam Falalu Bello, OFR, FCIB**
Chairman
(From 03/04/2007 to 10/03/2014)

**Olaoegba Olugbenga**
( Overseer ) MD/CEO

**Kins Ekebuike**
Managing Director
(From 10/06/2011 to 17/12/2014)

## BOARD OF DIRECTORS

Dr. Emmanuel I.M Ojo
Non Executive Director

Farouk Yola Lawal
Non Executive Director

Bonaventure E. Okhaimo
Non Executive Director
(Appointed 29/7/2014)

Aisha Azani Abraham (Mrs)
Non Executive Director
(Appointed 24/7/2014)

Michael Danjuma Dogo
( Governor ) Operations

Nkiru T. Achara
( Governor ) Finance and Admin

Ado Y. Wanka
Non Executive Director
(Resigned 28/10/2014)

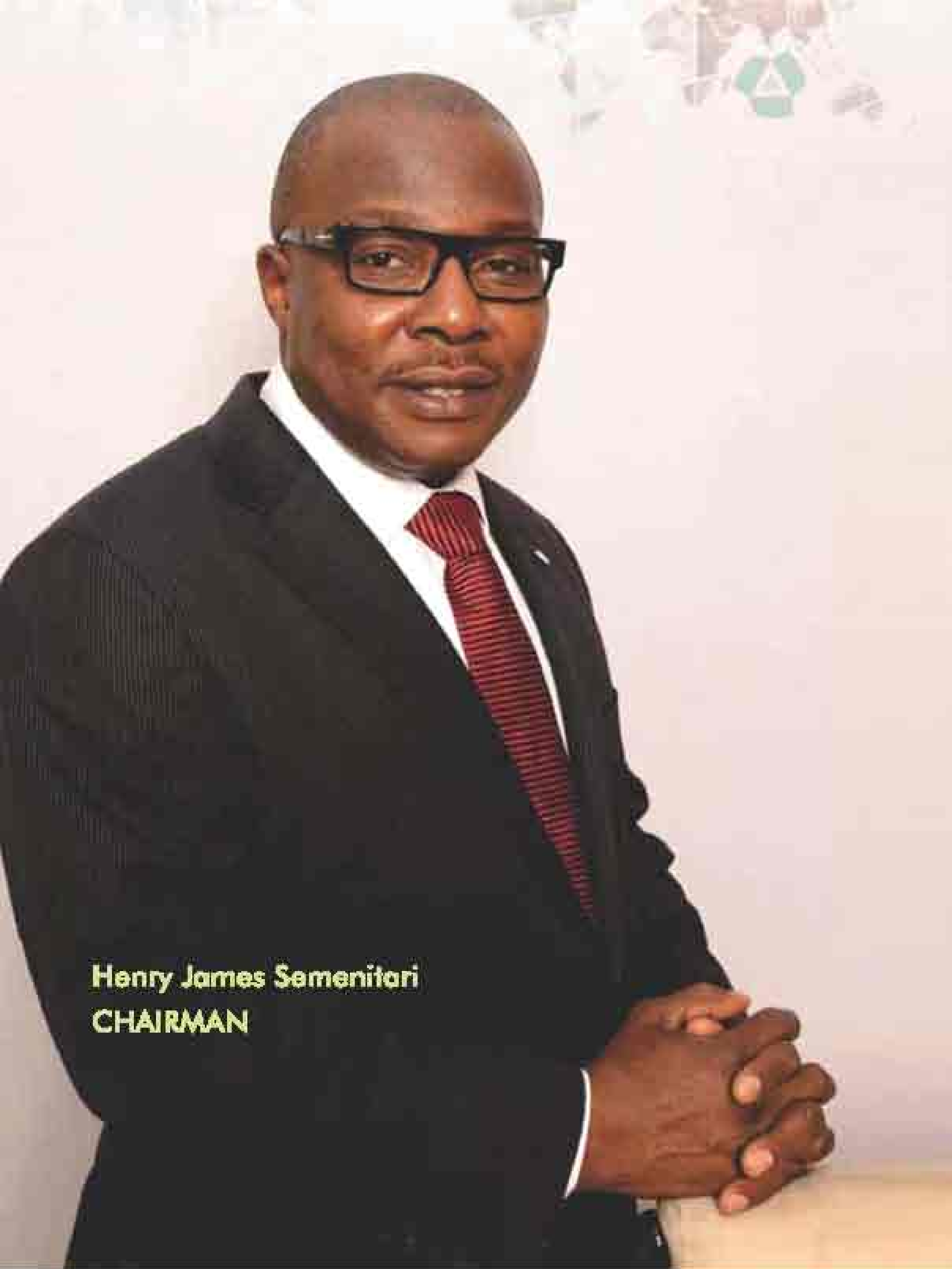
Abdullahi Umar
Non Executive Director
(Resigned 14/2/2014)

Adelaja D. Bamidele
Non Executive Director
(Resigned 12/11/2014)

Kalamudeen Muhammad
Non Executive Director
(Resigned 18/02/2014)

John Aguh Oyibo
ED (Finance and Admin)
(From 03/09/09 to 17/12/2014)

Lawal Akinyosoye
ED (Operations)
(From 03/02/2012 to 17/12/2014)



Henry James Semenitari
CHAIRMAN

## CHAIRMAN'S STATEMENT

Distinguished shareholders, members of the Board of Directors, Ladies and Gentlemen, it is my pleasure and privilege to welcome you all to our 38th Annual General Meeting and to present a summary of the operating results and major achievements of your company for the financial year ended 31st December 2013.

### BUSINESS ENVIRONMENT

The global economy closed the year on a positive note, propelled largely by the growth momentum witnessed particularly in China recording a growth of 7.7% with emerging economies losing pace.
On the domestic front, the Gross Domestic Product recorded a growth at 6.87% compared to 6.57% achieved in 2012. This was attributed to positive contribution majorly from the oil sector with some other key milestones achieved notably in the Telecommunication and Agriculture sectors. The Bureau of Public enterprises successfully privatized the nation's electricity distribution and generation companies, also agricultural value chains are being strengthened through Federal Government policy measures. During the year, the Nigerian Government made frantic efforts to sustain revenue inflows for target projects including SURE-P Programs and payment for their insurable assets etc.

The country equally achieved a single digit inflation from 9.5% at the beginning of the year to 8.0% in December 2013 below the Central Bank of Nigeria's 10% ceiling due to monetary policy tightening. The year end exchange rate was officially N157.61 to $1 but Forex Bureau rate was N172 to $1.

### FINANCIAL RESULTS

Within the context of continuing tough business operating environment, UnityKapital Assurance Plc fundamentally held strong in 2013, defied the challenging national and economic circumstances with strategic actions to deliver value to all its stakeholders.

Your Company generated a gross premium income of N2.9 billion against N2.74 billion recorded in the previous year, an increase of N1.65 million or 6%. We recorded a profit before tax of N222.47 million, and profit after tax of N264.02 million. The shareholders' funds stood at N9.01 billion, while paid-up share capital base was N6.933 billion with the solvency margin and liquidity ratio far above the statutory requirements. We settled claims of N502.96million in 2013 as against N269.65million in the preceding year, an increase of N233.31 or 86.5%.

### BOARD CHANGES

After the last Annual General Meeting, Mallam Falalu Bello (the erstwhile Chairman) retired in March 2014 after serving the Company for seven years. Alh. Ado Wanka resigned in September 2013, and was replaced by Alh. Kielanudeen Muhammad who in turn resigned in January 2014 and Alh. Abdullahi Umar resigned from the Board in March, 2014. In their places, Messrs Aisha A. Abraham and Bonaventure Okhaimo were appointed.
Furthermore, Adeleke Bamidele resigned from the Board on November, 2014. Also Mr. Kira Ekebuike the erstwhile Managing Director and Mr. John Abu Oyidih erstwhile Executive Director (Finance and Admin) were dismissed in December 2014 as a result of financial mismanagement and non-adherence to corporate governance and Mal. Lawal Mijinyawa - Executive Director (Operations) resigned his appointment in December 2014.

Thereafter, Mr. Olasogba Olugbenga was appointed the Acting Managing Director to oversee the Company while Michael Dogo and Nkiru Achara were appointed to oversee the offices of Executive Directors Operations, Finance and Admin respectively. I also came on board as the Chairman effective 24th July 2014.

To all our Directors, your guidance and advices were much valued. My fellow shareholders, I need to mention that your Company has been fortunate to have a board of credible members with diverse experience and with the injection of new but experienced non-executive Directors. I remain confident that your Company is well positioned to continue to offer competitive returns to shareholders.

## CHAIRMAN'S STATEMENT CONT.

### FUTURE OUTLOOK

At this juncture, it is important to acknowledge the efforts of our founding fathers of the legacy companies who were pivotal to the original plan of consummating this company and which has created the platform on where the company stands today. Part of our strategy as we move ahead is that, we are resuscitating the clientele base of these legacy companies in other to maximize the full potential of your company to take it to its next level.
As a going concern, UnityKapital Assurance Plc. will continue to focus on key growth sectors of the Nigerian Economy with our enhanced capital base to meet the needs of all stakeholders. The financial year 2014 will be a better business year with the proactive step and cost management mechanism that the new Board has taken to reposition your company for enhanced profitability.
Moreover, with the National Insurance Commission Policy of "No Premium No Cover" which became effective in the year this will improve cash flow as revenues were recognized only on cash-and carry basis. Equally in our desire to play leading roles in the emerging Insurance sub-sector of Nigeria economy, we set our goal to be true leader in the industry in terms of robust Information Technology.

Today I am happy to announce to you that your Company is launching an e-insurance suites that will enable us continue to offer unparalleled service to our esteemed clients and Brokers at a click of the button from any remote location.

### CONCLUSION

I wish to sincerely thank our clients, Private and Corporate bodies, government Institutions, our associate Brokers, Agents, Bankers and Financial advisers for their tremendous patronage and support. Also, our appreciation goes to all shareholders for their valuable support and confidence reposed on us. I also appreciate the entire Management and staff for their diligence, loyalty and commitment towards the growth of the Company.

Finally, I wish to extend my thanks to the National Insurance Commission (NAICOM), the Nigerian Stock Exchange (NSE), Securities and Exchange Commission (SEC) and Corporate Affairs Commission (CAC), for their invaluable support.

God bless us all.

HENRY JAMES SEMENITARI
CHAIRMAN, BOARD OF DIRECTORS

## DIRECTORS REPORT

The Directors have the pleasure in presenting their report on the affairs of UnityKapital Assurance Plc together with the audited financial statements and auditors' report for the year ended 31st December, 2013.

1. **Legal Form**

   The company was incorporated in Nigeria under the Companies and Allied Matters Act, Cap C20, Laws of the federation, (LFN) 2004 as private limited liability company in 1973. It started business in 1974 as Kano State Insurance Company Limited. The name was changed to Kapital Insurance Company Limited in 1981. In 2005 it merged with Global Commerce and General Assurance Company Limited and Inter-Continental Assurance Company Limited. In 2008, the name of the company was changed to UnityKapital Assurance Plc. The Company became quoted on the Nigerian Stock Exchange (NSE) on 17th December 2009. UnityKapital Assurance Plc, as at the reporting date, has two subsidiaries namely FUG Pensions Limited (70%) and Health Care Securities Limited (94%) in addition to a 28% stake in Goldlink Insurance Plc.

2. **Principal Activities and Business Review**

   The principal activity of the company is to transact general (Non-Life) insurance business. The company ceased transacting life business in 2007. As reported in the past, the net balance on the life funds which is awaiting transfer to a life company is N131.46 million and is included in liabilities in these financial statements. The process of transfer of this fund to a life insurance company is still on going.

3. **Operating results**

   Gross premium earned increase from N2.47 billion in 2012. Profit before tax was N264 million in 2013 as against N316 million in 2012. Highlights of the operating results for the year under review are as follows:

| | 2013 N'000 | 2012 N'000 | Changes | % |
|---|---|---|---|---|
| Gross Premium Written | 2,754,554 | 2,472,195 | 282,359 | 11.42 |
| Net Premium Earned | 2,188,620 | 2,218,798 | (30,178) | (1.36) |
| Net Claim Incurred | (502,957) | (269,654) | (233,303) | 86.52 |
| Underwriting Profit | 800,475 | 1,671,636 | (871,161) | (52.11) |
| Management Expenses | (2,143,459) | (1,435,746) | (707,713) | 49.29 |
| Impairment charges on receivables | (243,702) | (411,155) | 167,453 | (40.73) |
| Profit Before Taxation | 222,471 | 473,017 | (250,547) | (52.97) |
| Taxation (Company Income Tax & Deferred | (41,550) | (156,154) | 114,604 | (73.39) |
| Profit after Taxation | 264,021 | 316,864 | (52,843) | (16.68) |

4. **Statement of Directors' responsibilities on the financial statements**

Section 334 and 335 of the Companies and Allied Matters Act CAP C20 LFN 2004; require the directors to prepare financial statements for each financial year that give a true and fair view of the state of the financial affairs of the company at the end of each financial year and of its profit or loss and cash flows. The directors are to also ensure that the statements comply with the provisions of the insurance Act 2003 and Companies and Allied Matters Act, CAP C20 LFN 2004.

These responsibilities include ensuring that the company:

a. Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with requirements of the companies and Allied Matters Act and the Insurance Act of 2003.
b. Establishes adequate internal controls to safeguard its assets and to prevent fraud and other irregularities; and
c. Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with:

- International Accounting Standards
- Relevant guidelines issued by NAICOM
- The Requirements of Insurance Act 2003
- The requirements of the Companies and Allied Matters Act

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

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

5. **Directors and their interest**

The following Directors served during the year ended 31 December, 2013 were as follows:

| | | |
|---|---|---|
| 1. | Mallam Falalu Bello | Chairman (resigned 10 March, 2014) |
| 2. | Kris U. Ekebuike | Managing Director/CEO |
| 3. | John Abuh Oyidih | Executive Director |
| 4. | Lawal Mijinyawa | Executive Director |
| 5. | Dr. Emmanuel I.U. Ojei | Non-Executive Director |
| 6. | Farouk Lawal Yola | Non-Executive Director |
| 7. | Abdullahi Umar | Non-Executive Director (10/03/2014) |
| 8. | Ado. Y. Wanka | Non-Executive Director (From 17/05/11 to 23/10/2013) |
| 9. | Rislnaludeen Muhammad | Non-Executive Director (From 23/10/2013 to 10/02/2014) |
| 10. | Bamidele D. Adeleke | Non-Executive Director (From 20/02/2012 to 12/11/2014) |

## DIRECTORS REPORT CONT.

The direct and indirect interests of the Directors in the issued share capital of the company as recorded in the Register of Directors' shareholding and/or as notified by the Directors for the purpose of section 275 and 276 of the Companies and Allied Matter Act and the listing requirements of the Nigerian Stock Exchange as at 31 December, 2013 are as follows:

| S/N | Names | Direct Dec '13 | Indirect Dec '13 | Direct Dec '12 | Indirect Dec '12 |
|---|---|---|---|---|---|
| 1 | *Mallam Falalu Bello*<br>Rep: MSB Holdings Ltd | - | 150,596,664 | - | 150,596,664 |
| 2 | Kins U. Ezebuike | 12,761,034 | - | 12,761,034 | - |
| 3 | John Abuh Oyidih | 3,161,085 | - | 3,161,085 | - |
| 4 | Lawal Mijinyawa | 3,813,923 | - | - | - |
| 5 | Dr. Emmanuel I.U. Ojei | 1,287,628,018 | - | 1,287,628,018 | - |
| 6 | Farouk Lawal Yola<br>Rep: Asdlup Prime Ventures | - | 7,859,647 | - | 7,859,647 |
| 7 | Abdullahi Umar | 11,402,339 | - | 11,402,339 | - |
| 8 | Ado. Y. Wanka | 13,333,333 | - | 13,333,333 | 6,975,343,376 |
| 9 | Kamaludeen Muhammad<br>Rep: Unity Bank Plc | - | 6,975,343,376 | - | - |
| 10 | Bamidele D. Adeleke | 488,420 | - | 488,420 | - |

6. **Changes on the Board**
Since after the last Annual General Meeting, Ado Y. Wanka resigned on 23 October 2013 and was replaced by Kamaludeen Muhammad who in-turn resigned on 10 February 2014 and was replaced by Mrs Aisha A. Abraham. Furthermore Messrs Falalu Bello and Abdullahi Umar resigned from the Board on 10 March, 2014. In their places, Messrs Henry James Semenitari and Bonaventure Okhaimo were appointed.

7. **Directors Interest in Contracts**
None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20 LFN 2004 of any declarable interest in contracts in which the Company was involved during the year ended 31 December 2013.

8. **Acquisition of Own Shares**
The Company did not acquire any of the Company's share during the year ended 31st December 2013.

9. **Property, Plant and Equipment**
Information relating to changes in Property, Plant and Equipment is given in note 14 to the financial statements. The Directors are of the opinion that the market value of the Company's assets is not lower than the value shown in the financial statements.

10. **Donations and Charitable Gifts**
The Company did not make any donations to political organizations during the year; neither did it make any charity gift.

11. **Human Resources**
   i. Employment of Disabled Persons

The Company does not discriminate in considering applications from suitably qualified persons. Equal opportunities for development are given to all employees regardless of disability. Where an employee becomes disabled, every effort is made to ensure his/her continued employment.

II. **Employees' Health, Safety and Welfare**
The members of staff enjoy free and comprehensive medical services, which are extended to members of their families through the payment of reasonable medical allowances.

Every effort is made to provide a safe and healthy working environment for staff.

III. **Employees Involvement and Training**
The Company attaches great premium to training of its staff. Staffs are sponsored to attend local and overseas courses of the highest quality. For the period under review all staff attended trainings of various types.

12. **Share Capital Information**

a. **Share Range Analysis**

| Range | Holders | Units | % | ₦ |
|---|---|---|---|---|
| 1 to 1,000,000 | 420 | 57,322,488 | 0.41 | 28,661,244 |
| 1,000,001to 10,000,000 | 176 | 491,098,989 | 3.54 | 245,549,495 |
| 10,000,001 to 30,000,000 | 57 | 944,255,481 | 6.81 | 472,127,741 |
| 30,000,001 to 50,000,000 | 8 | 305,751,754 | 2.20 | 152,875,877 |
| 50,000,001 to 100,000,000 | 14 | 1,021,753,984 | 7.37 | 510,876,992 |
| 100,000,001 to 500,000,000 | 14 | 2,247,753,980 | 16.21 | 1,123,876,990 |
| 500,000,001 to 1,000,000,000 | 1 | 535,758,596 | 3.86 | 267,879,298 |
| 1,000,000,001 to 99,999,999,999 | 2 | 8,262,971,394 | 59.59 | 4,131,485,697 |
| Grand Total | 692 | 13,866,666,666 | 100.00 | 6,933,333,333 |

b. **Substantial Interest in Shares**
Shareholders, who held more than 5% of the issued share capital of the Company as at 31st December, 2013 were as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Share Units | % | Share Units | % |
| Unity Bank Plc | 6,975,343,376 | 50.30 | 6,975,343,376 | 50.30 |
| Dr. Emmanuel I.U. Ojei | 1,287,628,018 | 9.29 | 1,287,628,018 | 9.29 |
| Total | 8,262,971,394 | 59.59 | 8,262,971,394 | 59.59 |

c. **Shareholding Pattern as at 31 December, 2013**

| Categories | No. of Shareholders | No. of Holdings | % |
|---|---|---|---|
| Individuals | 602 | 3,783,418,991 | 27.28 |
| Corporate | 89 | 10,083,247,668 | 72.72 |
| Deceased | 1 | | |
| Grand Total | 692 | 13,866,666,666 | 100 |

**DIRECTORS REPORT CONT.**

a. **Share Capital History**

| | Increase | Cumulative | Increase | Cumulative | |
|---|---|---|---|---|---|
| 1974 | 200,000 | 200,000 | 200,000 | 200,000 | Cash |
| 1977 | 100,000 | 300,000 | 100,000 | 300,000 | Cash |
| 1978 | 37,500 | 337,500 | | 337,500 | Cash |
| 1980 | 162,500 | 500,000 | | 337,500 | Cash |
| 1981 | | 500,000 | 151,394 | 488,894 | Cash |
| 1983 | | 500,000 | 11,106 | 500,000 | Cash |
| 1990 | 4,500,000 | 5,000,000 | 900,000 | 1,400,000 | Cash & Bonus |
| 1991 | 10,000,000 | 15,000,000 | 2,100,000 | 3,500,000 | Cash & Bonus |
| 1992 | | 15,000,000 | 2,100,000 | 3,500,000 | Cash & Bonus |
| 1993 | | 15,000,000 | 4,700,000 | 10,000,000 | Cash & Bonus |
| 1996 | 85,000,000 | 100,000,000 | 10,000,000 | 20,000,000 | Cash & Bonus |
| 1997 | | 100,000,000 | 20,000,000 | 40,000,000 | Cash & Bonus |
| 1998 | | 100,000,000 | 35,685,000 | 75,685,000 | Cash & Bonus |
| 1999 | | 100,000,000 | 14,315,000 | 90,000,000 | Cash |
| 2003 | 400,000,000 | 500,000,000 | 30,000,000 | 120,000,000 | Cash & Bonus |
| 2001 | | 500,000,000 | 230,000,000 | 350,000,000 | Cash & Bonus |
| 2005 | | 500,000,000 | 44,000,000 | 394,000,000 | Cash & Bonus |
| 2006 | 3,000,000,000 | 3,500,000,00 | | 2,394,000,000 | Cash & Bonus |
| 2007 | | 3,500,000,000 | 2,000,000,000 | 2,394,000,000 | Cash & Bonus |
| 2008 | 3,500,000,000 | 7,000,000,000 | 3,606,000,000 | 6,000,000,000 | |
| 2008 | 7,000,000,000 | 14,000,000,000 | 6,000,000,000 | 12,000,000,000 | Split 50k per share |
| 2008 | | 14,000,000,000 | 350,000,000 | 12,350,000,000 | Cash |
| 2009 | | 14,000,000,000 | 650,000,000 | 13,000,000,000 | Bonus |
| 2011 | | 14,000,000,000 | 866,666,666 | 13,866,666,666 | Bonus |

13. **Audit Committee**

In accordance with section 359(3) of the Company and Allied Matters Act, CAP C20 LFN 2004, the Audit Committee members of the Company reelected at the last Annual General Meeting were as follows:

| | |
|---|---|
| **Mohammed A. Sheriff** | Shareholders' representative |
| **Osarieme O. Ezeidei (Mrs)** | Shareholders' representative |
| **Kunle Ogunmefun** | Shareholders' representative |
| **Kamaludeen Muhammad** | Director |
| **Emmanuel I.U. Ojei** | Director |
| **Farouk Lawal Yola** | Director |

The functions of the Audit Committee are as stated in section 359(6) of the Companies and Allied Matters Act, CAP C20 LFN 2004.

## DIRECTORS REPORT CONT.

14. **Post Balance Sheet Events**
There were no significant post balance sheet events which have not been provided for in these financial statements.

15. **Auditors**
The Auditors, Messrs Aminu Ibrahim & Co. (Chartered Accountants), having served for the regulatory maximum period of five years as prescribed by the National Insurance Commission have indicated that they will not continue in office as the auditors of the company.

A resolution will be proposed at the Annual General Meeting to appoint new auditors to succeed the outgoing auditors.

**BY THE ORDER OF THE BOARD**

HALIMA.I. WUSHISHI
COMPANY SECRETARY

22ND SEPTEMBER, 2014
ABUJA, NIGERIA

# CORPORATE GOVERNANCE REPORT

## Introduction

At UnityKapital Assurance Plc, the principles of good corporate governance practices remain our driving force. It provides the guiding principle in sustaining our shareholders' value, behaving ethically as well as rendering excellent services to our clients. The Board of Directors has continued to ensure proper implementation of corporate governance principles in the operations of the company.

As an entity quoted on the Nigerian Stock Exchange (NSE), we take adherence to corporate governance principles very serious. We also ensure compliance with the code of corporate governance issued by the Securities and Exchange Commission (SEC) at all times.

## Governance Structure

### The Board

The Board, which is composed of nine (9) members, has the overall responsibility for the governance of the Company. The Board of Directors is accountable to the shareholders and is also responsible for managing relationships with all stakeholders, including the regulators.

The Board has two committees namely, Finance, Investment and Risk Management Committee and Establishment Committee. In addition to these two Committees, the Company has the statutory Audit Committee made up of representatives from the Board and the shareholders as a body. It is important to mention that in line with best practices, the office, and for that matter, the roles of the Chairman and Chief Executive are distinctly separated. While the Chairman is responsible for the leadership of the Board, the Chief Executive Officer is the overall performance of the Company. The Board delegates the responsibility for the day-to-day management of the Company to the Managing Director and Chief Executive Officer who, in turn, is supported by the Executive Directors. There are also various management committees that meet regularly.

### Responsibilities

The Board reviews and approves the Company's performance by way of quarterly, half yearly and full year financial statements. It determines and monitors the strategic objectives and policies of the Company while also ensuring the maintenance of appropriate system of internal controls to engender regulatory compliance and safeguard the interest of all shareholders.

The Board meets quarterly and additional and/emergency meetings are held as required. The Board met (5) times during the 2013 financial year.

### Appointments and Retirements

Following the resignation of the Chairman, Mal. Falalu Bello on 10 March 2014, Mr Henry James Semenitari was appointed as the Chairman of the Board on 24th July, 2014.

In addition, Messrs Rienaludeen Muhammad, Abdullahi Umar, resigned their membership of the Board in 2014 and were replaced by Mrs. Aisha A. Abraham and Bonaventure E. Okhaimo

### Shareholders

The General Meeting of the shareholders of the Company is the highest decision making body. Notices of the meeting are sent and/or published very well in advance. These meetings are attended by representatives of the regulatory authorities. The meetings are conducted fairly and transparently. In addition, the shareholders and the general public are made aware of the Company's quarterly, half-yearly and annual performance via publication in the dailies in compliance with the Nigerian Stock Exchange (NSE) post-listing requirements.

## CORPORATE GOVERNANCE REPORT CONT.

### Shareholder's Rights
The Board places serious importance on effective communication with its shareholders. While ensuring the protection of their interest at all times notices of meetings are communicated promptly.

### Board Committees
The Board carries out its responsibilities directly in Board meetings and through its Committees which consist of:

### Finance, Investment and Risk Management Committee
This Committee which comprises of the Managing Director/Chief Executive Officer, the Executive Director (Finance and Administration) and three other non-Executive Directors is tasked with the responsibility of reviewing and recommending the Company's annual budget to the Board, recommending strategic investment initiatives, reviewing and recommending the annual audited accounts to the Board and reviewing and assessing the overall adequacy and integrity of the risk management framework of the Company. The Committee also considers, reviews, and recommends approval limits to the Board while monitoring compliance with approved limits at all times. The members of this Committee are:

| S/No | Names | Status | Position |
|---|---|---|---|
| 1. | Ado Y. Wanka (Rianaludeen Muhammad) | Non-Executive Director | Chairman |
| 2. | Dr. Emmanuel U.U. Ojei | Non-Executive Director | Member |
| 3. | Abdullahi Umar | Non-Executive Director | Member |
| 4. | Kiru U. Ekebuike | Managing Director & CEO | Member |
| 5. | John A. Oyidih | Executive Director (Finance & Admin) | Member |

### Establishment Committee
This Committee is made up of five (5) members. These are the Managing Director, an Executive Director and three (3) non-Executive Directors. The responsibility of this Committee includes the consideration and recommendation for Board approval, the compensation policy of the Company. The Committee is also saddled with the task of strategic peoples issue oversight generally, including employee retention and other employees' related matters. The members of this Committee are:

| S/No | Names | Status | Position |
|---|---|---|---|
| 1. | Farouk L. Yola | Non-Executive Director | Chairman |
| 2. | Bamidele D. Adeleke | Non-Executive Director | Member |
| 3. | Kiru U. Ekebuike | Managing Director & CEO | Member |
| 4. | Lawal Mijinyawa | Executive Director (Operations) | Member |
| 5. | Abdullahi Umar | Non-Executive Director | Member |

### The Statutory Audit Committee
This Committee was set up in compliance with the provisions of the companies and Allied Matters Act, CAP C20, LFN 2004. The Committee consists of six Members three of which are non-Executive Directors while the other three are other shareholders. The Committee's primary responsibility is monitoring statutory and regulatory compliance. The Committee also reviews the annual audited accounts, along with the Management Letter, before submission to the Board. This they do in conjunction with Management and the external auditors. The members of this Committee are:

## CORPORATE GOVERNANCE REPORT CONT.

| S/No | Names | Status | Position |
|---|---|---|---|
| 1. | Mohammed A. Sheriff | Shareholders Representative | Chairman |
| 2. | Adekunle Ogunmefun | Shareholders' Representative | Member |
| 3. | Mrs. Osarieme O. Ezekiel | Shareholders' Representative | Member |
| 4. | Farouk L. Yola | Non-Executive Director | Member |
| 5. | Emmanuel I.U. Ojei | Non-Executive Director | Member |
| 6. | Ado. Y. Wanka | Non-Executive Director (Resigned) | Member |
| 7. | (Risnaludeen Muhammad) | Non-Executive Director (Resigned) | Member |

### Attendance at Board and Committee Meetings

The table below shows the frequency of meetings of the Board of Directors, Board Committees and the Statutory Audit Committee as well as members' attendance during the financial year ended 31st December, 2013.

| Directors/Members | Board | Finance, Investment & Risks Committee | Establishment Committee | Statutory Audit Committee |
|---|---|---|---|---|
| Falalu Bello | 6 | | | |
| Ado Y. Wanka | 3 | | | 3 |
| Kins U. Ekebuike | 6 | | 1 | |
| John A. Oyidih | 6 | | | |
| Emmanuel I.U. Ojei | 0 | | | 0 |
| Farouk L. Yola | 6 | | 1 | 5 |
| Abdullahi Umar | 6 | | 1 | |
| Lawal Mijinyawa | 6 | | 0 | |
| Bamidele D. Adeleke | 5 | | 0 | |
| Mohammed A. Sheriff | | | | 5 |
| Kunle Ogunmefun | | | | 5 |
| Mrs. Osarieme O. Ezekiel | | | | 5 |

### Insider Trading

Directors, insiders and other related persons with non-public, confidential and price-sensitive information are prohibited from dealing in the equities of the Company where this will amount to insider trading. This prohibition will last until the information in question is released to the general public.

### Regulatory Compliance

The Company has always complied with regulatory provisions including filing of statutory returns with Nigerian Stock Exchange, Securities and Exchange Commission, Corporate Affairs Commission, and National Insurance Commission. The Company filed its 2013 annual accounts with the National Insurance Commission out of time and paid a fine of N440,000. Other contraventions are as contained in Note 44 of the financial statements.

### Unclaimed Dividends

The list of unclaimed dividend has been provided by the Registrars in a separate document.

## CORPORATE GOVERNANCE REPORT CONT.

### Management Committees

For a smooth and effective running of the Company, the following Management Committees exist. These Committees give support to the Managing Director in running the Company and also make recommendations to the Board and the relevant Board Committees.

**Management Investment Committee**
**Management Project Committee**
**Information Technology Steering Committee**
**Claims Committee**
**Regulatory Compliance Committee**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the provisions of sections 334 and 335 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004. Directors are responsible for the preparation of consolidated financial statements which give a true and fair view of the state of affairs of the company and of its financial performance for the period. These responsibilities include ensuring that:

(a) appropriate and adequate internal controls are established both to safeguard the assets of the company and to prevent and detect fraud and other irregularities;

(b) the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, International Financial Reporting Standards and relevant Circulars issued by the National Insurance Commission

(c) the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed; and

(d) The financial statements are prepared on a going concern basis unless it is presumed that the company will not continue in business.

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

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of the financial performance for the year.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of financial control.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of financial control.

The Directors have made assessment of the company's ability to continue as a going concern and nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors on 22 September 2014

| Henry James Semenitari<br>Chairman<br>FRC/2014/IODN/00000006865 | Aisha Azumi Abraham<br>Director<br>FRC/2014/NBA/00000006951 | Olugbenga Olasogba<br>Acting CFO<br>FRC/2013/ICAN/00000001676 |
|---|---|---|

## REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF UNITYKAPITAL ASSURANCE PLC

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, the members of the Audit Committee of UnityKapital Assurance Plc hereby report as follows:

- We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We are of the opinion that the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices and that the scope and planning of the external audit for the year ended 31 December 2013 were satisfactory and reinforce the company's internal control systems.
- We reviewed the management letter of the independent auditors and are satisfied with management's responses thereto.
- We have deliberated with the independent auditors, who have confirmed that necessary co-operation was received from management in the course of their statutory audit.

**Mohammed A. Sheriff**
FRC/2013/ICAN/00000003097
**Chairman, Audit Committee**

22 September 2014

***Members of the Committee***

1. Osariemo O. Ezekiel (Mrs)
2. Kunle Ogunmefun
3. Bonaventure E. Okhaimo - Director
4. Emmanuel I. U. Ojei - Director
5. Farouk Lawal Yola - Director

# INDEPENDENT AUDITORS REPORT

**Aminu Ibrahim & Co**
*Chartered Accountants*

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF UNITYKAPITAL ASSURANCE PLC

We have audited the accompanying separate and consolidated financial statements of UnityKapital Assurance Plc ('the company') and its subsidiaries (together 'the group'). These financial statements comprise the consolidated and separate statements of financial position as at 31 December 2013 and the consolidated and separate statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Respective responsibilities of Directors and Auditors:**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Insurance Act 2003 and relevant National Insurance Commission circulars. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances

Our responsibility as independent auditors is to express an opinion on these financial statements based on our audit.

**Basis of opinion**

We conducted our audit in accordance with International standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the company and the group as at 31 December 2013 and of the financial performance and cash flows of the company and group for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Insurance Act and the Financial Reporting Council Act.

**Report on other legal requirements**

The Companies and Allied Matters Act requires that in carrying out our audit, we consider and report to the members of the company on the following matters. 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 purposes of our audit.
- ii. The company has kept proper books of account, so far as appears from our examination of those books and we received adequate returns from branches not visited by us.
- iii. The company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

ABUJA, NIGERIA
22 September 2014

**Adelanle Lasisi FCA**
**FRC/2013/ICAN/00000000945**
**FOR: AMINU IBRAHIM & CO**

# GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## 1. Reporting entity

UnityKapital Assurance Plc ("the company") was initially incorporated under the name of Kapital Insurance Company Limited as a private limited liability company on the 8 August 1973. On 14 March 2007, it acquired and merged with two other insurance companies and became a public limited liability company. Its shares are quoted on the Nigerian Stock Exchange.

Its Head Office is located at 497 Abogo Largema Street, Off Constitution Avenue, Central Business District, Abuja. Nigeria.

The Company has 93.46% equity interest in Health Care Security Limited and 70% interest in Future Unity Glanvills Pensions Limited. These two subsidiary companies together with the Company constitute the Group.

## 1.2 Principal activities

The principal business of the company is underwriting of non- life insurance risks.

The subsidiaries activities are:
Future Unity Glanvills Pensions Limited - the administration and management of pension fund assets

Health Care Security Limited - provision of health insurance

## 2. Component of financial statements

The financial statements comprise the Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity, Statements of Cash Flows, and the accompanying Notes.

Income and expenses (excluding the components of other comprehensive income) are recognised in the profit or loss segment of the statement of comprehensive income to arrive at the profit for the year.

Other comprehensive income is recognised in the other comprehensive income segment of the statement of comprehensive income and comprises items of income and expenses that are not recognised in the statement of profit or loss as required or permitted by IFRS.

The addition of the profit for the year and the other comprehensive income gives the total comprehensive income for the year.

Reclassification adjustments are amounts reclassified to statement of comprehensive income in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Group in their capacity as owners are recognised in the statement of changes in equity.

## 3 Basis of preparation

## 3.1 Basis of measurement

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Companies and Allied Matter Act, Insurance Act, 2003 and regulatory guidelines as pronounced from time to time by National Insurance Commission (NAICOM). Historical cost basis was used in preparation of the financial statements as modified by the certain items of:

- Property plant and equipment at valuation

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

- investment property at fair value
- Investments at fair value
- impaired assets at their recoverable amounts

### 3.2 Compliance with IFRS

These financial statements for the year ended 31 December 2013 have been explicitly and unreservedly prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), which were effective and available as at 31 December 2013.

### 3.3 Going Concern status

The Group has consistently been making profits. The Directors believe that there is no intention or threat from any source to curtail significantly its line of business in the foreseeable future. Thus, these financial statements are prepared on going concern basis.

### 3.4 Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Group, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

The judgements made by the directors in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- **Claims arising from insurance contracts**

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

- **Fair value of unquoted equity financial instruments**

  The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data using valuation models.

- **Property, plant and equipment**

  Property, plant and equipment represent one of the most significant proportion of the asset base of the Group, accounting for about 25% of the Group's total assets. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance.

  The charge in respect of periodic depreciation is derived after determining an estimate of an asset's

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in the reduced depreciation charge in the statement of comprehensive income.

The useful lives and residual values of the property, plant and equipment are determined by management based on historical experience as well as anticipation of future events and circumstances which may impact their useful lives.

- **Taxation**
  Whether it is probable that that future taxable profits will be available against which temporary differences can be utilised; and

- **Fair value of HTM financial instruments**
  Whether the Group has the ability to hold 'held-to maturity' investments until they mature. If the Group were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

### 3.5 Functional and presentation currency

The financial statements are presented in Nigerian Naira (Naira), rounded to the nearest thousand, which is also the functional currency of the Group.

### 3.6 Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial period.

### 3.6.1 *New standards and amendments issued and effective for the financial year beginning 1 January 2013*

***Amendment to IAS 19 - Employee Benefits:***

The amendment introduces changes to recognition of deficit / surplus on defined benefit plans and presentation of defined benefit cost. It also introduces recognition of net interest on net defined benefit assets (liability) and more extensive disclosures.
The Group or parent does not maintain a defined benefit plan for its employees; therefore this standard does not have an impact on the financial statements of the group or parent.

***Amendments to IAS 34 - Interim financial reporting and segment information for total assets and liabilities (Amendment):***

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

***IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements:***

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the portion of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation -Special Purpose Entities. IFRS10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

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

The impact of this standard has been fully effected in these financial statements. The directors of the Company decided that the application of this standard has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements since control over the subsidiaries still exist based on the requirement of IFRS 10.

***Amendments to IFRS 7 - Disclosures - Offsetting Financial Assets and Financial liabilities:***

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g. Collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position.

The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32.

Based on the assessment of the management, this amendment has no impact on the financial statements of the group as there are no off-setting between assets and liabilities.

***Amendment to IAS 32 - Tax effects of distributions to holders of equity instruments:***

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

This amendment did not have an impact on the consolidated financial statements for the Group, as there is no company income tax consequences attached to cash or non-cash distribution.

***IFRS 12 Disclosure of Interests in Other Entities:***

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The group has made the disclosures relevant to its interest in subsidiaries in these consolidated financial statements.

***IFRS 13 Fair Value Measurement:***

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it harmonises the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures, and expands them by requiring that all assets, liabilities and equities, including those that are not financial instruments, be measured at fair value.

Furthermore, additional extensive disclosures are required in many areas and the extent of these disclosures increase as the Fair value inputs fall significantly within level 2 and 3 of the fair value hierarchy.

In accordance with these transitional provisions, the Group has not made any new disclosures required

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

*IFRS 1 First-time Adoption of International Financial Reporting Standards:*
This amendment was made for first-time adopters of IFRS on or after 1 January 2013. The standard does not have an impact on the group as it is not a first-adopter of IFRS.

*Amendments to IAS 16 "Classification of Servicing Equipment":*
This amendment does not have an impact on the financial statements of the group.

*Amendment to IAS 32 - Tax effects of distributions to holders of equity instruments:*
The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

This amendment did not have an impact on the consolidated financial statements for the Group, as there is no company income tax consequences attached to cash or non-cash distribution.

*IFRS 12 Disclosure of Interests in Other Entities:*
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The group has made the disclosures relevant to its interest in subsidiaries in these consolidated financial statements.

*IFRS 13 Fair Value Measurement:*
IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it harmonises the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures, and expands them by requiring that all assets, liabilities and equities, including those that are not financial instruments, be measured at fair value.
Furthermore, additional extensive disclosures are required in many areas and the extent of these disclosures increase as the Fair value inputs fall significantly within level 2 and 3 of the fair value hierarchy.

In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

*IFRS 1 First-time Adoption of International Financial Reporting Standards:*
This amendment was made for first-time adopters of IFRS on or after 1 January 2013. The standard does not have an impact on the group as it is not a first-adopter of IFRS.

*Amendments to IAS 16 "Classification of Servicing Equipment":*
This amendment does not have an impact on the financial statements of the group.

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

*Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section:
(a) items that will not be reclassified subsequently to profit or loss and
(b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.
The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

*Amendments to IAS 1 "Clarification of requirements for comparative information":*
The amendment clarifies the IAS 1 requirements for comparative information when an entity prepares financial statements that include more than the minimum comparative information requirements. It also clarifies the requirement for presentation of a third Statement of Financial Position as a result of a change in accounting policy, retrospective restatement or reclassification.
As there were no errors or misstatements during the year, there was no impact on these financial statements.

*3.6.2 Standards and interpretations issued but not yet effective as at 31 December 2013 are*

| Standard | Content | Effective Year |
|---|---|---|
| Amendments to IAS 27 | Separate Financial Statements | 1 January 2014 |
| Amendments to IFRS 12 | Disclosure of Interests in Other Entities | 1 January 2014 |
| Amendments to IFRS 10 | Consolidated Financial Statements | 1 January 2014 |
| Amendments to IAS 32 | Financial Instruments — Presentation | 1 January 2014 |
| Amendments to IAS 36 | Impai rment of Assets | 1 January 2014 |
| Amendments to IAS 39 | Financial Instruments - Recognition and Measurement | 1 January 2014 |
| Amendments to IFRS 1 | First -Time Adoption of IFRS | 1 July 2014 |
| Amendments to IAS 40 | Investment Property | 1 July 2014 |
| Amendments to IFRS13 | Fair Value Measurement | 1 July 2014 |
| Amendments to IFRS 3 | Business Combination | 1 July 2014 |
| IFRIC Interpretation 21 | Levies | 1 January 2014 |
| IFRS 9 | Financial Instruments | 1 January 2018 |

***3.6.3 Other standards and interpretations issued that are effective for annual periods beginning after January 1, 2014, as shown in the table above, have not been applied in preparing these financial statements and the group is yet to assess the full impact of the amendments arising from these standards.***

**3.7 Off setting and net off**

Financial assets and financial liabilities are offset and the net amount reported in the statement of

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

financial position only when there is a current and legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

### 3.5 Presentation of financial statements

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

### 4 Summary of Significant Accounting Policies

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

### 4.1 Foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Group operates or transact business), which is Nigerian Naira. Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date.

Monetary assets and liabilities at the statement of financial position date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the income statement in the year in which they arise, except for differences arising on translation of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income

### 4.2 Segment reporting

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

An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity)
- Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decision about resources to be allocated to the segment and asses its performance and
- For which discrete financial information is available.

  An operating segment may engage in business activities for which it has yet to earn revenues for example start-up operations may be operating segments before earning revenues.

The Company currently operates a single line of business and entirely within a geographical region.

# GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

## 4.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents have a maturity period of less than or equal to three months.

## 4.4 Financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised and derecognised on the basis of trade date (the date at which the agreement has been entered) accounting.

### 4.4.1 *Recognition of financial assets*

Financial instruments are recognised initially at fair value.
The Group classifies its financial instruments in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity
- available-for-sale investments

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates such designation at every reporting date.

### 4.4.1a *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit and loss include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

- The assets and liabilities are part of a portfolio of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information regarding these instruments are reported to the key management personnel on a fair value basis.
  These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realised gain and loss are recognised in the statement of profit or loss.

Financial assets at fair value through profit or loss comprise of:

- Quoted shares
- Government securities - Bonds & Treasury Bills
- Commercial paper and corporate bonds.

### 4.4.1b *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are disclosed on the face of the statement of financial position.

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

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 subsequently measured at amortised cost using the effective interest method, less any impairment loss. Interest on loans is included in the income statement and is reported as interest income .Where the asset is impaired, they are carried on the statement of financial position as a deduction from the carrying amount of the loan and receivable and recognized in profit or loss as impairment losses.

**4.4.1c *Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments comprise bonds on lien. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gains and losses on held to maturity assets are recognized on impairment, de-recognition and through the amortisation process.

**4.4.1d *Available -for-sale investments***

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. They include investment in -non-quoted shares. These investments are initially recorded at fair value. Where equity instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured the instruments have been measured at cost. After initial measurement, available-for-sale financial assets are measured at fair value. Fair value gains and losses are reported as a separate component in other comprehensive income until the investment is derecognised or the investment is determined to be impaired.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the statement of profit or loss

**4.4.2 *Derecognition of financial assets***

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group retains the right 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:
    - the Group has transferred substantially all the risks and rewards of the asset; or
    - 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 right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all 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.

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

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

### 4.4.3 *Amortised cost*
Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

### 4.4.4 *Fair value*
The fair values of quoted investments are based on current market prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include:

- the use of recent arm's length transactions,
- reference to other instruments that are substantially the same,
- discounted cash flow analysis and
- option pricing models refined to reflect the issuer's specific circumstances

### 4.4.5 *Impairment of financial assets*
The Group assesses at each reporting date whether there is objective evidence that a financial asset or a 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.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from equity to the income statement.

Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments classified at available-for- sale are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

### 4.5 Trade/Premium receivables
Receivables are recognised when due. These include amounts due from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired using the same methodology adopted for financial assets held at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

### 4.6 Reinsurance
The Group cedes insurance risk in the normal course of business for all of its businesses.

### 4.6.1 *Reinsurance assets*
Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims or insurance contract liabilities associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets are reviewed for impairment at each reporting

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss recorded in the statement of profit or loss and other comprehensive income.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

### 4.6.2 Reinsurance liabilities

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Group has the right to set-off re-insurance payables against amount due from re-insurance and brokers in line with the agreed arrangement between both parties.

### 4.7 Deferred policy acquisition costs (DAC)

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

### 4.8 Prepayments

Prepayments are carried at cost less accumulated impairment losses

### 4.9 Consolidation

### 4.9.1 Subsidiaries

The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases. For the purpose of these financial statements, subsidiaries are entities over which the Group, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from their activities.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

Inter-Group transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Investment in subsidiaries in the separate financial statement of the parent entity is measured at cost.

Acquisition-related costs are expensed as incurred.
If the business combination is achieved in stages, fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

**4.9.1a Disposal of subsidiaries**

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**4.9.2 Investment in associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

**4.10 Investment properties**

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, including interest in leasehold land, is initially recognised at cost including the transaction costs. Subsequently, investment property is carried at fair value representing the open market value at the statement of financial position date determined by annual valuations carried out by external

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

registered valuers. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate.

Investment properties are derecognised when either they have been disposed off or when the Investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

### 4.11 Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Group are recognised as intangible assets.

Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life.

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Amortisation ceases at the earlier date that the asset is classified as held for sale and the date that the asset is derecognised and ceases temporarily, while the residual value exceeds or is equal to the carrying value.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangibles recognised as assets are amortised over their useful lives, which does not exceed five years.

### 4.12 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 4.9 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated [statement of comprehensive income/income statement]. An impairment loss recognised for goodwill is not reversed in subsequent periods.
On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at 21 below.

### 4.13 Property Plant and Equipment

All categories of property and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

Work in progress owner-occupied property that are included in property, plant and equipment are stated at cost to date and are not yet decomponentised as the asset have not been put into use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the income statement in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the statement of profit or loss.

Freehold land is not depreciated. Depreciation is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

| | |
|---|---|
| **Leasehold land** | **Over the lease period** |
| **Buildings** | **2%** |
| **Furniture & Fittings** | **20%** |
| **Office Equipment** | **20%** |
| **Computer Equipment** | **20%** |
| **Plant & Equipment** | **20%** |
| **Motor Vehicles** | **25%** |

Depreciation on an item of property, plant and equipment commences when it is available for use and continues to depreciate until it is derecognized, even if during that period the item is idle. Depreciation of an item ceases when the item is retired from active use and is being held for disposal.

Where no parts of items of property, plant and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item.

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

### 4.14 Statutory deposits

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

### 4.15 Insurance contract liabilities

Contracts that are classified as insurance contracts are those under which the Group underwrites significant insurance risk from another party (the broker or insured) by agreeing to compensate the insured or other beneficiary if a fortuitous random event (the insured event) adversely affects the policy holder or other beneficiary

### 4.15.1 *Types of Insurance Contracts*

Insurance contracts may be non-life or life. The group issues only non-life insurance contracts. Non-life insurance contracts are accident, casualty and property insurance contracts.

Accident and casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Non- life insurance contracts protect the Group's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

### 4.15.2 *Recognition and measurement of non-life insurance contracts*

a For all non-life insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims.

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

b **Salvages**

Some non-life insurance contracts permit the Group to sell (usually damaged) property acquired in the process of settling a claim. The Group may also have the right to pursue third parties for payment of some or all costs of damages to its client's property (i.e. subrogation right).

Salvage recoveries are used to reduce the claim expense when the claim is settled.

c **Subrogation**

Subrogation is the right for an insurer to pursue a third party that caused an insurance loss to the insured. This is done as a means of recovering the amount of the claim paid to the insured for the loss. A receivable for subrogation is recognized in other assets when the liability is settled and the Group has the right to receive future cash flow from the third party.

d **Deferred Income**

Deferred Income represents a proportion of commission received on reinsurance contracts which are booked during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying to the reinsurance commission income the ratio of prepaid reinsurance to reinsurance cost.

e **Reinsurance contracts held**

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

f **Technical reserves**

**These are computed in accordance with the provisions of section 22 of the Insurance Act 2003 as follow:**

- Reserve for unearned premium: In compliance with Section 20 (1) (a) of Insurance Act 2003, the reserve for unearned premium is calculated on a time apportionment basis in respect of the risks accepted during the year.

- Reserve for outstanding claims: The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus claims incurred but not reported ("IBNR") as at the balance sheet date. The IBNR is based on the liability adequacy test.

g **Liability adequacy test**

At each end of the reporting period, liability adequacy tests are performed by an Actuary to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests "the unexpired risk provision".

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

The provisions of the Insurance Act 2003 require an actuarial valuation for life insurance reserves only. However, IFRS 4 requires a liability adequacy test for both life and non-life insurance reserves. The provision of section 59 of the Financial Reporting Council Act 2011 gives superiority to the provision of IFRS and since it results in a more conservative reserving than the provision of the Insurance Act 2003, it serves the company's prudential concerns well.

### 4.16 Trade and other payables

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

### 4.17 Retirement benefit obligations

### 4.17.1 Pension Cost

The Group operates a defined contributory retirement benefit scheme as stipulated in the Pension Reforms Act 2004. Under the defined contribution scheme, the Group pays fixed contributions of 7.5% of emoluments as defined by the Act to Pension Fund Administrators; employees also pay a fixed percentage of 7.5% to the same entity. Once the contributions have been paid, the Group retains no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to finance benefits accruing under the retirement benefit plan.

### 4.17.2 Gratuities

The Group also maintains a funded defined contribution and self-administered gratuity scheme for the majority of its employees based on the employee's years of service. The scheme is non-contributory but the Group annual contribution of 5% of their pensionable emoluments is charged to the profit and loss account. Qualified retiring employees are only entitled to lump sum payment of the accumulated contribution in their favour without interest

### 4.18 Provisions

General Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of reasresources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounting 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.

### 4.19 Income Taxes

Income tax expense is the aggregate amount charged in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the income statement except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

### 4.19.1 Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Nigeria Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

### 4.19.2 Deferred income tax

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability.

Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the statement of financial position date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.
Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off such as:

- current tax assets against current income tax liabilities and
- the deferred taxes relate to the same taxable entity and
- the same taxation authority

### 4.20 Share capital and share premium.

Ordinary shares are recognized at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

### 4.21 Statutory contingency reserve

The Group maintains contingency reserves in accordance with the provisions of Insurance Act 2003 to cover fluctuations in securities and variations in statistical estimates at the rate equal to the higher of 3% of total premium or 20% of the total profit after taxation until the reserve reaches the greater of minimum paid up capital or 50% of net premium.

### 4.22 Retained Earnings

The retained earnings represent the amount available for dividend distribution to the equity shareholders of the company. See statement of changes in equities for movement in retained earnings.

### 4.23 Assets revaluation reserve

This represents the Group's revaluation reserve emanating from revaluations of certain assets.

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

### 4.24 Income recognition

#### 4.24.1 Gross premiums

Gross premiums on insurance contract are recognized as revenue when payable by the policyholder.

For single premium business revenue is recognised on the date on which the policy is effective. Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

#### 4.24.2 Reinsurance premiums

Gross reinsurance premiums on insurance contracts are recognized as an expense when payable or on the date on which the policy is effective. Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the statement of financial position date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

#### 4.24.3 Commission income

Commissions are recognized on ceding business to the reinsurers and are credited to the Income Statements.

#### 4.24.4 Investment income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividend income which is recognised when the right to receive the payment is established.

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

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

### 4.24.5 Management and Administrative fees

*Management fee*

Management fee, an asset based fee is charged as a percentage of the opening net assets value of the pension fund investments at the beginning of the year of charge for the Retirement Savings Account (RSA). It is accrued daily upon portfolio valuation while the actual charge is effected against the Fund within five working days of the month end. Fee for the Retiree Account is computed based on 5% of income earned on the fund.

*Administrative fee*

Administration fee is calculated as a flat charge payable monthly from contributions received. It is deducted before converting contributions into accounting units of pension fund assets.

### 4.24.6 Realised / unrealised gains and losses

Realised or unrealised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original carrying or amortised cost and are recorded on occurrence of the sale transaction.

### 4.25 Claims and expenses recognition

### 4.25.1 Gross benefits and claims

Claims incurred in respect of insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims as well as changes in the gross valuation of insurance and investment contract liabilities. All claims paid and incurred are charged against revenue as expenses when incurred.

### 4.25.2 Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognized according to the terms of the relevant contract.

### 4.26 Interest income and expense

Interest income and expenses are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash (or, where appropriate, the next re-pricing date) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the entity estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

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

Interest income and expense presented in the financial statement include:

- Interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.
- Interest on financial assets measured at fair value through profit or loss calculated on an effective interest rate basis

### 4.27 Expenses

Expenses are recognised in the income statement when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the income statement on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property, plant and equipment in such cases the expense is referred to as a depreciation or amortisation.

These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

An expense is recognised immediately in the income statement when expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

### 4.27.1 *Underwriting Expenses*

Underwriting expenses comprise acquisition costs and other underwriting expenses. Acquisition costs comprise all direct and indirect costs arising from writing insurance contracts. These cost are charged in the income statement in the period they are incurred.

### 4.28 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to comprehensive income. In this case the impairment is also recognised in comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

## GENERAL INFORMATION ON THE REPORTING ENTITY & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

### 4.29 Earnings Per Share

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

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

### 4.30 Dividends

Dividends on ordinary shares are recognised as a liability in the year in which they are approved by the company's shareholders. Proposed dividends are not recognised in equity until they have been declared at a general meeting. Dividends for the year that are approved after the statement of financial position date are dealt with as a non-adjusting event after the statement of financial position date.

### 4.31 Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year. Where changes are made and affect the statement of financial position, a third statement of financial position at the beginning of the earliest period presented is presented together with the corresponding notes

### 4.32 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of past events which is not recognised because it is not probable that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to crystallise.

### 4.33 Contingent assets

Contingent assets are not recognised in the financial statements but are disclosed when, as a result of the past events, it is highly likely that economic benefits will flow to the Group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

# ACCOUNTS

# CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

| | | | Restated | | |
|---|---|---|---|---|---|
| | NOTES | Group 31-Dec-13 N'000 | Group 31-Dec-12 N'000 | Parent 31-Dec-13 N'000 | Parent 31-Dec-12 N'000 |
| **ASSETS** | | | | | |
| Cash and cash equivalents | 3 | 4,340,601 | 3,881,329 | 3,626,246 | 3,009,116 |
| Financial assets | 4 | 1,017,705 | 790,270 | 589,118 | 328,967 |
| Trade receivables | 5 | 0 | 454,324 | 0 | 454,324 |
| Reinsurance assets | 6 | 300,508 | 215,801 | 300,508 | 215,801 |
| Deferred acquisition cost | 7 | 137,236 | 85,036 | 137,236 | 85,036 |
| Other receivables and prepayments | 8 | 228,707 | 668,895 | 158,645 | 606,723 |
| Investment in subsidiaries | 9 | - | - | 1,676,800 | 1,676,800 |
| Investment in associates | 10 | 1,010,650 | 1,010,650 | 1,010,650 | 1,010,650 |
| Investment properties | 11 | 514,500 | 472,526 | 514,500 | 472,526 |
| Goodwill | 12 | 386,444 | 386,444 | - | - |
| Other intangible asset | 13 | 117,926 | 80,826 | 114,276 | 80,826 |
| Property, plant and equipment | 14 | 2,533,396 | 2,422,003 | 2,307,303 | 2,349,854 |
| Statutory deposits | 15 | 355,000 | 355,000 | 355,000 | 355,000 |
| **Total assets** | | 10,842,673 | 10,823,104 | 10,484,882 | 10,845,123 |
| **LIABILITIES** | | | | | |
| Insurance contract liabilities | 16 | 906,826 | 678,769 | 906,326 | 678,769 |
| Trade payables | 17 | 20,162 | 75,936 | 20,162 | 75,936 |
| Retirement benefit obligation | 18 | 51,572 | 33,729 | 51,572 | 33,729 |
| Provision and other payables | 19 | 279,222 | 231,429 | 197,013 | 174,934 |
| Income tax liabilities | 20 | 74,497 | 53,829 | 48,527 | 28,925 |
| Deferred tax liabilities | 21 | 136,844 | 311,349 | 253,104 | 434,891 |
| **Total liabilities** | | 1,466,724 | 1,388,240 | 1,476,703 | 1,427,204 |
| **EQUITY** | | | | | |
| Issued and paid up share capital | 22 | 6,933,333 | 6,933,338 | 6,933,333 | 6,933,338 |
| Share premium | 23 | 663,600 | 663,600 | 663,600 | 663,600 |
| Statutory contingency reserves | 24 | 468,436 | 376,841 | 458,037 | 365,983 |
| Retained earnings | 25 | 20,707 | 90,320 | 14,205 | 114,673 |
| Asset revaluation reserve | 26 | 943,903 | 1,040,330 | 943,903 | 1,040,330 |
| Shareholders fund | | 9,029,978 | 9,104,434 | 9,008,178 | 9,117,919 |
| Non controlling interest | 40 | 343,971 | 333,430 | | |
| Total Equity | | 9,373,949 | 9,437,864 | | |
| **TOTAL LIABILITIES AND EQUITY** | | 10,842,673 | 10,823,104 | 10,484,882 | 10,545,123 |

The financial statements were approved by the Board of Directors on 23 September 2014, and signed on its behalf by:

Olugbenga Olasogba (Acting CFO)
FRC/2013/ICAN/00000001676

Aisha A. Abraham (Director)
FRC/2014/NBA/00000006981

Henry James Semenitari (Chairman)
FRC/2014/IODN/00000006865

# CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | Group 2013 N'000 | Restated Group 2012 N'000 | Parent 2013 N'000 | Parent 2012 N'000 |
|---|---|---|---|---|---|
| Gross premium written | | 2,961,848 | 2,736,608 | 2,961,848 | 2,736,608 |
| Gross premium income | 29 | 2,754,654 | 2,472,193 | 2,754,654 | 2,472,193 |
| Reinsurance expenses | 30 | (568,038) | (253,397) | (568,038) | (253,397) |
| Net premium income | | 2,186,620 | 2,218,796 | 2,186,620 | 2,218,796 |
| Fees and commission income | 31 | 16,861 | 8,510 | 16,861 | 8,510 |
| Net underwriting income | | 2,205,481 | 2,227,306 | 2,205,481 | 2,227,306 |
| Claims expenses | 32 | (502,957) | (269,654) | (502,957) | (269,654) |
| Underwriting expenses | 33 | (902,049) | (286,298) | (902,049) | (286,290) |
| Underwriting profit | | 800,476 | 1,471,364 | 800,475 | 1,671,364 |
| Investment income | 35 | 771,641 | 681,488 | 449,799 | 519,281 |
| Net realised gains / (losses) on disposals | 36 | 83,777 | (3,476) | 83,777 | (3,476) |
| Net fair value gains / (loss) on financial assets at fair value through profit or loss | 4a&b | (8,158) | 115,021 | 8,456 | 85,424 |
| Fair value gains on investment properties at fair value through profit or loss | 11 | 24,474 | 42,537 | 24,474 | 42,537 |
| Impairment charges on receivables | 34 | (343,702) | (411,156) | (343,702) | (411,156) |
| Other operating income | 37 | 1,602,992 | 810,168 | 1,370,661 | 4,789 |
| Management expenses | 38 | (2,728,892) | (2,016,899) | (2,143,459) | (1,458,746) |
| Profit before taxation | | 282,613 | 569,312 | 222,471 | 472,818 |
| Income taxes | 39 | 25,872 | (220,342) | 41,550 | (156,154) |
| Profit for the year | | 308,485 | 348,950 | 264,021 | 316,664 |
| Profit attributable to: | | | | | |
| Owners of the Parent | | 297,945 | 346,762 | | |
| Attributable to non-controlling interest | | 10,540 | 2,188 | | |
| | | 308,485 | 348,950 | | |
| Other comprehensive income (OCI), net of tax | | | | | |
| Items within OCI that will not be reclassified to the profit or loss: | | | | | |
| (Loss)/gain on revaluation of properties, plant and equipment after deferred tax | 26 | (96,427) | 136,736 | (96,427) | 136,736 |
| Other comprehensive income for the year | | (96,427) | 136,736 | (96,427) | 136,736 |
| Total comprehensive income for the year | | 212,057 | 485,686 | 167,594 | 453,400 |
| Attributable to : | | | | | |
| Owners of the Parent | | 201,517 | 483,498 | | |
| Attributable to non-controlling interest | | 10,540 | 2,188 | | |
| | | 212,057 | 485,686 | | |
| Basic earnings per share (kobo) | 27 | 2 | 3 | 2 | 2 |

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

# STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013 (GROUP)

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

GROUP

| YEAR ENDED 31 DECEMBER 2013 | Paid up share capital | Share premium | Asset revaluation reserve | Contingency reserve | Retained earnings | Total | Non controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Balance at 1 January 2013 | 6,933,333 | 463,600 | 1,040,330 | 376,841 | 98,330 | 9,104,434 | 333,430 | 9,437,864 |
| Transferred from statement of profit or loss | - | - | | - | 297,945 | 297,945 | 10,540 | 308,485 |
| Loss on revaluation of properties, plant and equipment after deferred tax | | | (96,427) | | | (96,427) | - | (96,427) |
| Transfer to contingency reserve | | | | 91,595 | (90,233) | 1,362 | - | 1,362 |
| | 6,933,333 | 463,600 | 943,902 | 468,436 | 306,040 | 9,307,313 | 343,971 | 9,651,284 |
| Transactions with owners of equity | | | | | | | | |
| Dividends to equity holders | - | - | - | - | (277,333) | (277,333) | | (277,333) |
| Balance at 31 December 2013 | 6,933,333 | 463,600 | 943,902 | 468,436 | 28,707 | 9,029,980 | 343,971 | 9,373,950 |

| YEAR ENDED 31 DECEMBER 2012 | Paid up share capital | Share premium | Asset revaluation reserve | Contingency reserve | Retained earnings | Total | Non controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Balance at 1 January 2012 | 6,500,000 | 1,096,933 | 903,594 | 286,316 | (5,054) | 8,781,789 | 264,706 | 9,046,494 |
| Transferred from statement of profit or loss | - | - | | - | 344,792 | 344,792 | 2,188 | 346,980 |
| Gain on revaluation of properties, plant and equipment after deferred tax | | | 136,736 | | | 136,736 | - | 136,736 |
| Transfer to contingency reserve | | | | 90,526 | (87,998) | 2,528 | - | 2,528 |
| | 6,500,000 | 1,096,933 | 1,040,330 | 376,841 | 251,740 | 9,267,814 | 266,894 | 9,534,708 |
| Transactions with owners of equity | | | | | | | | |
| Bonus share issue | 433,333 | (433,333) | - | | | - | | - |
| Dividends to equity holders | - | - | - | - | (130,000) | (130,000) | | (130,000) |
| Adjustment for further acquisition in subsidiaries | | | | | (23,379) | (23,379) | 66,536 | 43,157 |
| Balance at 31 December 2012 | 6,933,333 | 463,600 | 1,040,330 | 376,841 | 98,330 | 9,104,433 | 333,430 | 9,437,863 |

# STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013 (PARENT)

**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013**

**PARENT**

| YEAR ENDED 31 DECEMBER 2013 | Paid up share capital N'000 | Share premium N'000 | Asset revaluation reserve N'000 | Contingency reserve N'000 | Retained earnings N'000 | Total N'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2013 | 6,933,333 | 663,600 | 1,040,330 | 365,982 | 114,673 | 9,117,918 |
| Transferred from statement of profit or loss | - | - | - | - | 264,021 | 264,021 |
| Loss on revaluation of properties, plant and equipment after deferred tax | | | (96,427) | | | (96,427) |
| Transfer to contingency reserve | | | | 87,055 | (87,055) | - |
| Total comprehensive income for the year | 6,933,333 | 663,600 | 943,903 | 453,037 | 291,639 | 9,285,511 |
| Transactions with owners of equity | | | | | | |
| Dividends to equity holders | - | - | - | - | (277,333) | (277,333) |
| Total transactions with owners of equity | - | - | - | - | (277,333) | (277,333) |
| Balance at 31 December 2013 | 6,933,333 | 663,600 | 943,903 | 453,037 | 14,306 | 9,008,179 |

| YEAR ENDED 31 DECEMBER 2012 | Paid up share capital N'000 | Share premium N'000 | Asset revaluation reserve N'000 | Contingency reserve N'000 | Retained earnings N'000 | Total N'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2012 | 6,500,000 | 1,096,933 | 903,594 | 283,882 | 9,910 | 8,794,320 |
| Transferred from statement of profit or loss | - | - | - | - | 316,863 | 316,863 |
| Gain on revaluation of properties, plant and equipment after deferred tax | | | 136,736 | | | 136,736 |
| Transfer to contingency reserve | | | | 82,100 | (82,100) | - |
| Total comprehensive income for the year | 6,500,000 | 1,096,933 | 1,040,330 | 365,982 | 244,673 | 9,247,919 |
| Transactions with owners of equity | | | | | | |
| Bonus share issue | 433,333 | (433,333) | - | - | - | - |
| Dividends to equity holders | - | - | - | - | (130,000) | (130,000) |
| Total transactions with owners of equity | 433,333 | (433,333) | - | - | (130,000) | (130,000) |
| Balance at 31 December 2012 | 6,933,333 | 663,600 | 1,040,330 | 365,982 | 114,673 | 9,117,919 |

# CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

| | | Group 2013 N'000 | Group 2012 N'000 | Parent 2013 N'000 | Parent 2012 N'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Operating profit before changes in working capital | 28 | (220,468) | 74,346 | 6,816 | 119,192 |
| Changes in working capital | | | | | |
| Trade receivables | | 521,358 | (252,409) | 521,358 | (252,409) |
| Reinsurance assets | | (84,707) | (161,062) | (84,707) | (161,062) |
| Other receivables | | 311,906 | (247,537) | 342,893 | (226,381) |
| Deferred acquisition cost | | (32,200) | (44,203) | (32,200) | (44,203) |
| Claims reported and loss adjustment expenses | | 80,266 | 3,092 | 80,266 | 3,092 |
| Trade payables | | (35,774) | 50,448 | (35,774) | 50,449 |
| Other payables | | 47,693 | (29,956) | 22,069 | (30,208) |
| Staff gratuity fund | | 17,844 | (3,609) | 17,844 | (3,610) |
| Income tax paid | | (119,182) | (138,798) | (109,921) | (132,832) |
| Net cash from operating activities | | 446,742 | (749,690) | 688,635 | (677,974) |
| **Cash Flows from Investing Activities** | | | | | |
| Purchase of property and equipment | | (327,065) | (313,239) | (168,052) | (277,710) |
| Purchase of intangible assets | | (62,401) | (40,412) | (62,401) | (40,412) |
| Proceeds from sale of property and equipment | | 2,430 | 3,614 | 2,430 | 3,614 |
| Proceeds from sale of investment in quoted equities | | 127,673 | | 127,673 | |
| Dividend received | | 9,454 | 13,081 | 9,454 | 13,081 |
| Interest received | | 762,187 | 648,354 | 440,345 | 506,200 |
| Purchase of financial assets | | (306,915) | (81,310) | (128,022) | |
| Purchase of investment property | | (15,500) | (42,700) | (15,500) | (42,700) |
| Additional Investments in Associates | | - | (167,285) | | (167,285) |
| Additional Investments in Subsidiaries. | | | | - | (750,000) |
| Net Cash provided by investing activities | | 189,864 | 20,104 | 205,929 | (755,213) |
| **Cash Flows from Financing Activities** | | | | | |
| Dividend paid | | (277,338) | (130,000) | (277,333) | (130,000) |
| Net cash provided by financing activities | | (277,338) | (130,000) | (277,333) | (130,000) |
| Net Increase/(decrease) in cash and cash equiv. | | 359,272 | (859,586) | 617,230 | (1,563,185) |
| Cash and Cash equivalent at the beginning | | 3,881,329 | 4,740,915 | 3,009,116 | 4,572,301 |
| Cash and Cash equivalent at the end of the year | | 4,240,601 | 3,881,329 | 3,626,346 | 3,009,116 |

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 1 General Information

UnityKapital Assurance Plc ("the company") was initially incorporated under the name of Kapital Insurance Company Limited as a private limited liability company on the 8 August 1973. On 14 March 2007, it acquired and merged with two other insurance companies and became a public limited liability company. Its shares are quoted on the Nigerian Stock Exchange.

Its Head Office is located at 497 Aboga Largema Street, Off Constitution Avenue, Central Business District, Abuja. Nigeria.

The principal business of the company is underwriting of non- life insurance risks.

The Company has 93.46% equity interest in Health Care Security Limited and 70% interest in Future Unity Glanvills Pensions Limited. These two subsidiary companies together with the Company constitute the Group.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are disclosed under 'General Information on Reporting Entity and Summary of Significant Accounting Policies'. These policies have been consistently applied to all the years presented, unless otherwise stated.

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| **3 Cash and cash equivalents** | | | | |
| a. This comprises of: | | | | |
| Cash at hand | 3,272 | 3,182 | 3,272 | 2,862 |
| Cash at bank | 237,688 | 151,224 | 224,382 | 60,086 |
| Staff gratuity fund assets | 69,009 | 52,210 | 69,009 | 52,210 |
| Short term deposit | 3,930,737 | 3,694,713 | 3,329,683 | 2,903,969 |
| Total | 4,240,601 | 3,881,329 | 3,626,346 | 3,599,116 |
| b. In compliance with section 19(3) of Insurance Act 2003, the short-term deposit is financed as follows: | | | | |
| Financed by insurance fund | 906,326 | 678,769 | 906,326 | 678,769 |
| Financed by other funds | 3,024,411 | 3,015,944 | 2,423,357 | 2,225,199 |
| Total short term deposit | 3,930,737 | 3,694,713 | 3,329,683 | 2,903,969 |

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| **4 Financial assets** | | | | |
| This comprises of: | | | | |
| Fair value through profit or loss - quoted equities (Note 4a) | 344,313 | 284,161 | 344,313 | 284,161 |
| Fair value through profit or loss - bond (Note 4b) | 326,890 | 338,499 | - | - |
| Held to Maturity (Note 4c) | 301,697 | 122,804 | - | - |
| Available for sale (Note 4d) | 44,805 | 44,805 | 44,805 | 44,805 |
| | 1,017,705 | 790,270 | 389,118 | 328,967 |
| Current | 344,313 | 284,161 | 344,313 | 284,161 |
| Non current | 673,392 | 506,108 | 44,805 | 44,805 |
| | 1,017,705 | 790,270 | 389,118 | 328,967 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| **4a** These are quoted equities on the Nigerian Stock Exchange, and are derived as follows: | | | | |
| **Cost** | | | | |
| Balance, beginning of year | 302,909 | 303,866 | 302,909 | 303,866 |
| Purchases in the year | 128,022 | | 128,022 | - |
| Disposal in the year | (76,326) | (142) | (76,326) | (957) |
| Balance, end of year | 354,605 | 303,724 | 354,605 | 302,909 |
| **Market value reserve** | | | | |
| Balance, beginning of year | (18,748) | (104,172) | (18,748) | (104,172) |
| Gain in the year | 8,456 | 85,424 | 8,456 | 85,424 |
| Balance, end of year | (10,292) | (18,748) | (10,292) | (18,748) |
| Fair value as at 31 December | 344,313 | 284,976 | 344,313 | 284,161 |

**4b** ***Fair value through profit or loss - bonds are debt securities with fixed interest rates which management are holding for sales.***

| | | |
|---|---|---|
| **Cost** | | |
| Balance, beginning of year | 338,499 | 255,850 |
| Purchases in the year | - | 81,310 |
| Disposal in the year | - | (28,258) |
| Fair value gain / (loss) | (11,609) | 29,597 |
| Balance, end of year | 326,890 | 338,499 |

**4c** Held to maturity are debt securities with fixed interest rates and maturity dates stated at amortised cost, and details are:

| | | |
|---|---|---|
| FGN treasury bills | 266,697 | 107,804 |
| State government bonds | 35,000 | 15,000 |
| | 301,697 | 122,804 |

**4d** Available for sale are long term investments in unquoted equities, and are carried at cost less impairment, and are derived as follows:

| | | | | |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, beginning of year | 51,129 | 51,129 | 51,129 | 51,129 |
| Movement in the year | - | 0 | - | - |
| Balance, end of year | 51,129 | 51,129 | 51,129 | 51,129 |
| **Provision for impairment** | | | | |
| Balance, beginning of year | (6,324) | (6,324) | (6,324) | (6,324) |
| Balance, end of year | (6,324) | (6,324) | (6,324) | (6,324) |
| Fair value, end of year | 44,805 | 44,805 | 44,805 | 44,805 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| **5 Trade receivables** | | | | |
| 5a This comprises of: | | | | |
| Premium receivable from insurance brokers | 578,684 | 971,182 | 578,684 | 971,182 |
| Premium receivable from insurance agents | 3,069 | 34,545 | 3,069 | 34,545 |
| Premium receivable from policy holders | 128,177 | 224,420 | 128,177 | 224,420 |
| Premium receivable from Insurance Companies | 80,508 | 81,648 | 80,508 | 81,648 |
| | 790,437 | 1,311,795 | 790,437 | 1,311,795 |
| Less: | | | | |
| Impairment of premium receivables (Note 5b) | (790,437) | (857,471) | (790,437) | (857,471) |
| | 0 | 454,324 | 0 | 454,324 |
| **5b Movement in impairment is as follow:** | | | | |
| Balance beginning of the year | 857,471 | 960,211 | 857,471 | 960,211 |
| Debts written off | (185,926) | (513,081) | (185,926) | (513,081) |
| Charge for the year | 118,892 | 410,341 | 118,892 | 410,341 |
| Balance, end of year | 790,437 | 857,471 | 790,437 | 857,471 |
| **6 Reinsurance assets** | | | | |
| This is analysed as follows: | | | | |
| Prepaid reinsurance | 241,279 | 204,419 | 241,279 | 204,419 |
| Claim recoverable | 59,229 | 11,383 | 59,229 | 11,383 |
| | 300,508 | 215,801 | 300,508 | 215,801 |
| **7 Deferred acquisition cost** | | | | |
| This is analysed as follows: | | | | |
| Motor | 29,451 | 27,173 | 29,451 | 27,173 |
| Fire | 31,151 | 24,038 | 31,151 | 24,038 |
| General Accident | 7,384 | 7,874 | 7,384 | 7,874 |
| Marine | 11,467 | 7,894 | 11,467 | 7,894 |
| Aviation | 3,726 | 5,923 | 3,726 | 5,923 |
| Engineering | 23,862 | 9,126 | 23,862 | 9,126 |
| Oil & Gas | 28,191 | 2,096 | 28,191 | 2,096 |
| Bond | 2,003 | 911 | 2,003 | 911 |
| Deferred acquisition cost | 137,236 | 86,036 | 137,236 | 86,036 |
| **8 Other receivables and prepayments** | | | | |
| (i) The balance is analysed as follow: | | | | |
| Receivables from staff | 25,126 | 24,243 | 20,060 | 18,539 |
| Deposits for investments (Note 8(ii)) | 128,569 | 128,058 | 128,569 | 128,058 |
| Other receivables | 91,774 | 124,945 | 37,521 | 75,644 |
| Prepayments | 134,706 | 418,307 | 118,964 | 411,140 |
| | 380,176 | 695,553 | 305,114 | 633,381 |
| Impairment of other receivables and prepayment (Note 8(iii)) | (151,469) | (26,658) | (151,469) | (26,658) |
| | 228,707 | 668,895 | 153,645 | 606,723 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

(ii) Deposit for investments represent net balances with stockbrokers for the purchase of quoted equities on the Nigerian Stock exchange.

(iii) The movement in impairment charge is as follow:

| | | | | |
|---|---|---|---|---|
| Balance, beginning of year | 26,658 | 26,658 | 26,658 | 26,658 |
| Written back during the year | (2,908) | - | (2,908) | - |
| Charged during the year | 127,719 | - | 127,719 | - |
| Balance, end of year | 151,469 | 26,658 | 151,469 | 26,658 |

### 9 Investment in subsidiaries

a This comprises of investment in:

| | | |
|---|---|---|
| Future Unity Glanvills (FUG) Pension Limited at cost (Note 8b) | 1,160,000 | 1,160,000 |
| Health Care Security Limited at cost (Note 8c) | 416,300 | 416,300 |
| | 1,576,300 | 1,576,300 |

b Future Unity Glanvills (FUG) Pension Limited has issued ordinary share capital of 1.5 billion units of N1 each.

UnityKapital holds 1.05 billion units (70%) : The company was incorporated on 20 April 2005, and licensed by National Pension Commission to carry on the business of a Pension Fund Administrator on 19 June 2007. Its principal place of business is Lagos.

c Health Care Security Limited has issued ordinary share capital of 429,075,000 units of N1 each.

UnityKapital holds 401,000,000 units (93.5%) ; (2012: 401,000,000 units (93.5%)). The company carries on the business of a health maintenance organisation, and its principal place of business is Abuja.

### 10 Investment in associates

| | | | | |
|---|---|---|---|---|
| Goldlink Insurance Plc | 1,010,650 | 1,010,650 | 1,010,650 | 1,010,650 |

UnityKapital holds 1,268,314,351 ordinary shares representing 28% holding in Goldlink Insurance Plc as at 31/12/2013 (31/12/2012:1,268,314,815 (28%))

Goldlink Insurance Plc became the associate company of UnityKapital in 2011 but was taken over in 2012 by the regulatory authority - National Insurance Commission for infractions of insurance regulations and its Board of Directors was dissolved. UnityKapital is not represented on the interim Board of Directors constituted by the regulatory authority hence its control is currently impaired. The company has not issued any financial statements since 31/12/2010, therefore, the UnityKapital's share of its profit or loss could not be determined for inclusion in these financial statements, hence the investment in the company has been accounted for at cost instead of equity method which is appropriate method of accounting for associate.

### 11 Investment properties

These are real estates held for capital appreciation and /or for rental purposes.

Investment properties were independently valued by Jide Taiwo & Co - Estate surveyors and valuers as at December 2013 to ascertain the open market value of the investment properties. The open market value of the properties were N514,500,000 (2012: N472,525,900). The determination of open market value of the investment properties were supported by market evidence. The modalities and process of valuation utilized extensive analysis of market data and recent experience in the location and category of the property being valued. The movement in investment properties is given as follows:-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| Balance, beginning of year | 472,526 | 387,289 | 472,526 | 387,289 |
| Addition in the year | 15,500 | 42,700 | 15,500 | 42,700 |
| Fair value gain | 26,474 | 42,537 | 26,474 | 42,537 |
| Balance, end of year | 514,500 | 472,526 | 514,500 | 472,526 |

### 12 Goodwill

| | | |
|---|---|---|
| Balance, beginning of year | 386,444 | 386,444 |
| Balance, end of year | 386,444 | 386,444 |

Goodwill arose on the acquisition of Health Care Security Limited and FUG Pensions Limited. There is no event to suggest that this goodwill has been impaired.

### 13 Other intangible assets

a This comprises of acquired computer software which does not form part of a related hardware.

| | | | | |
|---|---|---|---|---|
| Computer software (Note 13b) | 117,926 | 80,826 | 114,276 | 80,826 |

b Computer software

| | | | | |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, beginning of year | 178,201 | 137,789 | 145,470 | 105,058 |
| Additions | 62,401 | 40,412 | 62,401 | 40,412 |
| Balance, end of year | 240,601 | 178,201 | 207,870 | 145,470 |
| **Accumulated amortisation** | | | | |
| Balance, beginning of year | 93,725 | 77,593 | 64,644 | 48,512 |
| Amortisation expense/impairment charge | 28,951 | 16,132 | 28,951 | 16,132 |
| Balance, end of year | 122,675 | 93,725 | 93,594 | 64,644 |
| **Carrying amount** | | | | |
| 31 December | 117,926 | 80,826 | 114,276 | 80,826 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

## 14 Property, plant and equipment

GROUP

| | Leasehold land | Building | Office & computer equipment | Motor vehicles | Office furniture and fittings | Total |
|---|---|---|---|---|---|---|
| | N '000 | N '000 | N '000 | N '000 | N '000 | N '000 |
| **Cost / valuation** | | | | | | |
| At 1 January 2013 | 701,912 | 1,412,879 | 276,195 | 406,417 | 137,015 | 2,934,418 |
| Reinstatement | | (46,017) | - | - | - | (46,017) |
| Revaluation gain | 121,263 | (208,404) | - | - | - | (87,142) |
| Additions | - | 202,385 | 41,769 | 78,560 | 9,331 | 337,068 |
| Disposals | - | - | - | (34,830) | - | (34,830) |
| At 31 December, 2013 | 823,175 | 1,360,843 | 317,964 | 450,147 | 146,346 | 3,103,498 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2013 | - | 52,544 | 165,449 | 216,119 | 78,203 | 512,415 |
| Reinstatement | - | (46,017) | - | - | - | (46,017) |
| Depreciation expense | - | 2,505 | 36,801 | 72,386 | 14,533 | 126,225 |
| Disposals | - | - | - | (22,524) | - | (22,524) |
| At 31 December, 2013 | 0 | 9,032 | 202,250 | 265,981 | 92,736 | 570,099 |
| Net book value as at 31 December 2013 | 823,175 | 1,351,811 | 115,714 | 184,166 | 53,610 | 2,528,396 |
| Net book value as at 31 December 2012 | 701,912 | 1,360,335 | 110,746 | 190,298 | 58,812 | 2,422,003 |

PARENT

| | Leasehold land | Building | Office & computer equipment | Motor vehicles | Office furniture and fittings | Total |
|---|---|---|---|---|---|---|
| | N '000 | N '000 | N '000 | N '000 | N '000 | N '000 |
| **Cost / valuation** | | | | | | |
| At 1 January 2013 | 701,912 | 1,406,362 | 161,372 | 309,074 | 121,149 | 2,699,869 |
| Reinstatement | | (46,017) | - | - | - | (46,017) |
| Revaluation gain/loss | 101,263 | (208,404) | - | - | - | (107,142) |
| Additions | - | 77,141 | 35,443 | 46,971 | 8,496 | 168,051 |
| Disposals | - | - | - | (19,185) | - | (19,185) |
| At 31 December, 2013 | 803,175 | 1,229,082 | 196,815 | 336,860 | 129,645 | 2,695,577 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2013 | - | 46,017 | 60,974 | 178,969 | 69,044 | 350,008 |
| Reinstatement | - | (46,017) | - | - | - | (46,017) |
| Depreciation expense | - | (8) | 32,390 | 57,048 | 13,478 | 103,461 |
| Disposals | - | - | - | (19,168) | - | (19,168) |
| At 31 December, 2013 | 0 | 8 | 93,365 | 212,387 | 82,522 | 388,264 |
| Carrying amount at 31 December 2013 | 803,175 | 1,229,072 | 103,450 | 124,473 | 47,122 | 2,307,303 |
| Carrying amount at 31 December 2012 | 701,912 | 1,360,338 | 100,398 | 130,105 | 52,104 | 2,349,854 |

**14.1** Leasehold land and buildings were independently valued by Jide Taiwo & Co - Estate surveyors and valuers as at December 2013 to ascertain the open market value. The open market value of Land was N803,175,000 (2012 : N701,912,166), while that of building was N1,229,075,000 (2012: N1,360,337,834). The determination of open market value of the land and buildings were supported by market evidence. The modalities and process of valuation utilized extensive analysis of market data and recent experience in the location and category of the property being valued. The revaluation gain has been taken to revaluation reserve account.

**14.2** Capital work in progress relates to buildings under construction. As each building is completed , it is transferred to the appropriate class of assets.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| **15 Statutory deposit** | 355,000 | 355,000 | 355,000 | 355,000 |

This represents amounts deposited with the Central Bank of Nigeria (CBN) pursuant to Section 10(3) of the Insurance Act 2003.
The deposit is not available for the use by the Company on a normal day-to-day business.
Interest is paid bi-annually on the deposit by the CBN and is recognised in income.

### 16 Insurance contract liabilities

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| Outstanding claims (see Note (a) below) | | | | |
| Outstanding claims reported | 116,074 | 39,140 | 116,074 | 39,140 |
| Claims incurred but not reported | 11,607 | 3,914 | 11,607 | 3,914 |
| Actuarial adjustment on valuation | 1,737 | 6,099 | 1,737 | 6,099 |
| Details in Note 16a | 129,418 | 49,153 | 129,418 | 49,153 |
| Unearned premium (see Note (b) below) | 776,908 | 629,616 | 776,908 | 629,616 |
| | 906,326 | 678,769 | 906,326 | 678,769 |
| (a) Provision for outstanding claims | | | | |
| Motor insurance | 20,051 | 1,401 | 20,051 | 1,401 |
| Fire insurance | 278 | 2,843 | 278 | 2,843 |
| General accident insurance | 32,027 | 17,736 | 32,027 | 17,736 |
| Marine insurance | 9,154 | 2,629 | 9,154 | 2,629 |
| Engineering | 15,270 | 3,001 | 15,270 | 3,001 |
| Aviation | 658 | 690 | 658 | 690 |
| Oil and gas | 51,755 | 19,847 | 51,755 | 19,847 |
| Bond | 226 | 1,086 | 226 | 1,086 |
| | 129,418 | 49,153 | 129,418 | 49,153 |
| (b) Reserve for unearned premium | | | | |
| Motor insurance | 292,988 | 273,992 | 292,988 | 273,992 |
| Fire insurance | 162,461 | 159,014 | 162,461 | 159,014 |
| General accident insurance | 89,699 | 88,758 | 89,699 | 88,758 |
| Marine insurance | 12,946 | 285 | 12,946 | 285 |
| Bond | 13,708 | 6,311 | 13,708 | 6,311 |
| Engineering | 123,929 | 46,476 | 123,929 | 46,476 |
| Aviation | 27,730 | 27,599 | 27,730 | 27,599 |
| Oil and gas | 53,448 | 27,180 | 53,448 | 27,180 |
| | 776,908 | 629,616 | 776,908 | 629,616 |
| | 906,326 | 678,769 | 906,326 | 678,769 |

(c) The investment in respect of this insurance funds is as stated in Note 8b.

### 17 Trade payables

This is analysed as follow:

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| Re - insurance premium | 78 | 78 | 78 | 78 |
| Co - insurance premium | 1 | 44,090 | 1 | 44,090 |
| Commission payable | 20,083 | 31,768 | 20,083 | 31,768 |
| | 20,162 | 75,936 | 20,162 | 75,936 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| 18 Retirement benefit obligation | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| a Gratuity Scheme | | | | |
| Balance, beginning of year | 33,729 | 37,338 | 33,729 | 37,338 |
| Contribution in the year | 17,844 | 11,458 | 17,844 | 11,458 |
| Payments in the year | 0 | (15,067) | 0 | (15,067) |
| Balance, end of year | 51,572 | 33,729 | 51,572 | 33,729 |

The company operates a funded defined contribution gratuity scheme for its qualified employees based on the employee's years of service. The scheme is self administered and the fund is deposited in a term deposit bank account which is included in Cash and cash equivalent in Note 3a. The scheme is non-contributory but the company's annual contribution of 5% of the relevant emoluments (as defined in the scheme terms and conditions) of qualifying employee is charged to the profit and loss account. Qualified retiring employees are only entitled to lump sum payment of the accumulated contribution in their favour without interest.

b *Pension scheme*

In addition to the gratuity scheme, the employees of the Company are members of a state arranged Pension scheme (Pension Reform Act, 2004) which is managed by several Pension Funds Administrators. The Company is required to contribute a matching 7.5% of the employees' pensionable emoluments to the retirement benefit scheme to fund the benefits in addition to the employees' contribution. The only obligation of the Company with respect to this pension plan is to make the specified contributions.

| 19 Provision and other payables | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| This is analysed as follow: | | | | |
| Life insurance fund (Note 19b) | 131,460 | 131,460 | 131,460 | 131,460 |
| PAYE tax, NHF and other remittable deductions | 24 | 9,150 | 24 | 0 |
| Staff accounts | 1,044 | 2,253 | 1,044 | 2,253 |
| Accrued professional fees | 18,000 | 10,620 | 18,000 | 7,500 |
| Other accruals and payables | 128,794 | 78,146 | 46,485 | 33,741 |
| | 279,322 | 231,628 | 197,013 | 174,954 |

19b Life insurance fund arose from the life business of the defunct Kapital Insurance Company Limited that ceased life business in 2007 because the emerged UnityKapital is not licensed to carry on life business. The fund was kept in abeyance pending transfer to a life assurance company. The net fund liability was as determined by actuarial valuation of the life insurance fund which was done by Alexander Forbes Consulting Actuaries Nigeria Limited as at 31 December 2008 and A.D. Sani & Associates (Actuaries) as at 31 December 2012 and 31 December 2013.

The net liability actuarially determined at 31 December 2013 was N12.987 million (31/12/2012: N13.955 million). The life fund in the financial statements throughout the periods reported after cessation is N131.46 million giving rise to surplus at 31/12/2013 of N118.473 million (2012: N117.506 million). This surplus is being carried over as part of the life fund pending the conclusion of the transfer of the net liability to a licensed life assurance company when the final surplus/(deficit) will be determined as at that date for recognition in the income statement of UnityKapital.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| | | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|---|
| **20** | **Income tax liabilities** | | | | |
| | Company income tax | 57,797 | 46,150 | 48,527 | 26,756 |
| | Education tax | 1,057 | 4,129 | 0 | 2,169 |
| | Under / (over) provision in prior years | 80,996 | 81,815 | 80,996 | 81,815 |
| | Per income statement | 139,850 | 132,094 | 129,523 | 110,740 |
| | Balance at beginning of the year | 53,829 | 60,533 | 28,925 | 51,017 |
| | Payments during the year | (119,182) | (138,798) | (109,921) | (132,832) |
| | Per statement of financial position | 74,497 | 53,829 | 48,527 | 28,925 |
| **21** | **Deferred tax liabilities** | | | | |
| | Balance, beginning of year | 311,349 | 207,376 | 434,891 | 374,284 |
| | (Writeback)/Charge for the year | (163,791) | 84,526 | (171,073) | 41,160 |
| | Charge on revaluation of investment property | - | 4,254 | - | 4,254 |
| | (Writeback)/Charge on revaluation of land and buildings | (10,714) | 15,193 | (10,714) | 15,193 |
| | | 136,844 | 311,349 | 253,104 | 434,891 |

The deferred tax computations for the company resulted in deferred tax asset of N177.79 million for the year which would have resulted in a write-back of N612.678 million in the year. The Directors accepted to write-back only N181.787 million in these financial statements pending the full assessment of possibility of recoverability of the tax from future profits.

| | | Notes | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|---|---|
| **22** | **Issued and paid up share capital** | | | | | |
| (a) | *Authorised* | | | | | |
| | 14 billion ordinary shares of 50 kobo each | | 7,000,000 | 7,000,000 | 7,000,000 | 7,000,000 |
| (b) | *Issued and fully paid* | | | | | |
| | Balance, beginning of year | | 6,933,333 | 6,500,000 | 6,933,333 | 6,500,000 |
| | Bonus shares issued from share premium during the year | | 0 | 433,333 | - | 433,333 |
| | Balance, end of year | | 6,933,333 | 6,933,333 | 6,933,333 | 6,933,333 |
| **23** | **Share premium** | | | | | |
| | Balance, beginning of year | | 663,600 | 1,096,933 | 663,600 | 1,096,933 |
| | Transfer to share capital | | - | (433,333) | - | (433,333) |
| | Balance, end of year | | 663,600 | 663,600 | 663,600 | 663,600 |

## 24 Statutory contingency reserve

In compliance with Section 21 (1) of Insurance Act 2003, the contingency reserve for non-life insurance business is credited with the greater of 3% of total premiums, or 20% of the profits. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 percent of net premium. The movement in the account is as follows:-

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| Balance, beginning of year | 376,842 | 286,316 | 365,983 | 283,883 |
| Charge for the year | 91,594 | 90,526 | 87,054 | 82,100 |
| Balance, end of year | 468,436 | 376,842 | 453,037 | 365,983 |

## 25 Retained earnings

The retained earnings represents the amount available for dividend distribution to the equity shareholders of the Company. See statement of changes in equity for movement in retained earnings.

## 26 Assets revaluation reserve

Assets revaluation reserve represents the net accumulated change in the fair value of land and buildings until the asset is derecognized or impaired.

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| *Land* | | | | |
| Balance, beginning of year | 363,932 | 310,453 | 363,932 | 310,453 |
| Addition to land | 64,348 | 53,479 | 64,348 | 53,479 |
| Balance, end of year | 428,280 | 363,932 | 428,280 | 363,932 |
| *Building* | | | | |
| Balance, beginning of year | 676,398 | 593,141 | 676,398 | 593,141 |
| Movement in building | (160,776) | 83,257 | (160,776) | 83,257 |
| Balance, end of year | 515,622 | 676,398 | 515,622 | 676,398 |
| Carrying amount | 943,903 | 1,040,330 | 943,903 | 1,040,330 |

## 27 Earnings per share

Basic earnings per share (kobo)

The calculation of basic earnings per share at 31 December 2012 was based on the profit after tax attributable to ordinary shareholders, and a weighted average number of ordinary shares outstanding on that date calculated as follows:

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| Profit after tax attributable to equity holders | 297,945 | 357,022 | 284,021 | 316,864 |
| Weighted average number of ordinary shares at end of year | 6,716,667 | 6,716,667 | 6,716,667 | 6,716,667 |
| Basic earnings per share (kobo) | 2 | 3 | 2 | 2 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| | | Group December 2013 ₦'000 | Group December 2012 ₦'000 | Parent December 2013 ₦'000 | Parent December 2012 ₦'000 |
|---|---|---|---|---|---|
| **28 Net cash flow from operating activities before changes in operating assets:** | | | | | |
| Profit after taxation | | 308,485 | 348,950 | 264,021 | 316,863 |
| Taxation | | (25,872) | 220,362 | (41,550) | 156,154 |
| Operating profit | | 282,613 | 569,312 | 222,471 | 473,017 |
| ***Adjustments to reconcile profit before taxation to net cashflow from operating activities:*** | | | | | |
| Depreciation and amortisation | 38 | 155,224 | 153,616 | 132,412 | 123,820 |
| (Profit)/loss on disposal of property and equipment | 36 | (2,430) | 3,476 | (2,430) | 3,476 |
| Allowance for doubtful accounts | 34 | 243,702 | 411,155 | 243,702 | 410,341 |
| Unrealised fair value gains on financial assets | 34 | 3,153 | (115,021) | (8,456) | (85,424) |
| Actuarial losses on outstanding claims | | 1,787 | 6,099 | 1,737 | 6,099 |
| Debts written off | 5b | (185,926) | (513,081) | (185,926) | (513,081) |
| Fair value loss/(gain) on investment properties | 11 | (26,474) | (42,537) | (26,474) | (42,537) |
| Gain on sale of investment in quoted equities | 36 | (51,347) | - | (51,347) | - |
| Dividend income | | (9,454) | (13,081) | (9,454) | (13,081) |
| Exchange (gain) / loss | | (16,364) | (1,701) | (16,364) | (1,701) |
| Interest income | | (762,167) | (648,354) | (440,345) | (506,200) |
| Increase/(decrease) in unearned premium | 29 | 147,291 | 264,462 | 147,291 | 264,462 |
| **Cash flow from operating activities** | | (220,463) | 74,345 | 6,816 | 119,192 |

**29 Gross premium income**

| | Group December 2013 ₦'000 | Group December 2012 ₦'000 | Parent December 2013 ₦'000 | Parent December 2012 ₦'000 |
|---|---|---|---|---|
| Direct premium | 2,866,967 | 2,719,589 | 2,866,967 | 2,719,589 |
| Inward reinsurance premium | 34,879 | 17,068 | 34,879 | 17,068 |
| Gross written premium | 2,901,845 | 2,736,658 | 2,901,845 | 2,736,658 |
| Changes in unearned premium | (147,291) | (264,462) | (147,291) | (264,462) |
| Gross premium earned (Note 29a) | 2,754,554 | 2,472,195 | 2,754,554 | 2,472,195 |

a Gross premium earned is further analysed as follows:

| | Group December 2013 ₦'000 | Group December 2012 ₦'000 | Parent December 2013 ₦'000 | Parent December 2012 ₦'000 |
|---|---|---|---|---|
| Fire | 341,807 | 360,416 | 341,807 | 360,416 |
| General accident | 316,594 | 381,820 | 316,594 | 381,820 |
| Marine | 175,451 | 281,753 | 175,451 | 281,753 |
| Motor | 667,309 | 610,574 | 667,309 | 610,574 |
| Oil and gas | 740,564 | 593,488 | 740,564 | 593,488 |
| Aviation | 90,686 | 88,979 | 90,686 | 88,979 |
| Engineering | 367,601 | 122,691 | 367,601 | 122,691 |
| Bond | 54,541 | 22,472 | 54,541 | 22,472 |
| | 2,754,554 | 2,472,195 | 2,754,554 | 2,472,195 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| **30 Reinsurance cost** | | | | |
| Opening balance - reinsurance assets | 215,801 | 179,192 | 215,801 | 179,192 |
| Reinsurance premium paid | 650,642 | 290,006 | 650,642 | 290,006 |
| | 866,443 | 469,198 | 866,443 | 469,198 |
| Closing balance - reinsurance assets | (300,508) | (215,801) | (300,508) | (215,801) |
| | 565,935 | 253,397 | 565,935 | 253,397 |
| **31 Commission income** | 16,861 | 8,610 | 16,861 | 8,610 |
| **32 Claims expenses** | | | | |
| Direct claims paid | 637,569 | 266,287 | 637,569 | 266,287 |
| Changes in outstanding claims | 78,528 | 3,092 | 78,528 | 3,092 |
| Actuarial losses in outstanding claims | 1,737 | 6,099 | 1,737 | 6,099 |
| Gross claims incurred | 717,834 | 275,478 | 717,834 | 275,478 |
| Reinsurance recovery | (214,877) | (5,825) | (214,877) | (5,825) |
| | 502,957 | 269,654 | 502,957 | 269,654 |
| **33 Underwriting expenses** | | | | |
| Business acquisition cost | 260,073 | 83,348 | 260,073 | 83,348 |
| Business maintenance cost | 641,976 | 202,942 | 641,976 | 202,942 |
| | 902,049 | 286,290 | 902,049 | 286,290 |
| **34 Impairment charges** | | | | |
| On premium receivables through profit or loss | 118,892 | 411,155 | 118,892 | 411,155 |
| On other receivables | 124,811 | 0 | 124,811 | 0 |
| | 243,702 | 411,156 | 243,702 | 411,155 |
| **35 Investment income** | | | | |
| Dividends from equity investments at FVTPL | 9,454 | 13,081 | 9,454 | 13,081 |
| Interest received from: | | | | |
| Short term deposits | 726,857 | 588,148 | 405,015 | 445,994 |
| Statutory deposit | 35,330 | 60,206 | 35,330 | 60,206 |
| | 771,641 | 661,435 | 449,799 | 519,281 |
| Further analysed as follows: | | | | |
| Attributable to policy holders fund | 93,153 | 102,579 | 93,153 | 102,579 |
| Attributable to shareholders funds | 678,488 | 558,856 | 356,646 | 416,702 |
| | 771,641 | 661,435 | 449,799 | 519,281 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| **37 Other operating income** | | | | |
| Rental income | 6,323 | 613 | 6,323 | 613 |
| Pension management and administration fees | 332,341 | 505,396 | - | - |
| Exchange gain | 16,364 | 1,701 | 16,364 | 1,701 |
| Settlement received from Transcorp (Note 37a) | 1,243,203 | - | 1,243,203 | - |
| Sundry income | 4,761 | 2,475 | 4,761 | 2,475 |
| | 1,602,992 | 510,185 | 1,270,651 | 4,789 |

37a The commercial dispute between the company and Transnational Corporation Nigeria Plc (Transcorp) on the acquisition of the then Nicon Hilton Hotel (now Transcorp Hilton Hotel) was settled out of court through Arbitration during the year. The executed terms of settlement resulted in the company relinquishing its claim to the joint ownership of the Capital Leisure and Hospitality Limited (the special purpose company used in acquiring the hotel) in return for a payment of N1.75 billion by Transcorp which was shared with another joint owner after deducting expenses incurred on arbitration. The company's share of the settlement net of expenses is N1.243 billion.

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| **38 Management expenses** | | | | |
| Staff costs | 684,600 | 656,466 | 634,010 | 478,596 |
| Depreciation and amortisation | 155,224 | 153,617 | 132,412 | 129,820 |
| Auditors' remuneration | 15,250 | 10,620 | 12,000 | 7,500 |
| Marketing and advertisement | 680,545 | 295,155 | 669,389 | 289,301 |
| Administration expenses | 540,294 | 479,764 | 455,286 | 359,031 |
| NITDA information technology levy | 8,272 | 6,269 | 3,502 | 3,479 |
| Repairs and maintenance | 88,844 | 44,952 | 76,858 | 37,432 |
| Travel costs and allowances | 148,361 | 121,923 | 128,581 | 111,651 |
| Directors' Costs | 50,972 | 51,879 | 31,421 | 29,936 |
| Health insurance capitation & other fees paid | 153,580 | 195,774 | - | - |
| | 2,725,892 | 2,016,599 | 2,143,459 | 1,435,746 |
| **39 Income tax expense** | | | | |
| Education tax | 1,057 | 5,942 | 0 | 4,821 |
| Company income tax | 57,797 | 43,498 | 48,527 | 24,104 |
| Under provision in prior years | 80,996 | 81,815 | 80,996 | 81,815 |
| Deferred tax expense/ (writeback) | (165,722) | 89,107 | (171,073) | 45,414 |
| | (25,872) | 220,362 | (41,550) | 156,154 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| | Group December 2013 N'000 | Group December 2012 N'000 | Parent December 2013 N'000 | Parent December 2012 N'000 |
|---|---|---|---|---|
| **39b Reconciliation of effective tax rate** | | | | |
| Profit before income tax | | | 222,471 | 472,168 |
| Income tax using the domestic corporation tax rate | | | (41,550) | 156,154 |
| Companies Income Tax (CIT) | | | 48,527 | 18,963 |
| Non-deductible expenses | | | 3,511 | 6,130 |
| Education tax levy | | | 0 | 3,733 |
| Information Technology Levy | | | 3,502 | 4,475 |
| Tax exempt income | | | (7,018) | (4,596) |
| Prior year under provision | | | 80,996 | 81,815 |
| Deferred tax expense/ (writeback) | | | (171,078) | 46,414 |
| Total Income tax expense in comprehensive income | | | (41,550) | 156,154 |

### 40 Non-controlling interest

The movement in non-controlling interest during the year is shown below:

| | Group December 2013 N'000 | Group December 2012 N'000 |
|---|---|---|
| Balance, beginning of year | 333,430 | 264,705 |
| Share of profit for the year / period | 10,540 | 2,189 |
| Loss of equity interest | 0 | (99,814) |
| Share of increase in share capital | 0 | 166,350 |
| | 343,971 | 333,430 |

### 41 Acquisition of subsidiaries, net of cash acquired

| | Group December 2013 N'000 | Group December 2012 N'000 |
|---|---|---|
| Future Unity Glanvills (FUG) Pension Limited | - | 660,000 |
| Health Care Security Limited (HCSL) | - | 166,300 |
| | - | 826,300 |
| Cash balance - FUG | - | (338,895) |
| Cash balance - HCSL | - | (169,166) |
| | - | 318,239 |

Net assets acquired

| | FUG N'000 | HCSL N'000 |
|---|---|---|
| Fair value of assets at 1 July 2011 | 583,993 | 182,888 |
| Fair value of liabilities at 1 July 2011 | (38,892) | (13,615) |
| Net assets of subsidiaries acquired | 545,101 | 169,273 |
| Non controlling interest in subsidiaries | (245,295) | (26,542) |
| Goodwill on acquisition | 360,194 | 23,569 |
| Fair value net assets acquired | 660,000 | 166,300 |
| **Satisfied by:** | | |
| Cash paid | 660,000 | 166,300 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

## 42 Information regarding employees

(i) The table below shows the number of staff whose emoluments during the year excluding pension contributions were within the ranges stated:

| N | | N | 2013 Number | 2012 Number | 2013 Number | 2012 Number |
|---|---|---|---|---|---|---|
| Below | - | 1,000,000 | 23 | 44 | 1 | 20 |
| 1,000,001 | - | 3,000,000 | 196 | 180 | 164 | 151 |
| 3,000,001 | - | 5,000,000 | 36 | 23 | 31 | 18 |
| 5,000,001 | - | 8,000,000 | 10 | 10 | 3 | 5 |
| 8,000,001 | - | 10,000,000 | 2 | 4 | 1 | 0 |
| Above | - | 10,000,000 | 6 | 3 | 3 | 3 |
| | | | 273 | 264 | 203 | 197 |

(ii) The related staff costs were:

| | 2013 | 2012 | 2013 | 2012 |
|---|---|---|---|---|
| Staff cost | 870,047 | 636,274 | 619,457 | 462,138 |
| Staff pension and gravity | 14,553 | 11,458 | 14,553 | 11,458 |
| | 884,600 | 647,732 | 634,010 | 473,596 |

## 43 Contingent liabilities

There were four (4) claims and litigations against the company as at 31 December 2013 amounting to N1,034,190,000 (2012: N1,028,598,226). These claims include a N1 billion suit instituted against the owner of a property that the company acquired and to which the company is a joined party. However the Directors having sought the advice of legal counsels are of the opinion that based on the advice received, the liability of the company in respect of all the cases is not likely to exceed N1.7million. No provision is made in respect of this on account of its insignificance. The company also instituted one (1) court case in the ordinary course of business.

## 44 Contraventions

The company contravened some regulations and operational guidelines during the year and was penalized by the relevant authorities as detailed below:

| Nature of Contravention | Regulator | Penalties N'000 |
|---|---|---|
| 1. Late submission of evidence of remittance of reinsurance premium to the regulator | NAICOM | 250 |
| 2. Late submission of report to regulator | NAICOM | 180 |
| 3. Exceeding maximum equity investment limit in one company and maximum placement in a financial institution | NAICOM | 1,000 |
| 4. Failure to disclose contravention of NAICOM 2011 Operational Guidelines | NAICOM | 500 |
| 5. Failure to fully disclose unremitted premium by brokers and lead insurers for 2nd quarter 2013 to NAICOM | NAICOM | 120 |
| 6. Late submission of 2012 annual accounts | Stock Exchange | 2,100 |
| 7. Acquiring FUG Pensions Limited without prior approval by SEC | SEC | 2,235 |
| | | 6,385 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

### 45 Related parties transactions

The Company undertook the following transaction with its related parties in the ordinary course of business.

Transactions between the company, and the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

| | *Relationship* | *Premium written* | *Claims paid* |
|---|---|---|---|
| Unity Bank Plc | *Major* Shareholder | 168,277 | 313,943 |
| FUG Pensions Limited | Subsidiary | 4,310 | 523 |
| Emmanuel Ojei | Director | 2,961 | - |

### 46 Hypothecation

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long term its investment proceeds will not be sufficient to fund the obligations arising from its insurance and investment contracts. In response to the risk, the Company's assets and liabilities at 31/12/2013 were allocated as follows:

| | Insurance contract ₦'000 | Shareholders' funds ₦'000 | Total ₦'000 |
|---|---|---|---|
| Cash and cash equivalents | 906,326 | 2,428,357 | 3,329,683 |
| Financial assets | - | 389,118 | 389,118 |
| Trade receivables | - | 0 | 0 |
| Reinsurance assets | 59,229 | 241,279 | 300,508 |
| Deferred acquisition cost | - | 137,236 | 137,236 |
| Other receivables and prepayments | - | 158,645 | 153,645 |
| Investment in subsidiaries | - | 1,576,300 | 1,576,300 |
| Investment in associates | - | 1,010,650 | 1,010,650 |
| Investment properties | - | 514,500 | 514,500 |
| Goodwill and other intangible asset | - | 114,276 | 114,276 |
| Property, plant and equipment | - | 2,307,303 | 2,307,303 |
| Statutory deposits | - | 335,000 | 355,000 |
| Total assets | 965,555 | 9,322,464 | 10,188,219 |
| | | | |
| Insurance contract liabilities | 906,326 | - | 678,769 |
| Trade payables | - | 20,162 | 75,936 |
| Retirement benefit obligation | - | 51,572 | 33,729 |
| Provision and other payables | - | 197,013 | 43,494 |
| Income tax liabilities | - | 48,527 | 28,925 |
| Deferred tax liabilities | - | 253,104 | 434,891 |
| Total liabilities | 906,326 | 570,378 | 1,295,743 |
| Gap (surplus) | 59,229 | 8,652,286 | 8,892,476 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

### 47 Explanation of restatements of the 2012 Group Accounts

The group financial statements presented in 2012 have been reviewed, and this has necessitated the retrospective restatement of the Group's financial performance and position. The restatements which arose mainly from the changes in the accounts of one of the subsidiaries - FUG Pensions Limited on the directives of its prudential regulator are explained as follows:

| 47.1 RECONCILIATION OF EQUITY | NOTES | As previously Reported N'000 | Restatement adjustments N'000 | As Restated N'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | a | 3,979,308 | (97,979) | 3,881,329 |
| Financial assets | b | 708,922 | 81,348 | 790,270 |
| Trade receivables | | 454,324 | - | 454,324 |
| Reinsurance assets | | 215,801 | - | 215,801 |
| Deferred acquisition cost | | 85,036 | - | 85,036 |
| Other receivables and prepayments | c | 671,352 | (2,457) | 668,895 |
| Investment in associates | | 1,010,650 | - | 1,010,650 |
| Investment properties | | 472,526 | - | 472,526 |
| Goodwill | | 386,444 | - | 386,444 |
| Other intangible asset | | 80,826 | - | 80,826 |
| Property, plant and equipment | d | 2,421,454 | 549 | 2,422,003 |
| Statutory deposits | | 365,000 | - | 355,000 |
| Total assets | | 10,841,642 | (18,538) | 10,823,104 |
| **LIABILITIES** | | | | |
| Insurance contract liabilities | | 678,769 | - | 678,769 |
| Trade payables | | 75,936 | - | 75,936 |
| Retirement benefit obligation | | 33,729 | - | 33,729 |
| Provision and other payables | e | 216,947 | 14,682 | 231,629 |
| Income tax liabilities | f | 54,327 | (498) | 53,829 |
| Deferred tax liabilities | g | 308,397 | 2,952 | 311,349 |
| Total liabilities | | 1,368,103 | 17,136 | 1,385,240 |
| **EQUITY** | | | | |
| Issued and paid up share capital | | 6,933,333 | - | 6,933,333 |
| Share premium | | 663,600 | - | 663,600 |
| Statutory contingency reserves | h | 369,982 | 6,859 | 376,841 |
| Retained earnings | i | 121,333 | (31,003) | 90,330 |
| Asset revaluation reserve | | 1,040,330 | - | 1,040,330 |
| | | 9,128,579 | (24,144) | 9,104,434 |
| Non controlling interest | j | 344,960 | (11,530) | 333,430 |
| Total Equity | | 9,473,539 | (35,674) | 9,437,864 |
| TOTAL LIABILITIES AND EQUITY | | 10,841,642 | (18,538) | 10,823,104 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

### 47.2 RECONCILIATION OF PROFIT

| | NOTES | As previously Reported N'000 | Restatement adjustments N'000 | As Restated N'000 |
|---|---|---|---|---|
| Gross premium earned | | 2,472,196 | - | 2,472,196 |
| Underwriting profit | | 1,471,364 | - | 1,471,364 |
| Investment and other income | k | 1,289,964 | 35,738 | 1,325,702 |
| Provisions | | (411,155) | - | (411,155) |
| Loss management expenses | l | (1,966,325) | (50,274) | (2,016,599) |
| Profit/(Loss) before taxation | | 383,848 | (14,536) | 369,312 |
| Taxation | m | (220,240) | (122) | (220,362) |
| Profit after taxation | | 363,608 | (14,658) | 348,950 |
| Other comprehensive income | | 136,736 | - | 136,736 |
| Total comprehensive income for the year | | 500,344 | (14,658) | 485,686 |
| Attributable to : | | | | |
| Owners of the Parent | | 493,758 | (10,260) | 483,498 |
| Attributable to non-controlling interest | | 6,586 | (4,398) | 2,188 |
| | | 500,344 | (14,658) | 485,686 |
| Earnings per share (kobo) | | 2 | | 3 |

### 47.3 NOTES ON RECONCILIATION

The restatement affects and refers to only the accounts of the FUG Pensions Limited

a N81.348 million previously classified as short-term deposit was reclassified to held for trading bond while a sum of N16.631 million was written off the short term deposit.

b Previously, all the financial assets of the FUG amounting to N379.935 million was reported as Held to Maturity. This in addition to N81.848 million reclassified from cash and cash equivalents have been restated into N338.399 million as Held for Trading (Bond) and N122.804 million as Held to Maturity.

c A sum of N2.457 million was written off the other debtors.

d The cost of motor vehicles was increased by N549,000.

e The other creditors and remittable deductions have been restated upward by N14.682 million

f&m The income tax liabilities was revised down by N122,000 in 2012 and N376,000 in 2011

g The deferred tax has been recomputed based on the remeasurement of assets and liabilities that have tax implication and as such, the effects have been recognized.

h The contingency reserve of FUG was previously reported as nil in 2011 and N4 million in 2012 but additional sums of N2.433 million and N4.426 million are now provided for 2011 and 2012 respectively in the restated account on the directives of its prudential regulator.

i The net impact of the restatement adjustments for 2011 and 2012 has led to reduction in the group's share of the post-acquisition retained earnings of FUG by N31.003 million

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

j The net impact of the restatement adjustments for 2011 and 2012 resulted in reduction in the non controlling interest's share of the equity of FUG by N11.530 million

k The resultant effect of change in accounting policy on classification of financial assets is an increase in fair value gain on financial assets of FUG by N29.597 million. N6.141 million was also recognised as additional other operating income

l A sum of N46.242 million reported as prior year adjustments in the audited accounts of FUG for the year ended 31 December 2013 has been adjusted in the restated management expenses of 2012 accounts in addition to the increase in staff cost by N4.032 million on the figures previously reported.

## 48 Management of insurance and financial risk

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Group manages them.

### 48.1 Insurance risk

The risk in any insurance contract is the possibility that the insured event occurs which could result in a claim. This risk is very random and unpredictable.

The principal risk that the Group faces under its insurance contracts is that the actual claims and benefits payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Insurance risk is increased by the lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

a *Frequency and severity of claims*

The frequency and severity of claims can be affected by several factors. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

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

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

Management assesses risk concentration per class of business. The concentration of insurance risk before and after reinsurance by class in relation to the type of insurance risk accepted is summarized below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from non-life insurance for the year ended 31 December 2013 and 31 December 2012.

| 2013 | Gross sum insured N'000 | Re-insurance N'000 | Net sum insured N'000 |
|---|---|---|---|
| Fire | 341,807 | (43,392) | 298,415 |
| General accident | 316,594 | (9,375) | 307,219 |
| Marine | 175,451 | (23,547) | 151,904 |
| Motor | 667,309 | (10,632) | 656,677 |
| Oil and gas | 740,564 | (428,959) | 311,606 |
| Aviation | 90,686 | - | 90,686 |
| Engineering | 367,601 | (46,147) | 321,454 |
| Bond | 54,541 | (3,885) | 50,656 |
| | 2,754,553 | (565,936) | 2,188,618 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| 2012 | Gross sum insured ₦000 | Re-insurance ₦000 | Net sum insured ₦000 |
|---|---|---|---|
| Fire | 360,416 | (8,713) | 351,703 |
| General Accident | 391,820 | (12,986) | 378,835 |
| Marine | 281,754 | (9,531) | 272,223 |
| Motor | 610,576 | (4,950) | 605,626 |
| Oil & Gas | 593,488 | (209,821) | 383,667 |
| Aviation | 88,979 | - | 88,979 |
| Engineering | 122,491 | (5,460) | 117,031 |
| Bond | 22,471 | (2,946) | 19,525 |
| | 2,472,195 | (254,606) | 2,217,589 |

b **_Sources of uncertainty in the estimation of future claim payments_**

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

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

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

c **_Process used to decide on assumptions_**

Two set of valuations were carried out using different methods. The first method known as The Basic Chain Ladder Method (BCL) uses historical claims paid over a period of years after the year of occurrence of the insured risk.

The group used 6 year cohorts called claims development years representing when they were paid after the accident and studied the patterns for 6 years. These historical paid claims (2007 – 2012) are then projected to their ultimate values for each accident year. Using the above result, the latest paid losses are then projected in the BCL and calculate the Loss Development Factors (LDF) for each development year. The ultimate claims are then derived using the LDF and the latest paid historical claims. For each line of business, the provision for outstanding claims, including IBNR, was determined on both gross and net of reinsurance basis.

In the same vein as above, a yearly cohort from year 2007 has been employed to construct the historical claims. Where, as in some cases, only the year of accidents or settlement was available and it became difficult to determine the actual period of the year when the accident or settlement was made, we have assumed that the accident or settlement was made in the same year.

The second method known as The Discounted Basic Chain Ladder Method (DBCL), uses the historical paid claims and discounting functions. The historical claims paid in each of the accident years to the year of valuation. The figures are then accumulated to their ultimate values for each accident year to arrive at the projected outstanding claims which are further multiplied by the discounting functions from the year of valuation to the future year of payment of the outstanding claims. For this we rely of the official historical experience of interests and an assumption of 10% per annum.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

Fire

| | Development Year | | | | | |
|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 |
| 2008 | 3,824,802 | 2,500,000 | 21,213 | | | |
| 2009 | 7,806,411 | 5,102,494 | | | | |
| 2010 | 11,461,486 | 4,294,808 | | | | |
| 2011 | 5,861,178 | 5,503,455 | | | | |
| 2012 | 19,837,523 | | | | | |
| 2013 | 24,400,153 | | | | | |

Motor

| | Development Year | | | | | |
|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 |
| 2008 | 64,739,382 | 11,566,884 | 1,349,638 | | | |
| 2009 | 48,687,116 | 36,615,072 | 98,509 | | | |
| 2010 | 35,891,989 | 10,026,613 | 62,210 | | | |
| 2011 | 26,992,478 | 10,358,547 | | | | |
| 2012 | 48,364,913 | | | | | |
| 2013 | 59,488,843 | | | | | |

Accident

| | Development Year | | | | | |
|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 |
| 2008 | 15,222,846 | 22,251,895 | 12,503,383 | | | |
| 2009 | 48,216,582 | 19,005,137 | 11,798,034 | 1,440,000 | | |
| 2010 | 24,440,254 | 11,126,208 | 5,596,733 | | | |
| 2011 | 25,380,997 | 8,453,969 | | | | |
| 2012 | 40,706,936 | | | | | |
| 2013 | 50,069,581 | | | | | |

### 48.2 Financial risk

The company has an Enterprise-wide Risk Management (ERM) Framework that is responsible for identifying and managing the inherent and residual risks facing the Group. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks

Other key risks faced by the Group as a result of its existence and operations include operational risks, underwriting risks, reputational and business risks.

This note presents information about the Group's exposure to each of the risks stated above, the Group's policies and processes for measuring and managing risks, and the Group's management of capital

a Credit risk: This is the risk arising from the uncertainty of an obligor's ability to perform its contractual obligations. As the company is not in the business of granting loans like banks, credit risks in terms of customer default on loans repayment is not applicable. However, in terms of premium payment and investments in counterparties, considerable risks exist that brokers and large corporate who are allowed extended payment period may default and this is closely allied to cash flow risks. The three sources of credit risk identified are:

- Direct Default Risk: risk that the company will not receive the cash flows or assets to which it is entitled because a party with which the firm has a bilateral contract defaults on one or more obligations.
- Downgrade Risk: risk that changes in the possibility of a future default by an obligor will adversely affect the present value of the contract with the obligor today.
- Settlement Risk: risk arising from the lag between the value and settlement dates of securities transactions.

**Mitigation:** The company puts limit on the fixed income and money market instruments including portfolio composition limits and corporate sector limits. The maximum amount of credit that may be approved by specific authorised individual is limited, with the amounts above such limit being approved by the relevant committee of the Board. Furthermore, the company strictly applies the policy of 'No premium, No cover'.

**Premium debtors by intermediaries as at 31 December 2013**

| | 2013 N'm | 2012 N'm |
|---|---|---|
| Brokers/policy holders | 706.9 | 1,195.6 |
| Agents | 3.1 | 34.6 |
| Insurance companies | 80.4 | 81.7 |
| Gross debt | 790.4 | 1,311.8 |

**Premium debtors by age band as at 31 December 2012**

| | | |
|---|---|---|
| Under 90 days | 57.2 | 345.6 |
| 91 - 180 days | 109.6 | 286.1 |
| Over 180 days | 623.6 | 680.2 |
| | 790.4 | 1,311.8 |

b. **Liquidity risk:** The company recognizes the risk of loss due to insufficient liquid assets to meet cash flow requirements or to fulfil its financial obligation once claims crystallize. Our exposure to liquidity risk comprises:

- **Funding liquidity risk:** Arising from our investment-linked products where there is a financial obligation to customers.
- Asset liquidity risk arising from our financial assets where we might not be able to execute transactions at prevailing market price because there is temporarily, no appetite for the deal at the other side of the market.

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

The following table shows the undiscounted cash flows on the company's financial assets and liabilities and on the basis of their possible contractual maturity

**Residual contractual maturities of financial assets and liabilities**

| 2013 | Carrying amount N'000 | Gross nominal inflow/ (outflow) N'000 | 0 - 3 months N'000 | 3 - 12 months N'000 | 1 - 5 years N'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 3,626,346 | 3,626,346 | 3,626,346 | | |
| Equity securities - available for sale | 44,805 | 44,805 | | | 44,805 |
| Equity securities - held for trading | 344,313 | 344,313 | | 344,313 | |
| Trade receivables | - | - | | - | |
| | 4,015,463 | 4,015,463 | 3,626,346 | 344,313 | 44,805 |
| **Liabilities** | | | | | |
| Insurance liabilities | 906,326 | 906,326 | | 906,326 | |
| Trade and other payables | 317,274 | 317,274 | 85,715 | 179,987 | 51,572 |
| | 1,223,601 | 1,223,601 | 85,715 | 1,086,313 | 51,572 |
| Gap (asset - liabilities) | 2,791,863 | 2,791,863 | 3,540,631 | (742,000) | (6,767) |
| Cumulative liquidity gap | 2,791,863 | 2,791,863 | 3,540,631 | 2,798,630 | 2,791,863 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| 2012 | Residual contractual maturities of financial assets and liabilities | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Gross nominal inflow/(outflow) | 0 - 3 months | 3 - 12 months | 1 - 5 years |
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| **Assets** | | | | | |
| Cash and cash equivalents | 3,009,116 | 3,009,116 | 3,009,116 | | |
| Equity securities - available for sale | 44,805 | 44,805 | | | 44,805 |
| Equity securities - held for trading | 240,749 | 240,749 | | 240,749 | |
| Trade receivables | 454,323 | 454,323 | | 454,323 | |
| | 3,748,993 | 3,748,993 | 3,009,116 | 695,072 | 44,805 |
| **Liabilities** | | | | | |
| Insurance liabilities | 678,769 | 678,769 | | 678,769 | |
| Trade and other payables | 182,084 | 182,084 | 148,355 | | 33,729 |
| | 860,853 | 860,853 | 148,355 | 678,769 | 33,729 |
| Gap (asset - liabilities) | 2,888,140 | 2,888,140 | 2,860,761 | 16,303 | 11,076 |
| Cumulative liquidity gap | 2,888,140 | 2,888,140 | 2,860,761 | 2,877,064 | 2,888,140 |

c **Market risk:** This reflects the possibility that the value of investment's funds will fall as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or factors affecting all investments traded in the market. The Company is exposed to this risk through its financial assets and comprises:

- Equity price risk: the risk associated with volatility in the stocks in our investment portfolio.
- Interest rate risk: this is the probability that the market interest rates will rise significantly higher than the interest rate than earned on investments such as bonds, resulting in lower market value. The company is exposed to interest bearing assets and liabilities in its books.
- Property price risk: The Company's portfolio is subject to property price risk arising from changes in the market value of properties.

**Mitigation:** The equity price risk is guided by (i) investment quality and limit analysis, (ii) stop loss limit analysis and (iii) limitation of concentration in particular sector. Interest rate risk is managed principally through monitoring interest rate gaps and sensitivity analysis across all investment portfolio. Property price risk is managed by converting some of the properties to investment properties

UnityKapital does not have material interest-rate sensitive liabilities compared to its interest-rate sensitive assets; thus fluctuations in interest rates cannot significantly impact its balance sheet. It is moderately exposed to interest rate risk through its investment approach with high investment in money market instruments.

A significant portion of our assets relate to capital rather than liabilities. As a result, the company's investment income will move with interest rates over the medium to long term, while the short-term interest rates fluctuations create unrealized gains or losses in other comprehensive income.

A summary of the company's interest rate gap position on non-trading portfolios was as follows

| 31 December 2013 | | | Re-pricing period | | |
|---|---|---|---|---|---|
| | Carrying amount | No stated maturity | 1 - 3 months | 3 - 12 months | 1 - 5 years |
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| **Assets** | | | | | |
| Cash and cash equivalents | 3,626,346 | | 3,626,346 | | |
| Equity securities - available for sale | 44,805 | 44,805 | | | |
| Equity securities - held for trading | 344,313 | | | 344,313 | |
| Trade receivables | - | | | | |
| | 4,015,463 | 44,805 | 3,626,346 | 344,313 | - |
| **Liabilities** | | | | | |
| Insurance liabilities | 906,326 | | | 906,326 | |
| Trade and other payables | 317,274 | | 85,715 | 179,987 | 51,572 |
| | 1,223,601 | - | 85,715 | 1,086,313 | 51,572 |
| Total interest re-pricing gap | 2,791,863 | 44,805 | 3,540,631 | (742,000) | (51,572) |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

| | | | Re-pricing period | | |
|---|---|---|---|---|---|
| 31 December 2012 | Carrying amount N'000 | No stated maturity N'000 | 1 - 3 months N'000 | 3 - 12 months N'000 | 1 - 5 years N'000 |
| **Assets** | | | | | |
| Cash and cash equivalents | 3,009,116 | | 3,009,116 | | |
| Equity securities - available for sale | 44,805 | 44,805 | | | |
| Equity securities - held for trading | 240,749 | 240,749 | | | |
| Trade receivables | 454,323 | | | 454,323 | |
| | 3,748,993 | 285,554 | 3,009,116 | 454,323 | - |
| **Liabilities** | | | | | |
| Insurance liabilities | 678,769 | | | 678,769 | |
| Trade and other payables | 182,084 | | 148,355 | | 33,729 |
| | 860,853 | - | 148,355 | 678,769 | 33,729 |
| Total interest re-pricing gap | 2,888,140 | 285,554 | 2,860,761 | (224,446) | (33,729) |

d **Operational risk:** This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk, strategic risk and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

*Mitigation:* This risk is managed through issue tracking report, risk threshold setting and business continuity plan among others

e **Reputational risk:** The Company is exposed to this risk through events that damage its image amongst stakeholders and the public which may impair the ability to retain generate and drive sustainable business. We understand that reputational risk is the biggest risk to our business as it poses a special threat to the confidence of our customers, regulators and industry.

*Mitigation:* The company's reputed values set a tone for acceptable behaviours required for all staff members. These are consistently assessed and managed within the company's business process.

f **Underwriting risk:** Our activities are primarily concerned with the pricing, acceptance and management of risks arising from our contracts with customers. It entails the risk that:

- The prices charged by the company for insurance contracts will be ultimately inadequate to support the future obligations arising from those contracts, risk exposure under its insurance contracts that were unanticipated in the design and pricing of the insurance contract;
- risks are not adequately ceded to reinsurers exposing the company to potential high claims pay-out;
- many more claims occur than expected or that some claims that occur are much larger than expected claims resulting in unexpected losses and;
- The company's policyholder will act in ways that are unanticipated and have an adverse effect on the company.

*Mitigation:* The company manages its underwriting risk by diversification across large portfolio of insurance as well as re-insurance arrangement.

g **Business risk:** Business risk relates to the potential erosion of our market position or revenue shortfall compared to the cost base due to strategic and/or reputational reasons.

*Mitigation:* This is managed through consistent monitoring of product lines' profitability.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 CONT.

### 48.3 Capital management

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

Insurance industry regulator measures the financial strength of Non-life insurers using a solvency margin model, NAICOM generally expect non-life insurers to comply with this capital adequacy requirement.

Section 24 of the Insurance Act 2003 define Solvency Margin of a Non-life insurer as the difference between the admissible assets and liabilities and this shall not be less than 15% of Net Premium Income (Gross Premium Income less Re-Insurance premium paid) or the minimum capital base (3 billion) whichever is higher.

This test compares insurers' capital against the risk profile. The regulator indicated that insurers should produce a minimum solvency margin of 100%. During the year, the company has consistently exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the company's operations if the company falls below this requirement and deemed necessary.

The solvency margin for the company as at 31 December 2013 is as follows:

| | 2013 N'000 | 2012 N'000 |
|---|---|---|
| Cash and Cash Equivalents | 296,663 | 106,148 |
| Placement with Financial Institutions | 3,329,683 | 2,908,969 |
| Investment in Ordinary & Preference Shares | 389,118 | 329,781 |
| Loan to staff | 20,060 | 18,539 |
| Statutory Deposits | 355,000 | 355,000 |
| Trade Receivables | - | 454,323 |
| Less trade receivables | - | (454,323) |
| Reinsurance Assets | 300,508 | 215,801 |
| Other Receivables & Prepayments | 133,565 | 558,184 |
| Deferred Acquisition cost | 137,236 | 85,086 |
| Investment in subsidiaries, | 1,576,300 | 1,576,300 |
| Investment in Associates | 1,010,650 | 1,010,650 |
| Investments in subsidiaries & associates above 25% limit disallowed | (334,906) | (307,470) |
| Investment Properties & Land & Building | 2,546,747 | 2,534,773 |
| Less revaluation surplus of less than 3 years for land and buildings | (1,541,747) | (1,534,773) |
| Property, Plant & Equipment; excluding Land & Building | 275,056 | 287,607 |
| Total Admissible Assets | 8,488,953 | 8,168,544 |
| Insurance Contract Liabilities | 906,326 | 678,769 |
| Trade payables | 20,162 | 75,936 |
| Provision and Other Payables | 197,013 | 174,954 |
| Retirement Benefit Obligations | 51,572 | 35,729 |
| Tax payable | 48,527 | 28,925 |
| Total Admissible Liabilities | 1,223,601 | 992,313 |
| **Solvency Margin** | 7,265,352 | 7,167,231 |
| The higher of 15% of Net premium income and minimum capital base | 3,000,000 | 3,000,000 |
| **Solvency ratio** | 242% | 239% |

Solvency ratio must be above 100%

### 48.4 Fair value Hierarchy

The Group's accounting policy on fair value measurements is discussed under accounting policy 3.6.1

The Group measures fair value using the following fair value hierarchy that reflects the nature and process used in making the measurements.

**Level 1:** Fair value measurements classified as Level 1 include exchange-traded prices of fixed maturities and equity securities unadjusted in active market for identical assets and liabilities.

**Level 2:** valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. Observable inputs generally used to measure the fair value of securities classified as Level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data.

**Level 3:** This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category include investment securities and other borrowed funds.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized

*(All figures are in thousands of naira)*

Group

31 December 2013

| Asset Type | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| *Equity securities at fair value through profit or loss* | 671,203 | - | - | 671,203 |
| *Held to maturity* | 301,697 | | | 301,697 |
| *Available for sale* | | | 44,805 | 44,805 |
| | 972,900 | 0 | 44,805 | 1,017,705 |

31 December 2012

| Asset Type | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| *Equity securities at fair value through profit or loss* | 622,660 | - | - | 622,660 |
| *Held to maturity* | 122,804 | | | 122,804 |
| *Available for sale* | | | 44,805 | 44,805 |
| | 745,464 | 0 | 44,805 | 790,270 |

*Parent*

31 December 2013

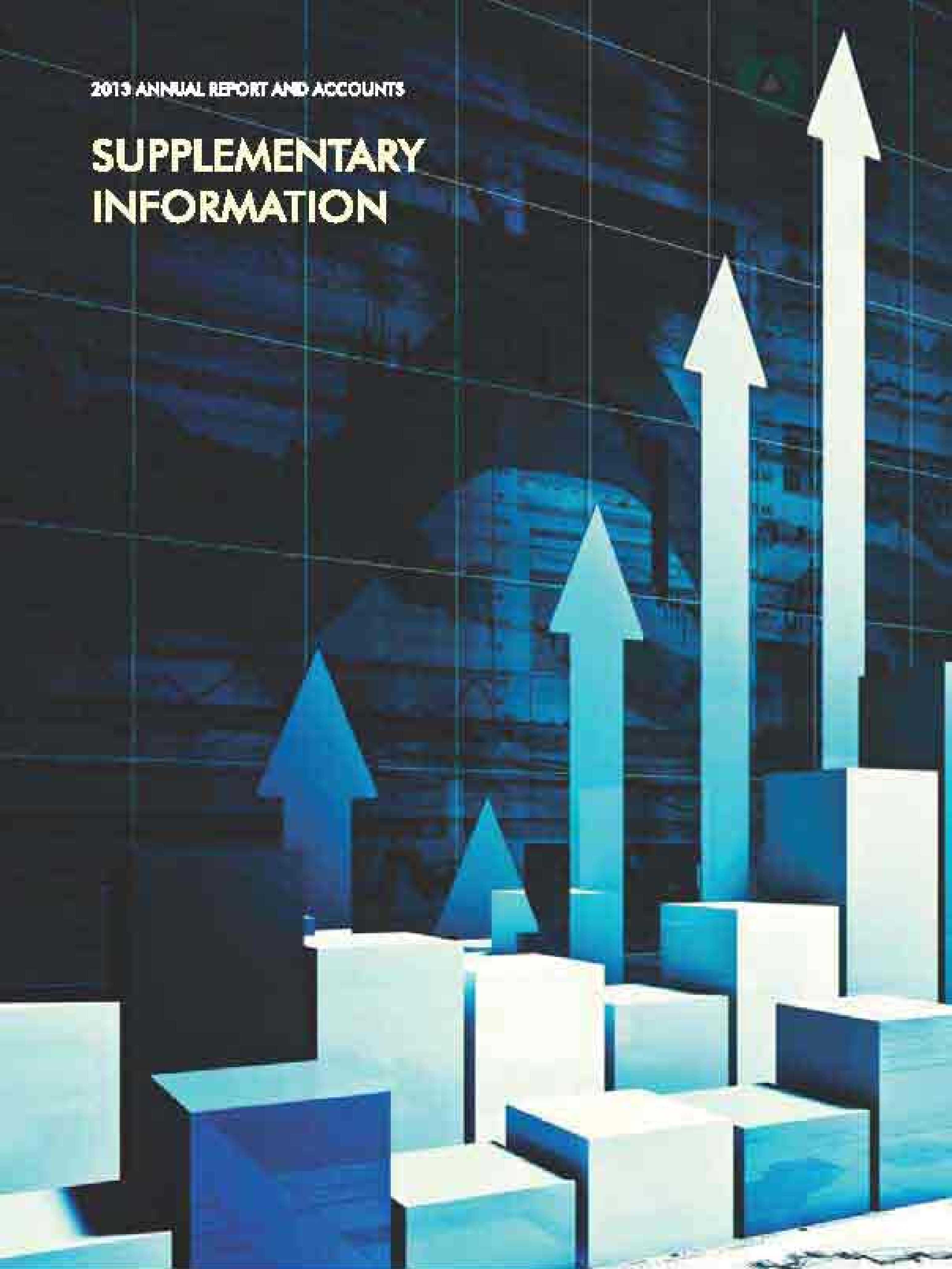
| Asset Type | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| *Equity securities at fair value through profit or loss* | 344,313 | - | - | 344,313 |
| *Available for sale* | | | 44,805 | 44,805 |
| | 344,313 | 0 | 44,805 | 389,118 |

31 December 2012

| Asset Type | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| *Equity securities at fair value through profit or loss* | 284,161 | - | - | 284,161 |
| *Available for sale* | | | 44,805 | 44,805 |
| | 284,161 | 0 | 44,805 | 328,967 |

2013 ANNUAL REPORT AND ACCOUNTS

# SUPPLEMENTARY INFORMATION



# PARENT UNDERWRITING REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

PARENT UNDERWRITING REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

| | FIRE ₦'000 | G/ACCIDENT ₦'000 | MARINE ₦'000 | MOTOR ₦'000 | OIL & GAS ₦'000 | AVIATION ₦'000 | ENGINEERING ₦'000 | BOND ₦'000 | 2013 ₦'000 | 2012 ₦'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | | | | | | | | | | |
| Direct premium | 344,845 | 317,585 | 186,227 | 686,247 | 765,210 | 90,817 | 441,692 | 34,395 | 2,866,967 | 2,719,589 |
| Inward premium | 409 | - | 1,888 | 57 | 1,622 | - | 3,362 | 27,543 | 34,879 | 17,068 |
| Gross premium written | 345,254 | 317,585 | 188,115 | 686,304 | 766,832 | 90,817 | 445,054 | 61,938 | 2,901,845 | 2,736,658 |
| (Increase)/Decrease in provision for unexpired risks | (3,447) | (991) | (12,664) | (18,995) | (26,268) | (131) | (77,453) | (7,397) | (147,291) | (264,462) |
| Gross premium earned | 341,807 | 316,594 | 175,451 | 667,309 | 740,564 | 90,686 | 367,601 | 54,541 | 2,754,554 | 2,472,195 |
| Outward premium | (43,392) | (9,375) | (23,547) | (10,632) | (428,958) | - | (46,147) | (3,885) | (565,925) | (254,605) |
| Net Premium earned | 298,415 | 307,219 | 151,904 | 656,677 | 311,606 | 90,686 | 321,454 | 50,656 | 2,188,630 | 2,217,590 |
| Commission Received | 8,244 | - | 5,232 | - | 150 | - | 3,235 | - | 16,851 | 8,510 |
| **TOTAL OPERATING INCOME** | 306,659 | 307,219 | 157,136 | 656,677 | 311,756 | 90,686 | 324,689 | 50,656 | 2,205,481 | 2,226,100 |
| **Claims Expenses** | | | | | | | | | | |
| Gross claims paid | (42,210) | (36,472) | 8,108 | (136,629) | (110,951) | (10,829) | (308,583) | 0 | (637,589) | (266,287) |
| Change in provision for outstanding claims | 2,889 | (13,861) | (6,402) | (18,380) | (31,213) | (68) | (12,068) | 864 | (78,828) | (8,092) |
| Actuarial loss adjustment | (3) | (429) | (122) | (270) | (695) | (0) | (205) | (4) | (1,737) | (4,099) |
| Gross claims incurred | (39,628) | (50,762) | 1,584 | (155,279) | (142,859) | (10,897) | (320,856) | 860 | (717,884) | (278,478) |
| Reinsurance claims recoveries | 9,460 | 103 | 62 | 2,629 | 65,240 | 0 | 137,378 | 0 | 214,877 | 7,032 |
| Net claims incurred | (30,168) | (50,659) | 1,646 | (152,650) | (77,619) | (10,897) | (183,478) | 860 | (502,957) | (268,447) |
| **Underwriting Expenses** | | | | | | | | | | |
| Acquisition cost | (17,916) | (27,669) | (15,770) | (53,120) | (97,314) | (11,877) | (35,829) | (476) | (260,073) | (83,348) |
| Maintenance cost | (33,272) | (64,561) | (42,636) | (107,848) | (263,114) | (32,113) | (96,872) | (1,662) | (641,976) | (202,942) |
| | (51,187) | (92,230) | (58,406) | (160,968) | (360,428) | (43,990) | (132,701) | (2,138) | (902,049) | (286,290) |
| **TOTAL DIRECT EXPENSES** | (81,352) | (142,889) | (56,760) | (313,618) | (438,047) | (54,887) | (316,177) | (1,278) | (1,405,006) | (554,738) |
| **UNDERWRITING PROFIT** | | | | | | | | | | |
| 2013 | 225,307 | 164,331 | 100,376 | 343,059 | (126,291) | 35,799 | 8,512 | 49,378 | 800,475 | |
| 2012 | 396,646 | 461,140 | 301,447 | 746,868 | 610,406 | 187,311 | 178,484 | 22,562 | | 1,671,363 |

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

## STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2013

| | Group 2013 N'000 | % | Group 2012 N'000 | % | Parent 2013 N'000 | % | Parent 2012 N'000 | % |
|---|---|---|---|---|---|---|---|---|
| Premium income | 2,754,554 | | 2,472,195 | | 2,754,554 | | 2,472,195 | |
| Re-insurance, claims and commission and others | (3,580,140) | | (2,063,133) | | (3,394,591) | | (2,062,303) | |
| | (825,585) | | 409,062 | | (640,036) | | 409,892 | |
| Investment and other income | 2,414,815 | | 965,116 | | 1,772,241 | | 660,541 | |
| **Valued added** | 1,589,230 | 100 | 1,374,178 | 100 | 1,132,205 | 100 | 1,070,433 | 100 |

**Applied to pay:**

| | Group 2013 N'000 | % | Group 2012 N'000 | % | Parent 2013 N'000 | % | Parent 2012 N'000 | % |
|---|---|---|---|---|---|---|---|---|
| **Staff cost** | 884,600 | 56 | 656,666 | 48 | 634,010 | 56 | 473,596 | 44 |
| **Government as tax** | - 25,872 | (2) | 220,362 | 16 | (41,550) | 4 | 156,164 | 16 |
| **Shareholders as dividend** | 277,333 | 17 | 130,000 | 9 | 130,000 | 11 | 130,000 | 12 |
| **Retained in the business** | | | | | | | | |
| Depreciation and amortisation | 155,224 | 10 | 149,184 | 11 | 132,412 | 12 | 123,820 | 12 |
| Retained profit for the year | 297,945 | 19 | 227,022 | 17 | 277,333 | 24 | 186,863 | 17 |
| | 1,589,230 | 100 | 1,383,234 | 100 | 1,132,205 | 100 | 1,070,433 | 100 |

Value added is the additional wealth the company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth between employees, finance providers, government and that retained for the future creation of more wealth or for amortisation.

# COMPANY FIVE YEAR FINANCIAL SUMMARY

COMPANY FIVE YEAR FINANCIAL SUMMARY

| STATEMENT OF FINANCIAL POSITION | <<<<<<<<<<<<<<<< IFRS | >>>>>>>>>>>>>>>> | | |
|---|---|---|---|---|
| YEAR ENDED: 31 DECEMBER | Parent 2013 N'000 | Parent 2012 N'000 | Parent 2011 N'000 | Parent 2010 N'000 |
| **ASSETS** | | | | |
| Cash and cash equivalents | 3,426,346 | 3,009,116 | 4,572,201 | 5,680,673 |
| Financial assets | 389,118 | 228,967 | 244,499 | 680,217 |
| Trade receivables | 0 | 484,828 | 99,174 | 108,748 |
| Reinsurance assets | 300,506 | 215,601 | 54,740 | 54,971 |
| Deferred acquisition cost | 137,236 | 85,026 | 40,632 | 26,060 |
| Other receivables and prepayments | 163,645 | 606,723 | 357,081 | 275,996 |
| Investment in subsidiaries | 1,876,300 | 1,876,300 | 826,300 | - |
| Investment in associates | 1,010,650 | 1,010,650 | 843,365 | - |
| Investment properties | 514,500 | 472,526 | 397,289 | 397,289 |
| Other intangible asset | 114,276 | 60,826 | 56,546 | 72,479 |
| Property, plant and equipment | 2,207,303 | 2,249,854 | 2,041,693 | 1,982,674 |
| Statutory deposits | 300,000 | 365,000 | 365,000 | 365,000 |
| Total assets | 10,484,882 | 10,846,121 | 9,898,821 | 9,624,108 |
| **LIABILITIES** | | | | |
| Insurance contract liabilities | 906,326 | 678,769 | 411,214 | 255,630 |
| Trade payables | 20,142 | 75,934 | 25,498 | 4,978 |
| Retirement benefit obligation | 61,872 | 53,729 | 87,305 | 96,487 |
| Provision and other payables | 197,013 | 174,954 | 205,161 | 167,879 |
| Income tax liabilities | 48,027 | 28,928 | 81,017 | 44,248 |
| Deferred tax liabilities | 253,104 | 434,891 | 374,384 | 374,284 |
| Total liabilities | 1,476,704 | 1,437,203 | 1,104,502 | 951,598 |
| **EQUITY** | | | | |
| Issued and paid up share capital | 6,983,393 | 6,933,538 | 6,800,000 | 6,800,000 |
| Share premium | 663,600 | 663,600 | 1,096,920 | 1,096,928 |
| Statutory contingency reserve | 453,827 | 365,082 | 383,083 | 301,100 |
| Retained earnings | 14,308 | 114,673 | 9,910 | (29,128) |
| Asset revaluation reserve | 943,903 | 1,040,850 | 903,894 | 903,894 |
| Shareholders fund | 9,008,178 | 9,117,918 | 8,794,320 | 8,672,888 |
| TOTAL LIABILITIES AND EQUITY | 10,484,881 | 10,848,121 | 9,898,822 | 9,624,108 |

UNITYKAPITAL ASSURANCE PLC

| BALANCE SHEET | <<< NIGERIAN GAAP >>> |
|---|---|
| | Parent 2009 N'000 |
| **Assets:** | |
| Cash and bank balances | 860,104 |
| Short-term investments | 4,641,549 |
| Debtors and prepayments | 903,805 |
| Long-term Investments | 477,987 |
| Stock of stationeries | 12,194 |
| Statutory deposits | 255,000 |
| Deferred commission | 46,713 |
| Fixed assets | 1,481,751 |
| Goodwill | 7,996 |
| | 8,994,749 |
| **Liabilities** | |
| Due within one year | |
| Bank overdrafts | 14,984 |
| Creditors and accruals | 147,283 |
| Taxation | 104,171 |
| Deferred taxation | 179,163 |
| Insurance funds | 341,995 |
| | 787,596 |
| Due after more than one years | |
| Staff gratuity fund | 15,374 |
| Total Liabilities | 802,970 |
| Net Assets | 8,191,779 |
| Financed by: | |
| Share capital | 6,175,000 |
| Share premium | 1,421,983 |
| Revaluation reserves | 402,001 |
| Contingency reserve | 176,038 |
| Retained earnings | 17,307 |
| SHAREHOLDERS' FUNDS | 8,191,779 |

# COMPANY FIVE YEAR FINANCIAL SUMMARY CONT.

COMPANY FIVE YEAR FINANCIAL SUMMARY CONTINUED

| YEAR ENDED: 31 DECEMBER | Parent 2013 N000 | Parent 2012 N000 | Parent 2011 N000 | | Parent 2010 N000 | Parent 2009 N000 |
|---|---|---|---|---|---|---|
| COMPREHENSIVE INCOME | <<<<<<<< IFRS >>>>>>>>> | | | PROFIT AND LOSS | <<<<< NIGERIAN GAAP >>>> | |
| Gross premium earned | 2,754,554 | 2,472,196 | 1,733,212 | Gross premium earned | 868,741 | 1,345,800 |
| Underwriting profit | 800,475 | 1,671,363 | 1,233,465 | Underwriting profit | 613,319 | 892,668 |
| Investment and other Income | 1,720,450 | 524,070 | 420,710 | Investment and other income | 538,530 | 949,451 |
| Provisions | (164,995) | (286,670) | (348,359) | Provisions | (190,464) | (433,722) |
| Exceptional items | - | - | - | Exceptional items | (32,376) | (84,718) |
| Less management expenses | (2,143,459) | (1,436,746) | (1,088,873) | Less management expenses | (922,439) | (989,050) |
| Profit/(Loss) before taxation | 222,472 | 473,017 | 216,943 | Profit/(Loss) before taxation | 6,551 | 334,629 |
| Taxation | 41,550 | (156,154) | (95,126) | Taxation | (196,785) | (222,568) |
| Profit after taxation | 264,022 | 316,863 | 121,817 | Profit/(loss) after taxation | (190,234) | 112,061 |
| Transfer to contingency reserve | 87,055 | 82,100 | 52,783 | Transfer to contingency reserve | 26,062 | 40,374 |
| Other comprehensive Income | (96,427) | 136,786 | - | | | |
| Earnings per share (kobo) | 2 | 2 | 1 | Earnings/(loss) per share (kobo) | 0.9 | 1.2 |

# BRANCH NETWORK

# BRANCH NETWORK

## ADDRESS OF OUR BRANCHES/ZONAL OFFICES NATIONWIDE AND THE BRANCH/ZONAL HEADS

### HEAD OFFICE ADDRESS:

Plot 497, Abogo Largema Street, Off Constitution Avenue,
Central Business District, P.M.B 13233 Wuse,
Abuja, FCT-Nigeria 900211. Tel: 09 461 9900 Fax: 09 4619901
Website: www.unitykapital.com email:info@unitykapital.com

## BRANCH/ZONAL OFFICE ADDRESSES:

**HEAD OFFICE ZONE**

**1. Abuja Zonal Office**
3rd Floor, Left Wing, UnityKapital Assurance Plc, Plot 497
AbogoLargemaStr, Off Constitution Av, CBD Abuja-FCT
Ambali Olugbenga (Zonal Head)
08181961726

**2. LAFIA BRANCH OFFICE**
White House, Opp. PHCN Office, Makurdi Rd, Lafia.
Hauwa K. Hassan (Branch Head)
08083491972

**3. MINNA BRANCH OFFICE**
2, Airport Rd, Minna.
Kusagi Abdulrasmini Adamu (Branch Head)
08050248648

**4. LOKOJA BRANCH OFFICE**
Gaina Plaza, No. 2, Marine Road by General Post Office
Junction, Lokoja, Kogi state.
Akor Adamu Sabah (Branch Head)
08053320905

**5. JOS BRANCH OFFICE**
55, Murtala Mohammed Way, Jos.
(Ag Branch Head)
08034591052

**6. KADUNA BRANCH OFFICE**
Unity Bank Regional Office Building, Intercity Bank Rd,
Mogadishu Layout, Off Ahmadu Bello Way, Kaduna.
Ibrahim Bashir Marmara (Branch Head)
08056202444

**PORT-HARCOURT ZONE**

**7.PORT-HARCOURT ZONAL OFFICE**
Unity Bank Plc Premises
198A, Aba Road, Opp. Presidential Hotel, PH.
Madaka Ogbonna (Zonal Head)
07060606288/08033790285

**8. WARRI BRANCH OFFICE**
No. 69, Sapele/Effurun Rd., Effurun, Warri
Napoleon Atanola (Branch Head)
08028122061

**9. CALABAR BRANCH OFFICE**
Ephraim Reyo Int'l Plaza, No. 45, Murtala Mohammed
Highway, Calabar.
Emmanuel Edemeka
07063010013

**10. OWERRI BRANCH OFFICE**
2nd Floor Unique Mall, Plot 562, Ikenegbu Layout, Owerri
Michael Emeka Opara (Branch Head)
08032820438/07023163878

**11. ONITSHA BRANCH OFFICE**
No. 41 New Market Road, NOC Link Plaza, Onitsha.
Alfred Mbanu (Branch Head)
08035931272

**12. ENUGU BRANCH OFFICE**
148, Zik Avenue, Uwani, Enugu
Sabinus Okosi
07065340890

**13. ABA BRANCH OFFICE**
1st Floor, Unity Bank Office, No.7, Factory Road, Aba, Opp.
Mr Biggs. Abia State.
Emmanuel Ekekere. (Branch Head)
08064657908/08069406465

**LAGOS ZONE**

**14. Head Office Annex (Lagos)**
Plot 173 Gbagada/Oshodi Expressway,
Opposite UPS Express Office,
Gbagada, Lagos.
Olukoya Bamidele Rashid
Head (Special Risks/Business Development, South)
08023082681

**15.LAGOS ZONAL OFFICE**
Plot 173 Gbagada/Oshodi Expressway,
Opposite UPS Express Office,
Gbagada, Lagos.
Ojo Samuel (Zonal Head)
08023065653/08035209811

**16.VICTORIA ISLAND BRANCH OFFICE**
Plot 1698 C&D, Oyin Jolayemi Street, Victoria Island, and
Lagos.
Francisca Nonyelum Obafor (Mrs) (Branch Head)
08033800554

## BRANCH NETWORK

**17. LAGOS ISLAND BRANCH OFFICE**
1st Floor, Kingsway Building, 51/52, Marina Lagos.
Adelaye Aderogba (Branch Head)
08029067852

**18.GBAGADA BRANCH OFFICE**
Plot 173 Gbagada/Oshodi Expressway,
Opposite UPS Express Office,
Gbagada, Lagos.
Ngozika Ajuda (Miss) (Branch Head)
08063896388/08021119666

**19. APAPA BRANCH OFFICE**
2nd Floor, Unity Bank Office, Eleganza Plaza, No3, Wharf Road, Apapa.
Christie Olorunfitnu (Mrs.) (Branch Head)
08033825511

**IBADAN ZONE**

**20. IBADAN ZONAL OFFICE**
Iba Oluyole Mall, 16, ObafemiAwolowo Rd, F Allen, Dugbe, Oloholo, Ibadan
Idowu Olaide Egbeolowo (Zonal Head)
08023065653/08085209811

**21. IBADAN BRANCH OFFICE**
IbaOluyole Mall, 16, ObafemiAwolowo Rd, F Allen, Dugbe, Oloholo, Ibadan
Ganiyu Ishaoru Adedeji (Branch Head)
08066216441

**22. BENIN BRANCH OFFICE**
No 82, 1st East Circular Rd, Benin City, Edo State.
Ekomwa Anthony Denny (Branch Head)
07039377720

**23. AKURE BRANCH OFFICE**
Bank of Industry building, 2nd Floor, oval wing, Opp. 1st Bank Plc, Alagbaka, Akure.
Morakinyo Olugbenga (Branch Head)
08068863045

**BAUCHI ZONE**

**24. BAUCHI ZONAL OFFICE**
Gidan Mai, Off Adamu Jumba Road, By Local Government Pension Board Bauchi.
Abdu, Ibrahim Shehu (Zonal Head)
08052200132

**25. BAUCHI BRANCH OFFICE**
Gidan Mai, Off Adamu Jumba Road, By Local Government Pension Board, Bauchi.
Q. Aliyu (Ag. Branch Head)
08037605971

**26. MAIDUGURI BRANCH OFFICE**
Unity Bank Plc Premises, Lake Chad Rd Branch, Maiduguri, Borno State.
Bala Ibrahim Sale (Branch Head)
08067874112

**27. GOMBE BRANCH OFFICE**
Gombe State Inv. Building, Behind Govt. House, Off Pantami Rd
Aminu Jibril
08023569352

**28. YOLA BRANCH OFFICE**
No. 4 Gimba Road, Opposite Diworld Pharmacy, Jimeta, Yola.
Ahmed Buba (Branch Head)
08037867737

**KANO ZONE**

**29. Head Office Annex (Kano)**
UnityKapital House, 116, Hadejia Road Kano.
Mamoud Abdullahi
(Business Development/Special Risks, Kano)
08035675488

**30. KANO ZONAL OFFICE**
UnityKapital House,116, Hadejia Road Kano.
Mahmoud Abdullahi (Zonal Head)
08035675488

**31. KANO BRANCH OFFICE**
UnityKapital House, No116, Hadejia Rd, Kano.
Sabo Salmanu (Branch Head)
08035675488

**33.DUTSE BRANCH OFFICE**
Suite F2, No. 7 G9 Rd, Dutse
Usman UsmanTukur (Branch Head)
08037605971

**33. KATSINA BRANCH OFFICE**
Katsina State Investment & Property Dev. Co Ltd Building, No61 IBB Way, Katsina.
Usman Aliyu (Branch Head)
08036869133

**34. SOKOTO BRANCH OFFICE**
11, Maiduguri Rd. Sokoto State.
Sa'idu Mohammed Ali (Branch Head)
08169373096

# PROXY FORM

Being member /members of Unitykapital Assurance Plc. hereby appoint

......................................................................

or failing him Henry James Semenitari or failing him Kins Ekebuike as my /our proxy to act and vote for me/us on my /our behalf at the 38th Annual General Meeting of the company to be held on 14th January 2015 at 11am and at any adjournment thereof.

As witness my/our hand this..............................Day of

........................................2015

Signed..................................................

| | | ORDINARY BUSINESS | FOR | AGAINST |
|---|---|---|---|---|
| I/We desire this proxy to be used in favour of/or against the resolution as indicated alongside (strike out whichever is desired) | 1. | To receive and adopt the audited account for the year ended 31st December, 2013 together with the reports of the directors and Auditors thereon. | | |
| | 2. | To elect Directors | | |
| | a. | Henry James Semenitari | | |
| | b. | Alaba A. Abraham | | |
| | c. | Bonaventure E.Okhaimo | | |
| | | To re-elect Directors | | |
| | d. | Farouk L. Yola | | |
| | e. | Emmanuel I. U. Ojei | | |
| | 3. | To appoint Auditors | | |
| | 4. | To authorise Directors to fix the remuneration of the Auditors | | |
| | 5. | To approve remuneration of Directors | | |
| | 6. | To elect members of the Audit Committee | | |
| | | Please indicate with "X" in the appropriate box how you wish your vote to be cast on the resolution set out above. Unless otherwise instructed, the proxy vote/or abstain from voting at his/ his discretion. | | |

NOTES:

1. A member to attend and vote at the General Meeting is entitled to appoint a proxy in his stead. A proxy need not be a member of the company.

2. All proxies should be deposited at the office of Unity Registrars, 94 Agege Motor Road, Idi -Oro Bus Stop, Mushin, Lagos, not less than 48 hours before the time for holding the meeting.

3. In the case of joint shareholders, any one of such may complete the form but the name of all joint share holders must be stated.

4. It is required by law under the Stamp Duties Act, Cap 411-Laws of the Federation of Nigeria 1990, that any of proxy to be used for the purpose of voting by any instrument person entitled to vote at any meeting of shareholders must bear Stamp Duty at the appropriate rate, not adhesive postage stamps.

5. If the shareholder is a corporation, this form must be under its common seal or under the hand of some officers or attorney duly authorized in that behalf.

6. This proxy will be used only in the event of poll being directed or demanded.

Before posting the above card, tear off this part and retain it

ADMISSION CARD

38TH UNITYKAPITAL ASSURANCE PLC

ANNUAL GENERAL MEETING

PLEASE ADMIT ONLY THE SHARE HOLDERS NAMED ON THIS CARD OR HIS DULY APPOINTED PROXY TO THE THIRTY EIGHT ANNUAL GENERAL MEETING BEING HELD AT REIZ CONTINENTAL HOTEL, ABUJA ON WEDNESDAY 14TH JANUARY 2015

NAME OF SHAREHOLDERS/PROXY ________________________ SIGNATURE ________________

ADDRESS ______________________________________________

THE CARD IS TO BE SIGNED AT THE VENUE IN THE PRESENCE OF THE REGISTRAR

# E DIVIDEND FORM

TO:
**The Registrars,**
**Unity Registrars Limited,**
**Unity Bank Building,**
**94 Agege Motor Road,**
**Idi-Oro Bus Stop, Mushin, Lagos,**
**Nigeria**

**Important! The form should be completed in CAPITAL LETTERS using a black or dark blue ballpoint/fountain pen. Characters and numbers should be similar in style to the following:**
**A B C D E F G H I J K L M N O P Q R S T U V W X Y Z 1 2 3 4 5**

**Please fill in the form and return to the address above.**

Surname.......................................................................................................

First Name.......................................................................................................

Other Names.......................................................................................................

Address.......................................................................................................

.......................................................................................................

.......................................................................................................

Mobile Phone.......................................................................................................

Email.......................................................................................................

Shareholder's Signature

(1).......................................................................................................

Second signature for joint/company account

(2).......................................................................................................

Company's Authorised Signatures/Seal.......................................................................................................

BankAccount Details

BankName.......................................................................................................

BankBranch Address.......................................................................................................

.......................................................................................................

Bank Account Number.......................................................................................................

Branch Sort Code (very important).......................................................................................................

Bank'sAuthorised Signatures & Stamp.......................................................................................................

## CSCS ACCOUNT NOTIFICATION FORM

**TO:**
**The Registrars,**
**Unity Registrars Limited,**
**Unity Bank Building,**
**94 Agege Motor Road,**
**Idi-Oro Bus Stop, Mushin, Lagos,**
**Nigeria**

**Please credit my account at Central Securities Clearing Systems Limited (cscs ) with all subsequent allotments and bonuses due to me from holdings in UnityKapital Assurance Plc Account No..................................**

**Personal Data**

**Surname.............................................................................................................**

**Other Names......................................................................................................**

**Address...............................................................................................................**

**..........................................................................................................................**

**..........................................................................................................................**

**Mobile Phone.......................................................................................................**

**Email....................................................................................................................**

**Shareholder's Signature**

**(1)..................................................................**

**(2)..................................................................**

**Corporate Seal/Stamp (for Corpo rate Shareholders)...............................**

**CSCS Details**

**Stockbroker ...........................................................................................................**

**Clearing House Number.... C.................................................................................**

**..........................................................................................................................**

**Authorised Signature & Stamp of Stockbroker**

**Please attach a copy of your CSCS statement to this form as evidence that CSCS account has been opened for you.**

# NOTES

## NOTES

UnityKapital
assurance plc
RC 11766

...Experience Peace of Mind

REGISTERED HEAD OFFICE: Plot 497 Abogo Largema Street, Off Constitution Av. Central Business District
P.O Box 13233, Wuse III Abuja, FCT 900211. Tel: 09-461 9900, Fax: 09-461 9901. www.unitykapital.com