



**INTERNATIONAL ENERGY INSURANCE PLC**  
**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**  
**31 DECEMBER, 2013**



## **Introduction**

International Energy Insurance Plc's Financial Statements comply with the applicable legal requirements of the Company and Allied Matters Act, CAP C20 LFN 2004 regarding financial statements. The financial statements have been prepared in compliance with IAS 1 'Presentation of the Financial statements', its interpretation issued by the International Accounting Standards Board and adopted by the Financial Reporting Council of Nigeria.

| <b>Contents</b>                                                     | <b>Pages</b> |
|---------------------------------------------------------------------|--------------|
| Vision and Mission                                                  | 1            |
| Corporate Information                                               | 2            |
| Results at a glance                                                 | 3            |
| Statement of Directors' Responsibilities                            | 4            |
| Directors' Report                                                   | 5-7          |
| Corporate Governance Report                                         | 8-12         |
| Certification Pursuant to Section 60                                | 13           |
| Risk Management Declaration                                         | 14           |
| Report of the Audit and Compliance Committee                        | 15           |
| Management Discussion and Analysis                                  | 16           |
| Independent Auditors' Report                                        | 17-18        |
| Summary of significant accounting policies                          | 19-50        |
| Financial Statements:                                               |              |
| Statement of Profit or Loss and Other Comprehensive Income          | 51           |
| Statement of Financial Position                                     | 52           |
| Statement of Changes in Equity                                      | 53-56        |
| Statement of Cash Flows                                             | 57           |
| General information and Critical Accounting Estimates and Judgments | 58-68        |
| Enterprise risk management                                          | 69-78        |
| Asset and Liability Management                                      | 79           |
| Capital Management                                                  | 80           |
| Notes to the Financial statements                                   | 81-107       |
| <b>Appendix to the Financial Statements:</b>                        |              |
| Value Added Statement                                               | 108-109      |
| Five Year Financial Summary                                         | 110          |



## OUR VISION

To be a global financial institution, providing integrated solutions to the energy, industrial and service sectors.

## OUR MISSION

To be a dependable partner, helping our clients manage and protect their human and material assets while delivering superior value to all our stakeholders.

## OUR VALUE

### Proficiency

Having a culture of doing things right, first time, all the time.

### Integrity

Transparent honesty in all our dealings with all our stakeholders

### Innovation

Constant improvement in our way of doing things.

### Dependability

We can be counted on all the time.

### Friendliness

We shall exhibit a friendly disposition in all dealings with our clients, relating with ourselves and the environment.

**Corporate information****Chairman**

Sir.Patrick Sule Ugboma

**Managing Director**

Mrs. Roseline Ekeng

**Directors****Non-Executive**

Mr. Christopher Briggs (mni)

**Non-Executive**

Chief Glory Emeh

**Non-Executive**

Mr.Francis Okwedy

**Non-Executive**

HRH Sanusi Lamido Ado - Bayero - Resigned 16/07/2013

**Non-Executive**

Alhaji Shehu Badamasi

**Non-Executive**

Mr.Tosa Ogbomo

**Non-Executive**

Mr.Calistus Udakor

**Company Secretary**

Mr. Paul Ekpenisi  
 Plot 294, Jide Oki Street,  
 (Off Ligali Ayorinde Street)  
 Victoria Island,  
 Lagos.

**Registered office**

Plot 294, Jide Oki Street,  
 (Off Ligali Ayorinde Street)  
 Victoria Island,  
 Lagos.

**Solicitors**

Pius Ogene & Associates  
 3B, Ayojagun Street, Off Omission Hotel,  
 Lekki Phase 1, Lekki Lagos

Solola & Akpana  
 3B, Tokunbo Omisore Street,  
 Off Wole Olateju, Lekki Phase 1, Lagos

**Auditors**

BDO Professional Services  
 (Chartered Accountants)  
 ADOL House, 15 CIPM Avenue  
 Central Business District  
 Alausa, Ikeja, Lagos.  
 P.O.Box 4929,GPO, Marina Lagos.  
[www.bdo-ng.com](http://www.bdo-ng.com)

**Actuaries**

Alexander Forbes Nigeria Limited  
 FRC/2012/0000000000504  
 Plot 235, Muri Okunola Street,  
 Rio Plaza, 2nd Floor,  
 Victoria Island, Lagos.

**Bankers**

Access Bank Plc  
 United Bank for Africa Plc  
 Diamond Bank Plc  
 Keystone Bank Ltd  
 Wema Bank Plc  
 Fidelity Bank Plc  
 Zenith International Bank Plc  
 Heritage Banking Company Limited

**RC. No.**

6126

## RESULTS AT A GLANCE

|                                    | Group<br>2013<br>N'000 | Group<br>2012<br>N'000 | %Increase/<br>(Decrease) | Company<br>2013<br>N'000 | Company<br>2012<br>N'000 | %Increase/<br>(Decrease) |
|------------------------------------|------------------------|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Gross Premium written              | 5,774,585              | 6,972,343              | (17)                     | 5,012,360                | 6,022,105                | (17)                     |
| Gross Premium income               | 5,358,415              | 7,542,019              | (29)                     | 4,677,224                | 6,562,631                | (29)                     |
| Underwriting results               | 1,905,921              | 3,288,479              | (42)                     | 1,749,291                | 2,649,017                | (34)                     |
| Net operating income               | 4,849,910              | 4,926,473              | (2)                      | 4,465,339                | 3,944,481                | 13                       |
| Profit/(loss) before tax           | 52,395                 | (348,654)              | (115)                    | 477,745                  | (787,058)                | (161)                    |
| Taxation                           | (38,825)               | (55,321)               | (30)                     | (44,255)                 | (20,588)                 | 115                      |
| Profit/(loss) after tax            | 13,569                 | (403,975)              | (103)                    | 433,490                  | (807,646)                | (154)                    |
| Total Assets                       | 10,142,274             | 11,137,182             | (9)                      | 9,552,749                | 10,118,754               | (6)                      |
| Total Equity                       | 342,587                | 398,612                | (14)                     | 678,629                  | 398,611                  | 70                       |
| <b>Net assets per share (kobo)</b> | 0.27                   | 0.06                   | 330                      | 0.53                     | 0.06                     | 751                      |
| <b>Earnings Per Share:</b>         |                        |                        |                          |                          |                          |                          |
| Basic EPS (Kobo)                   | 5.17                   | (6.34)                 | (181.58)                 | 33.76                    | (12.58)                  | (368.37)                 |
| Adjusted EPS (Kobo)                | 5.17                   | (31.68)                | (116.32)                 | 33.76                    | (62.90)                  | (153.67)                 |

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## **Statement of Directors' Responsibilities in relation to the Financial Statements for the Year Ended 31 December 2013**

The directors accept responsibility for the preparation of the annual consolidated and separate financial statements that give a true and fair view of the statement of financial position of the Group and Company at the end of the year and of its profit or loss and other comprehensive income in the manner required by the Companies and Allied Matters Act, CAP C20, LFN 2004 and the Insurance Act, CAP I17, 2004. The responsibilities include ensuring that the Company and its subsidiary:

keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and Company and comply with the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004 and the Insurance Act, CAP I17, 2004.

establish adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, that are consistently applied and comply with.

International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);

the requirements of the Insurance Act, CAP I17, LFN 2004

relevant guidelines and circulars issued by the National Insurance Commission (NAICOM)

the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004 and;

the requirements of the Financial Reporting Council of Nigeria Act, No 6, 2011.

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

In the opinion of the Directors, the Group and the Company complied with the requirements of International Financial Reporting Standards (IFRS) and in a manner specified by the provisions of the Financial Reporting Council (FRC) of Nigeria, Companies and Allied Matters Act, CAP C20, LFN 2004, Insurance Act, CAP I17, LFN 2004 and relevant guidelines and circulars issued by the National Insurance Commission (NAICOM); however, the requirements of IFRS override the provisions of other Acts where there is conflict.

The directors have made an assessment of the Group and the Company's ability to continue as a going concern and have no reason to believe that the Group and the Company will not remain a going concern in the year ahead.

**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:**

.....

**Mr. Peter Irene**

**Interim Managing Director**

**FRC/2014/ICAN/00000006610**

.....

.....

**Mr. Muhammad K. Ahmad**

**Interim Chairman**

.....

**INTERNATIONAL ENERGY INSURANCE PLC**  
RC 6126

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors are pleased to submit their report together with the audited financial statements of the group for the year ended 31 December, 2013.

**PRINCIPAL ACTIVITIES**

The Company and its subsidiary carry on the business of providing non-life insurance for individuals and registered companies.

**STATE OF AFFAIRS**

In the opinion of the Directors, the state of the Group and the Company's affairs is satisfactory.

**RESULTS FOR THE YEAR**

|                                                                                     | <b>Group</b>          | <b>Company</b>        |
|-------------------------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                                     | <b>31 December</b>    | <b>31 December</b>    |
|                                                                                     | <b>2013</b>           | <b>2013</b>           |
|                                                                                     | <b>N'000</b>          | <b>N'000</b>          |
| Profit before taxation                                                              | 52,395                | 477,745               |
| Taxation                                                                            | (38,825)              | (44,255)              |
| Profit after taxation                                                               | <u>13,569</u>         | <u>433,490</u>        |
| <i>Profit after taxation attributable to owners of the parent</i>                   | 66,384                | 433,490               |
| Other comprehensive income                                                          | <u>78,446</u>         | <u>(8,476)</u>        |
| <i>Total comprehensive income for the year attributable to owners of the parent</i> | <u><u>144,830</u></u> | <u><u>425,014</u></u> |

**DIVIDEND**

The Directors do not recommend payment of any dividend for the year ended 31 December, 2013 (2012: nil).

**BONUS**

The Directors do not recommend issue of any bonus shares for the year ended 31 December 2013 (2012: nil).

**FUTURE PROSPECTS**

The Directors are confident that the Group and the Company is appropriately placed to continue its current activities and to explore available commercial opportunities within Nigeria and the West African region. The necessary procedures are being considered to enhance its capital structure.

**DIRECTORS**

The Directors of the Company during the year under review were:

|                              |                          |
|------------------------------|--------------------------|
| Sir Patrick Sule Ugboma      | (Chairman)               |
| Mrs. Roseline Ekeng          | Managing Director/CEO    |
| Mr. Christopher Briggs       |                          |
| Chief Glory Emeh             |                          |
| Mr. Francis Okwedy           |                          |
| HRH Sanusi Lamido Ado-Bayero | - Resigned July 16, 2013 |
| Alhaji Shehu Badamasi        |                          |
| Tosa Ogbomo                  |                          |
| Callistus Udakor             |                          |

## DIRECTORS INTERESTS

The Directors direct and indirect interest in the paid up shares of the Company are as follows:

|                         | Representing | 2013<br>No. | 2012<br>No. |
|-------------------------|--------------|-------------|-------------|
| Mr. Ifie M.P Sekibo     | Ski Consult  | -           | 260,190,356 |
| Sir Patrick Sule Ugboma | Chillet Ltd  | -           | 285,357,221 |
| Roseline Ekeng          | -            | -           | 673,334     |

## DIRECTORS RETIRING

Alhaji Shehu Badamasi and Mr. Christopher Briggs retire by rotation and being eligible, offer themselves for re-election.

## DIRECTORS RESPONSIBILITIES

The Companies and Allied Matters Act, CAP C20, LFN 2004 requires the directors, to prepare financial statements, in respect of each financial year, that give a true and fair view of the state of affairs of the Group and Company at the end of the year and of the profit or loss generated by the Group and Company for the year ended on that date.

In preparing the financial statements the directors are required to :

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are responsible and prudent;
- ensure that the applicable accounting standards have been followed and in the case of any material departures that these have been fully disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is deemed inappropriate to

The directors are also responsible for safeguarding the assets of the Group and the Company, and therefore, taking reasonable steps for the prevention and detection of fraud and other irregularities.

## AGENTS AND BROKERS

The Company maintains a network of licensed agents. The Company also renders services directly to its customers as well as through a varied network of brokers who are licensed by the National Insurance Commission.

## REINSURANCE

The Company had reinsurance treaty arrangements with the following companies during the year.

- African Reinsurance Corporation
- Continental Reinsurance Company Limited
- Nigerian Reinsurance
- Munich Reinsurance

## RESEARCH AND DEVELOPMENT

The Company is not involved in any research and development activities.

## DISABLED PERSONS

The Company believes in giving full and fair consideration to all current and prospective staff. No disabled people (2012: Nil) are currently employed by the Company. There are procedures in respect for those employees who became disabled, to be assigned duties that are commensurate to their disabilities.

## GIFTS AND DONATIONS

The Company made charitable donations of N700,000.00 (2012: N7,450,000) during the year under review. The beneficiaries were:-

|                                            | 2013           | 2012             |
|--------------------------------------------|----------------|------------------|
|                                            | N              | N                |
| Youth Sport Federation of Nigeria          | 700,000        | -                |
| Nigeria Hockey Federation                  | -              | 5,150,000        |
| Nigeria Employers Consultative Association | -              | 300,000          |
| OB Lulu-Briggs Life Foundation             | -              | 1,500,000        |
| Little Saints Orphanage                    | -              | 500,000          |
| <b>Total</b>                               | <b>700,000</b> | <b>7,450,000</b> |

## HEALTH AND SAFETY AT WORK OF EMPLOYEES

The Company places a high premium on the health and welfare of its employees. Medical facilities are provided for the staff and their families at private hospitals retained within the respective localities of the staff residence. Firefighting equipment have also been installed in strategic positions within the offices of the Company. The Company incurred N37.5 million (2012: N22.9 million) in providing such medical benefits during the year.

## EMPLOYEE INVOLVEMENT AND TRAINING

In addition to in-house training, the Company, where necessary sends its employees on various seminars, conference, workshops and courses both locally and abroad. The staff are encouraged to improve themselves academically in any chosen profession, which is relevant to their job. The Company refunds a substantial proportion of all expenses incurred on such courses on the successful completion of the course. The Company incurred N39.2 million (2012; N20.8 million) on employees training during the year.

By Order of the Board

Paul Ekpenisi Esq.  
 Company Secretary  
 FRC/2013/NBA/00000005283  
 Lagos, Nigeria  
 .....

## **CORPORATE GOVERNANCE REPORT**

Corporate Governance is concerned with best practices and standard procedures aimed at ensuring that a Company is governed in such a way that it achieves its objectives. These set practices and standards are laid down in various regulatory codes and principles which International Energy Insurance Plc (IEI) is fully committed to meeting in order to maximize the wealth of her shareholders.

In the conduct of its business, IEI continuously strives to operate within the framework of appropriate rules and regulations under which it was incorporated, as well as global best practices, corporate governance codes and guidelines released by relevant regulatory authorities such as the National Insurance Commission, the Nigerian Stock Exchange and the Securities and Exchange Commission.

These best practices have indeed been an integral way in which we conduct our business affirming our belief that good corporate governance is a means of sustaining viability of the business in the long term and maintaining the confidence of investors. IEI believes that the attainment of business objectives is directly aligned to good corporate behavior as it provides stability and growth to the enterprise. In line with this objective and the need to meet its responsibility to her stakeholders, the Company strives to meet the expectations of its operating environment. That is why we have continued to challenge ourselves and to reinvent our processes to effectively tackle the unfolding challenges and exploit emerging opportunities. With our spread into emerging economies of the world, we are determined to remain a global player and to keep discharging the responsibilities arising therein.

IEI holds firm to its guiding principles of transparency, accountability, good quality management and integrity through the adoption and monitoring of corporate strategies, goals and procedures in order to comply with its legal and ethical environment. As part of our commitment to increasing shareholder's value, IEI has continued to implement ongoing initiatives and best practices for the benefit of all shareholders. The Company has acquired a formidable reputation in the insurance industry and a good track record in corporate governance, which is underpinned by the Company's core values of proficiency, integrity, innovation, dependability and friendliness. Over the past 12 months, we have continued to improve our corporate governance environment by synthesizing the Company's existing corporate governance policies with the latest consensus on international best corporate governance practices.

The Company has put in place systems of internal control and risk management to safeguard the interest of all stakeholders. As indicated in the statement of responsibility of directors and notes to the Financial Statements, IEI adopts standard accounting practices to facilitate transparency in the disclosure of information and to give assurance to the reliability of the financial statements.

## **CORPORATE STRUCTURE**

### **Shareholders Meeting**

The Company in actualization of its corporate governance objectives recognizes its shareholders as the highest decision making body in line with the provisions of its Memorandum and Articles of Association. The Annual General Meeting of the Company by statutory requirement is held once in a year. An Extra-Ordinary General Meeting of the Company may be convened at the behest of the Board or shareholders holding not less than 10% of the Company's paid up capital. Attendance at these meetings is open to shareholders and/or their proxies and sufficient notice is given to ensure maximum attendance of the shareholders.

IEI held its 41st Annual General Meeting on the 5th of June 2013 and decisions affecting the strategic development and direction of the Company were taken through a fair and transparent process under the watchful eyes of representatives of regulatory authorities such as the National Insurance Commission, Corporate Affairs Commission, Nigerian Stock Exchange, Securities and Exchange Commission and members of the press.

## **Board of Directors**

Presently, the Board is comprised of 8 directors. One (1) executive director and seven (7) non-executive directors one of which is the Chairman of the Company. The Board meets regularly to set policies for the operations of the Company, and ensures that it maintains a professional relationship with the Company's Auditors to promote transparency in financial and non-financial reporting.

### **Role of the Board**

- Establish corporate strategy, set performance indices, monitor implementation and performance. Review alignment of goals, major plans of action and annual budget
- Ensure the integrity of the Company accounting and financial report system (including the independent audit) and that appropriate system are in place for monitoring risk financial control and compliance with the law
- Formulate risk strategies and make decisions on business acquisition and expansion/investments into foreign markets.
- Ensure that the interests of the stakeholders are balanced.
- Ensure that the Company's operations are in accordance with high business and ethical standards.

The Board meets quarterly to review financial performance and report on the contribution of the various business units to overall performance and consider other matters arising. Adequate advance notice of the meeting, the agenda and reports to be considered are circulated to members. Emergency meetings are convened as the need arises. The board met 4 (four) times in the course of the 2013 financial year.

### **DIRECTORS' ATTENDANCE.**

In accordance with Section 258(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004 the record of the Directors attendance at Directors and Committee meetings during the year will be made available for inspection at the Annual General Meeting.

### **BOARD COMMITTEES.**

The Board carries out its oversight functions through the following Board Committees;

#### **The Board Executive Committee**

The Executive Committee comprises of the Company's executive directors and other top management staff. It is responsible for establishing priorities, Safeguarding the Company assets, Implementing Board decisions on general management and administration matters, defining business strategies and targets, achievement of set budgetary targets, responsible for subsidiary and associated companies activities and responsible for overall Company operations. In effect it supervises the day to day activities of the Company. It meets regularly and is chaired by the Managing Director/Chief Executive of the Company.

The Committee met 4 (four) times within the year on May 2, 2013, June 10, 2013, August 1, 2013 and September 17, 2013 recording full membership attendance.

#### **Board Credit /Investment Committee**

The Board Credit and Investment Committees is charged with the responsibility of reviewing all credit and investment activities of the Company, review the risk management policies and risk portfolio of the Company, approve within set limits, or make recommendations on credit and investment activities of the Company, set and review targets for returns on the investment portfolio of the Company, Approve within set limit or make recommendations to the Board on disposal and/or divestment from any investment and periodically review and update the credit manual of the Company in line with industry practice. The committee meets quarterly.

The members of the committee are as follows

- Chief Glory Emeh
- Mrs. Roseline Ekeng
- Mr. Tosa Ogbomo
- Mr. Christopher Briggs
- Mr. Calli Udakor

The Committee met four times within the year on March 26, 2013, May 2, 2013, August 1, 2013 and September 24, 2013 recording full membership attendance

#### **Board Finance Committee**

The Board Finance Committee and Board General Administration Committee were merged as Board Finance & General Purpose Committee and reconstituted with the mandate to review and make recommendations on all staff and related matters; Approve within set limits, review and make recommendations on branch expansions and/or closures; Make recommendations on hiring and firing of General Managers and above to the Board; Implement safeguarded measures as recommended from time to time, and to ensure an adequate platform by which the Company and its subsidiaries will adequately protect their finances.

The members of the committee are as follows

- Mr. Tosa Ogbomo
- Mrs. Roseline Ekeng
- Mr. Francis Okwedy
- Alhaji Shehu Badamasi
- Mr. Calli Udakor

The Committee met six times within the year on February 19, 2013, May 2, 2013, September 17, 2013, October 8, 2013, November 8, 2013 and December 11, 2013 recording full membership attendance.

#### **Board Audit Committee**

In compliance with the provisions of Section 359 of the Companies and Allied Matters Act, Cap C20, LFN, 2004, the Company has an Audit Committee comprising of three (3) Non-executive Directors and three (3) shareholders as follows:

- Mrs Oluseyi Ifaturoti (Chairman)
- Mr. Christopher Briggs
- Mr. Francis Okwedy
- Alhaji Shehu Badamasi
- Mr. Augustine Anono
- Mr. Eleojo Peters

This Committee met three times within the year on February 19, 2013, May 2, 2013 and September 17, 2013 recording two absentees at the first and last meetings.

#### **Board Enterprise Risk Management Committee**

This Board committee was constituted in the later part of the year under review as recommended by the National Insurance Commission is charged with the responsibility to establish a process for identifying, assessing, controlling, mitigating and monitoring all material risks the Company is exposed to; Develop a framework that will meet regulatory requirements; Ensure the development of policies into the core and support processes; Ensure the development of reporting templates for the risk areas as well as measurement metrics, limits and thresholds; Develop a documented risk management strategy; Ensure the Company maintains an up-to-date Risk register; Establish a well defined Risk Governance System and Responsibilities; Ensure that trainings are organized for Process Driver, Board and Management Risk Committees; Ensure the adoption of the three lines of defense in risk management; Establish a risk-based performance management and reward system.

The members of the committee are as follows

- Mr. Christopher Briggs
- Mrs. Roseline Ekeng
- Chief Glory Emeh
- Mr. Tosa Ogbomo
- Mr. Calli Udakor

This Committee had its inaugural meeting in 2014

## **THE MANAGEMENT TEAM**

The Management team consists of several executive and senior management staff led by the Managing Director. It formulates programs and assigns responsibilities and resources for the achievement of set goals. The management team is also charged with the responsibility of identifying and assessing the risk profile within which the Company is operating, with a view to eliminating or minimizing the impact of such risks to the achievement of set Company objectives. The leadership team meets regularly to review the performance of the Company, and assess progress against the achievement of laid down objectives.

### **Our People**

In IEI, we strive to manage People in a way that reinforces accomplishment and contribution. We have adopted a deliberate approach to creating a work environment where People are empowered to be productive and happy because we have long discovered that these are principles and actions that enable People at work to soar. Our regard for People shines through our words and actions such that we are creating standards for the Industry to emulate.

Our Staff are well appreciated. We demonstrate our appreciation for each person's unique value at all times by helping them to feel that they are part of something bigger than themselves and their individual jobs. We ensure access to the Organization's overall Vision, Mission and Strategic plans. We also share goals and directions and make progress on goals measurable and observable. We support this by providing frequent feedback so that People know how they are doing by way of reward and recognition. We do this because we are aware that People observe our constructive feedback so that they can continue to develop their skills and knowledge which they in turn deploy towards the sustainable growth and development of the Company.

We place a lot of emphasis on training and Manpower development to sharpen the skills of our People to deliver superior service to our esteemed customers. Towards this end we have a fully functional training School within the Office complex for in-plant courses while also leveraging on the skills of external training faculties both within and outside the Country. We give our People specialized training overseas as a way of positioning them for competition at the larger, knowledge driven Global economy.

Our People process goal is to continue to remain competitive in our sector by being able to attract and retain the best and most capable talents the industry could offer for the purpose of consistently increasing shareholders' value, foster successful employees and deliver superior service and customer satisfaction.

## **COMPLIANCE & DISCLOSURE**

We have achieved 86.4% compliance to applicable regulatory requirements as against 85.7% recorded in the previous year. This was due to non-submission of our Audited Accounts as at June 30, 2013 to the National Insurance Commission. This infringement attracts a fine of N100,000 per week from the due date until the date of submission.

The total sum of N2,085,000.00 was paid to National Insurance Commission as infractions and infringements for late submission of 2012 audited accounts and N3,800,000.00 to Nigerian Stock Exchange for late filing of 2011 accounts.

This disclosure of non-compliance is in conformity with the provisions of Appendix III, Clause 14 (g) of the Nigerian Stock Exchange Rules which requires companies to state in the Annual Report contraventions and sanctions imposed for such contraventions.

## **CORPORATE SOCIAL RESPONSIBILITY**

Today's corporate existence goes beyond profitability, service delivery and return on investment. Corporate Social Responsibility (CSR) has become a topical issue in corporate policy framework the world over. This is why IEI has remained relentless through the years in championing eco- friendly projects that have impacted on life and society.

### **Environment**

IEI has been an astute of many social investment initiatives, having made contributions for the various sectors of the Nigerian society. The Company partnered with Fight Against Desert Encroachment (FADE) an NGO recognised by the United Nations, in curbing the effects of the Sahara desert on remote villages in Kano and other places.

IEI has also partnered with Chief Lulu Brigdges Foundation in the completion of the Abalama Safe Water Project in the Kalabari Kingdom of River States. IEI constructed, completed and delivered to the community a top class borehole, to enhance the provision of safe drinking water to the community.

The objectives of the Company's drive, is to leave behind an eco-capital for future generations and the survival of life.

### **Humanitarian**

The management of International Energy Insurance Plc demonstrated social empathy towards the less privileged on the 31st of March, 2013 by visiting the Living Fountain Orphanage, assuring the children that there is still hope for the future. Giving hope to the less privileged is part of the Company's Corporate Social Responsibility activities which stem from its core business values of Friendliness and Dependability.

Led by the Head, Corporate Communication and representing the Managing Director/CEO of IEI, the five man IEI team presented food items, toiletries and other household items the home, located at the beach end of Victoria Island, Lagos. The Head, Corporate Communications emphasized that this social act was an emotional dispoit- on towards the less privileged, to give them hope, irrespective of their conditions. He also reiterated that it is extension of the Company's social activities done all year round as the action goes in line with the Companv's equity statement "the energv to care".

### **Health and Safety at Work of Employees**

The Company took a major step to ensure that a robust HSE Plan, process and Procedure was put in place for the safety of its workforce by reducing work related discomfort, accidents & injury, litigation and non-compliance issues. The Company took advantage of this innovative idea to enable employees feel their health and well being are properly invested in and consequently reduce to barest minimum health associated costs to the Company. Some of the HSE initiatives taken in the year 2013 are as follows.

- . HSE Policy and Manual developed and sugned off by the MD/CEO
- . HSE - Project Steering Committee was inaugurated.
- . HSE Awareness and Hazard & Effect Management Process (HEMP) workshop was carried out  
Company-wide
- . Fire extinguishers, smoke detectors and fire alarms re-installed in all IEI offices and buildings.
- . Staff attended Certification Training organised by Institte of Safety Professiona of Nigeria (ISPON) during the year.
- . Hazard Identification forms was designed and sent to all staff to report unsafe acts, conditions and near misses
- . Health, Safety and Environment employee handbook developed.
- . First IEI Plc Fire drill was conducted in Head office.
- . HSE training was organised for all drivers.  
Monthly inspection of all Company cars commenced.
- . Developed Emergency Preparedness and Response Plan.

**CERTIFICATION PURSUANT TO SECTION 60(2) OF INVESTMENT AND SECURITIES  
ACT NO.29 OF 2007**

We the undersigned hereby certify the following with regards to our audited report for the year ended 31 December 2013 that:

- a) We have reviewed the report;
- b) To the best of our knowledge, the report does not contain:
  - (i) Any untrue statement of a material fact, or
  - (ii) Omit to state a material fact, which would make the statements, misleading in the light of circumstances under which such statements were made;
- c) To the best of our knowledge, the financial statements and other financial information included in the report fairly present in all material respects the financial condition and results of operations of the Group as of, and for the periods presented in the report;
- d) We:
  - (i) are responsible for establishing and maintaining internal controls;
  - (ii) have designed such internal controls to ensure that material information relating to the Company and its consolidated subsidiary is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;
  - (iii) have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
  - (iv) have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;
- e) We have disclosed to the auditors of the Company and audit committee:
  - (i) all significant deficiency in the design or operations of internal controls which would adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weakness in internal controls, and
  - (ii) any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls;
- f) We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

.....  
**Olushina Olaogun**  
**Chief Financial Officer**  
**FRC/2013/ICAN/00000005263**

.....  
**Mr. Peter Irene**  
**Interim Managing Director**  
**FRC/2014/ICAN/00000006610**

## RISK MANAGEMENT DECLARATION

The Board of International Energy Insurance Plc hereby provide a Risk Management Declaration and state that, to the best of its knowledge and belief, having made appropriate enquiries:

- a. The company has systems in place for the purpose of ensuring compliance with this guideline;
- b. The Board is satisfied with the efficacy of the processes and systems surrounding the production of financial information of the company;
- c. The company has in place a Risk Management Strategy, developed in accordance with the requirements of this guideline, setting out its approach to risk management; and
- d. The systems that are in place for managing and monitoring risks, and the risk management framework, are appropriate to the company, having regard to such factors as the size, business mix and complexity of the company's operations.

.....  
DIRECTOR

.....  
DIRECTOR

## **REPORT OF THE AUDIT COMMITTEE**

### **TO THE SHAREHOLDERS OF INTERNATIONAL ENERGY INSURANCE PLC**

In accordance with the provision of Section 359 (6) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004, we have reviewed the audited financial statements of the Company for the year ended 31 December, 2013 and reports as follows:

- (a) The accounting and reporting policies of the Company are consistent within legal requirements and agreed ethical practices.
- (b) The scope and planning of the external audit was adequate.
- (c) The Company maintained effective systems of accounting and internal control during the year.
- (d) Having reviewed the External Auditors' findings and recommendations on management matters, we are satisfied with management responses thereon.

Dated this 8 April 2015

**Mrs. Seyi Ifaturoti**  
**CHAIRMAN - AUDIT COMMITTEE**  
**FRC/2013/CIIN/00000005402**

### **MEMBERS OF THE AUDIT COMMITTEE**

- 1. Mrs Seyi Ifaturoti
- 2. Mr. Austin Anono
- 3. Mr. Eleojo Peters
- 4. Mr. Christopher Briggs
- 5. Mr. Francis Okwedy
- 6. Alhaji Shehu Badamasi

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**Paulinus Ekpenisi**  
**Secretary**  
**FRC/2013/NBA/00000005283**

## Management Discussion and Analysis

### The nature of the business

International Energy Insurance Plc is a leading insurance Company in Nigeria. It is the first energy-sector focused insurance Company in the country providing first class underwriting solutions for offshore, Onshore as well as general business risks using a combination of strategic initiatives and excellent service delivery.

We are a market oriented Company that focuses on customers' satisfaction. Our business model is "Superior Service Delivery" which is customer-centric. It is aimed at meeting and surpassing the expectations of internal and external customers'.

### Management Objectives:

The Company has commendably executed many strategic initiatives. However, the need to build and sustain competitive advantage in the dynamic market place informed the articulation of the following objectives.

1. To become one of the leading insurance companies of choice in Nigeria within the next three to five years
2. To grow our Premium Income on an annual average of 25% within the next five years.
3. To deploy cutting-edge Information Communication Technology for world class service delivery.

### Our strategies:

Our strategies are aimed at meeting our objectives. In doing this, we shall;

1. Maintain a good corporate governance culture whilst monitoring the regulatory environment to ensure compliance as good corporate citizen and also anticipate change.
2. Institute an excellent customer service and operational efficiency system through the execution of internal service agreement
3. Always scan the external environment to identify market opportunities and threats with a view to converting the former and mitigating the latter.
4. Be proactive and remove all forms of bureaucratic bottlenecks so as to optimise our process for market leadership
5. Monitor the activities of competitors and analyse them to identify gaps, benchmark and fashion productivity improvement strategies so as to gain competitive edge.

### Our Human Resource:

Our human capital drives the operations to execute our strategies. The Company is an employer of choice. It attracts and retains good quality staff. The Management and staff are well remunerated, continually trained both locally and abroad to enhance skills and quality. Excellent performance is the basis for upward mobility and sustenance of employment. The culture is defined by the discipline of getting things done through the right attitude and teaming to create competitive value for the Company's stakeholders.

The Company's Business Model is professionally driven by a structure that analyses its Strengths, Weaknesses, Opportunities and Threats for responsive bonding.

## **REPORT OF THE INDEPENDENT AUDITORS**

### **TO THE MEMBERS OF INTERNATIONAL ENERGY INSURANCE PLC**

We have audited the consolidated and separate financial statements of International Energy Insurance Plc ("the Company") and its subsidiary Company (together "the group") for the financial year ended 31 December 2013, which comprises of the consolidated and separate statements of financial position, consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity, consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and in compliance with relevant provisions of the Financial Reporting Council of Nigeria Act, No 6, 2011, the Companies and Allied Matters Act, CAP C20 LFN 2004 and the Insurance Act, CAP I17, LFN 2004 and its interpretations issued by the National Insurance Commission in its Insurance Industry Policy Guidelines. This responsibility includes: designing, implementing and maintaining internal controls 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.

#### **Auditors' responsibility**

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

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

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

### **Emphasis of matter**

Without qualifying our opinion, we draw your attention to note 5(d) to the financial statements which indicates that the Company had a shortfall in solvency margin of N6,250,532,000 as at 31 December, 2013 (2012:N4,215,433,000). The note also explains the Company's plans towards meeting the shortfall.

### **Opinion**

In our opinion, the consolidated and separate financial statements give a true and fair view of the state of affairs of the International Energy Insurance Plc and its subsidiary financial position as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria Act No 6, 2011, the Companies and Allied Matters Act, CAP C20 LFN 2004 and Insurance Act, CAP I17, LFN 2004 and its interpretations issued by the National Insurance Commission in its Insurance Industry Policy Guidelines.

### **Report on other legal requirements**

The Companies and Allied Matters Act, CAP C20 LFN, 2004 requires that in carrying out our audit, we consider and report to you 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 purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the entity; and
- iii) the consolidated and separate statement of financial position and profit or loss account and other comprehensive income statement are in agreement with the books of account.

Lagos, Nigeria  
9 June 2015

Olugbemiga A. Akibayo  
FRC/2013/ICAN/00000001076  
For: BDO Professional Services  
Chartered Accountants

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented.

**1) Basis of preparation and compliance with IFRS**

The consolidated and separate financial statements of International Energy Insurance Plc have been prepared on a going concern basis in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that are effective at 31 December 2013 and requirements of the Companies and Allied Matters Act, CAP C20 LFN, 2004, the Insurance Act, CAP I17 LFN 2004 and the Financial Reporting Council of Nigeria Act No 6, 2011 to the extent that they are not in conflict with IFRS.

The financial statements were authorised for issue by the Board of Directors on 8 June 2015.

These consolidated and separate financial statements are presented in Nigerian Naira, rounded to the nearest thousand, and prepared under the historical cost convention, as modified by the revaluation of land, available-for-sale financial assets, and financial assets at fair value through profit or loss.

**2) Basis of measurement**

**(i) Historical cost**

The financial statements have been prepared on historical cost basis except as detailed below:

- Financial instruments at fair value through profit or loss are measured at fair value;
- Property, plant and equipment are carried at cost except land and buildings which are measured at revalued amount
- Available for sale financial assets are measured at fair value ; and
- Investment properties are measured at fair value.

**(ii) Going concern**

The directors assess the Group's future performance and financial position on a going concern basis and have no reason to believe that the group will not be a going concern in the year ahead. For this reason, these consolidated and separate financial statements have been prepared on a going-concern basis.

**(iii) Functional currency and translation of foreign currencies**

**- Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These consolidated and separate financial statements are presented in Nigerian Naira (N), which is the Group's functional and presentation currency.

**- Transactions and balances in Group entities**

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing on the dates of the transactions or the date of valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated and separate income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains - net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised as differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

**(iv) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods.

The critical accounting estimates and judgements applied in the preparation of these financial statements are disclosed in Note 3 .

**3) New standards, interpretations and amendments effective from 1 January 2014**

A number of new standards, interpretations and amendments effective for the first time for periods beginning on (or after) 1 January 2013, have been issued but not yet adopted in these financial statements. The nature and effect of each new standard, interpretation and possible effect on adoption by the Company is detailed below:

| 3   | IFRS Reference                                                                   | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Application date                                                                               | Impact on initial Application                                                                                      |
|-----|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| 3.1 | <b>IFRS 1 First-time Adoption of International Financial Reporting Standards</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                |                                                                                                                    |
|     | Annual Improvements (2011-2013 Cycle) Issued December 2013                       | The amendment to the Basis for Conclusions clarifies that an entity has an option to use either:<br>- The IFRSs that are mandatory at the reporting date, or<br>- One or more IFRSs that are not yet mandatory, if those IFRSs permit early application.                                                                                                                                                                                                                                                               | Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption               | No impact, as the Company has already adopted IFRS                                                                 |
| 3.2 | <b>IFRS 2 Share-based Payment</b>                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                |                                                                                                                    |
|     | Annual Improvements (2010-2012 Cycle) Issued December 2013                       | The amendment clarifies vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition.                                                                                                                                                                                                                                                                                                            | Mandatory adoption for periods beginning on or after 1 July 2014. Early                        | No impact as the Company has no share based payment                                                                |
| 3.3 | <b>IFRS 3 Business Combinations</b>                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                |                                                                                                                    |
|     | Annual Improvements (2010-2012 Cycle) Issued December 2013                       | The amendment clarifies that contingent consideration is assessed as either being a liability or an equity instrument on the basis of IAS 32 Financial Instruments: Presentation, and also requires contingent consideration that is not classified as equity to be remeasured to fair value at each reporting date, with changes in fair value being reported in profit or loss.                                                                                                                                      | Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption               | No impact.                                                                                                         |
|     | Annual Improvements (2011-2013 Cycle) Issued December 2013                       | The amendments to IFRS 3 clarify that:<br>- The formation of all types of joint arrangements as defined in IFRS 11 (ie joint ventures and joint operations) are excluded from the scope of IFRS 3<br>- The scope exception only applies to the accounting by the joint arrangement in its own financial statements and not to the accounting by the parties to the joint arrangement for their interests in the joint arrangement.                                                                                     | Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption permitted     | No impact                                                                                                          |
| 3.4 | <b>IFRS 5 Non-current Assets Held for Sale and Discontinued Operations</b>       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                |                                                                                                                    |
|     | Annual Improvements (2012-2014 Cycle) Issued December 2013                       | The amendment clarifies that the reclassification of an asset or disposal group from being held for sale to being held for distribution to owners, or vice versa is considered to be a continuation of the original plan of disposal.<br>Upon reclassification, the classification, presentation and measurement requirements of IFRS 5 are applied. If an asset ceases to be classified as held for distribution to owners, the requirements of IFRS 5 for assets that cease to be classified as held for sale apply. | Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted. | The Company will assess the impact on adoption of the Standard and when it holds assets as 'distribution to owner' |

|     | IFRS Reference                                              | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Application date                                                                               | Impact on initial Application                                             |
|-----|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| 3.5 | <b>IFRS 7 Financial Instruments: Disclosures</b>            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                |                                                                           |
|     | Annual Improvements (2012-2014 Cycle)                       | <p>The IASB clarified the circumstances in which an entity has continuing involvement from the servicing of a transferred asset.</p> <p>Continuing involvement exists if the servicer has a future interest in the performance of the transferred financial asset. Examples of situations where continuing involvement exists are where a transferor's servicing fee is:</p> <ul style="list-style-type: none"> <li>- A variable fee which is dependent on the amount of the transferred asset that is ultimately recovered; or</li> <li>- A fixed fee that may not be paid in full because of non-performance of the transferred financial asset.</li> </ul> <p>The amendment is required to be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. However, the amendment needs not to be applied for any period beginning before the annual period in which the entity first applies the amendments.</p> <p>A consequential amendment has been made to IFRS 1 First-time Adoption of International Financial Reporting Standards, in order that the same transitional provision applies to first time adopters. Applicability of the offsetting amendments in condensed interim financial statements</p> <p>A further amendment to IFRS 7 has clarified that the application of the amendment Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) issued in December 2011 is not explicitly required for all interim periods. However, it is noted that in some cases these disclosures may need to be included in condensed interim financial statements in order to comply with IAS 34.</p> | Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted. | The Company is yet to assess the impact of the adoption of this standard. |
| 3.6 | <b>IFRS 8 Operating Segments</b>                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                |                                                                           |
|     | Annual Improvements (2010-2012 Cycle) Issued: December 2013 | <p>The amendments require additional disclosures regarding management's judgements when operating segments have been aggregated in determining reportable segments, including:</p> <ul style="list-style-type: none"> <li>- A description of the operating segments that have been aggregated</li> <li>- The economic indicators considered in determining that the aggregated operating segments share similar economic characteristics.</li> </ul> <p>Reconciliation of the total of a reportable segment's assets to the entity's assets:</p> <p>The amendment clarifies that a reconciliation of the total of reportable segments assets to the entity's assets is only required if a measure of segment assets is regularly provided to the chief operating decision maker.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption permitted.    | The Company would implement the standard on adoption.                     |

|     | IFRS Reference                               | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Application date                                                                        | Impact on initial Application                  |
|-----|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------------------------------------------|
| 3.7 | <b>IFRS 9 Financial Instruments</b>          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                         |                                                |
|     | IFRS 9 (2009)<br>Issued:<br>November<br>2009 | <p>IFRS 9 (2009) applies to all assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires that on initial recognition, all financial assets are measured at fair value (plus an adjustment for certain transaction costs if they are not measured as at fair value through profit or loss) and are classified into one of two subsequent measurement categories:</p> <ul style="list-style-type: none"> <li>- Amortised cost</li> <li>- Fair value.</li> </ul> <p>IFRS 9 (2009) eliminates the Held to Maturity (HTM), Available for Sale (AFS) and Loans and Receivables categories. In addition, the exception under which equity instruments and related derivatives are measured at cost rather than fair value, where the fair value cannot be reliably determined, has been eliminated with fair value measurement being required for all of these instruments. A financial asset is measured after initial recognition at amortised cost only if it meets the following two conditions:</p> <ol style="list-style-type: none"> <li>1. The objective of an entity's business model is to hold the financial asset in order to collect contractual cash flows</li> <li>2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.</li> </ol> | Can only be applied if an entity's date of initial application is before February 2015. | To be implemented on adoption of the standard. |
|     |                                              | <p>All other instruments are required to be measured after initial recognition at fair value. IFRS 9 (2009) retains the current requirement for financial instruments that are held for trading to be recognised and measured at fair value through profit or loss, including all derivatives that are not designated in a hedging relationship.</p> <p>Hybrid contracts with a host that are within the scope of IFRS 9 (2009) (ie a financial host) must be classified in their entirety in accordance with the classification approach summarised above. This eliminates the existing IAS 39 requirement to account separately for a host contract and certain embedded derivatives. The embedded derivative requirements under IAS 39 continue to apply where the host contract is a non-financial asset and for financial liabilities.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                         |                                                |

|     | IFRS                                     | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Application | Impact on initial |
|-----|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------|
|     |                                          | <p>IFRS 9 (2009) includes an option which permits investments in equity instruments to be measured at fair value through other comprehensive income. This is an irrevocable election to be made, on an instrument by instrument basis, at the date of initial recognition. Where the election is made, no amounts are subsequently recycled from other comprehensive income to profit or loss. Where this option is not taken, equity instruments with the scope of IFRS 9 (2009) are classified as at fair value through profit or loss. Irrespective of the approach adopted for the equity instrument itself, dividends received on an equity instrument are always recognised in profit or loss (unless they represent a return of the cost of</p> <p>Subsequent reclassification of financial assets between the amortised cost and fair value categories is prohibited, unless an entity changes its business model for managing its financial assets in which case reclassification is required. However, the guidance is restrictive and such changes are expected to be very infrequent. IFRS 9 (2009) states explicitly that the following are not changes in business model:</p> <ol style="list-style-type: none"> <li>1. A change in intention relating to particular financial assets (even in circumstances of significant changes in market conditions)</li> <li>2. A temporary disappearance of a particular market for financial assets</li> <li>3. A transfer of financial assets between parts of the entity with different business models.</li> </ol> |             |                   |
| 3.8 | IFRS 9 (2010)<br>Issued:<br>October 2011 | <p>As noted above, IFRS 9 (2009) was published in November 2009 and contained requirements for the classification and measurement of financial assets. Equivalent requirements for financial liabilities were added in October 2010, with most of them being carried forward unchanged from IAS 39.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |             |                   |

|     | IFRS Reference                               | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Application date                                                                        | Impact on initial Application                  |
|-----|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------------------------------------------|
|     |                                              | <p>In consequence:</p> <p>A financial liability is measured as at fair value through profit or loss (FVTPL) if it is held for trading, or is designated as at FVTPL using the fair value option</p> <p>- Other liabilities are measured at amortised cost.</p> <p>In contrast to the requirements for financial assets, the bifurcation requirements for embedded derivatives have been retained; similarly, equity conversion features will continue to be accounted for separately by the issuer.</p> <p>However, some changes have been made, in particular to address the issue of where changes in the fair value of an entity's financial liabilities designated as at FVTPL using the fair value option, which arise from changes in the entity's own credit risk, should be recorded. This amendment is a result of consistent feedback received by the IASB from its constituents that changes in an entity's own credit risk should not affect profit or loss unless the financial liability is held</p> <p>IFRS 9 (2010) requires that changes in the fair value of financial liabilities designated as at FVTPL which relate to changes in an entity's own credit risk should be recognised directly in other comprehensive income (OCI). However, as an exception, where this would create an accounting mismatch (which would be where there is a matching asset position that is also measured as at FVTPL), an irrevocable decision can be taken to recognise the entire change in fair value of the financial liability in profit or loss.</p> |                                                                                         |                                                |
| 3.9 | IFRS 9 (2013)<br>Issued:<br>November<br>2013 | <p>Three significant changes/additions were made compared to the previous version of IFRS 9:</p> <ul style="list-style-type: none"> <li>- Add new hedge accounting requirements</li> <li>- Withdraw the previous effective date of 1 January 2015 and leave it open pending the completion of outstanding phases of IFRS 9</li> <li>- Make the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option available for early adoption without early application of the other requirements of IFRS 9.</li> </ul> <p>The new hedge accounting requirements are more principles-based, less complex, and provide a better link to risk management and treasury operations than the requirements in IAS 39 Financial Instruments: Recognition and Measurement.</p> <p>The new model allows entities to apply hedge accounting more broadly to manage profit or loss mismatches, and as a result reduce 'artificial' hedge ineffectiveness that can arise under IAS 39.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Can only be applied if an entity's date of initial application is before February 2015. | To be implemented on adoption of the standard. |

|      | IFRS Reference                     | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Application date                                                                               | Impact on initial Application                          |
|------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|--------------------------------------------------------|
|      |                                    | <p>Key changes introduced by the new model include:</p> <ul style="list-style-type: none"> <li>- Simplified effectiveness testing, including removal of the 80-125% highly effective threshold</li> <li>- More items will now qualify for hedge accounting, eg pricing components within a non-financial item, and net foreign exchange cash positions</li> <li>- Entities can hedge account more effectively the exposures that give rise to two risk positions (eg interest rate risk and foreign exchange risk, or commodity risk and foreign exchange risk) that are managed by separate derivatives over different periods</li> <li>- Less profit or loss volatility when using options, forwards, and foreign currency swaps</li> <li>- New alternatives available for economic hedges of credit risk and 'own use' contracts which will reduce profit or loss volatility.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                |                                                        |
| 3.10 | IFRS 9 (2014)<br>Issued: July 2014 | <p>IFRS 9 Financial Instruments (2014) incorporates the final requirements on all three phases of the financial instruments projects - classification and measurement, impairment, and hedge accounting. IFRS 9 (2014) adds to the existing IFRS 9:</p> <ul style="list-style-type: none"> <li>- New impairment requirements for all financial assets that are not measured at fair value through profit or loss .</li> <li>-Amendments to the previously finalised classification and measurement requirements for financial assets.</li> </ul> <p>In a major change, which will affect all entities, a new 'expected loss' impairment model in IFRS 9 (2014) replaces the 'incurred loss' model in IAS 39 Financial Instruments: Recognition and Measurement. Under IFRS 9 (2014), the impairment model is a more 'forward looking' model in that a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income (FVTOCI), an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.</p> | Mandatory adoption for periods beginning on or after 1 January 2018. Early adoption permitted. | The Company is still assessing the impact of adoption. |

|  | IFRS Reference | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Application date | Impact on initial Application |
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|  |                | <p>For trade receivables there is a practical expedient to calculate expected credit losses using a provision matrix based on historical loss patterns or customer bases. However, those historical provision rates would require adjustments to take into account current and forward looking information. The new impairment requirements are likely to bring significant changes. Although provisions for trade receivables may be relatively straightforward to calculate, new systems and approaches may be needed. However, for financial institutions the changes are likely to be very significant and require significant changes to internal systems and processes in order to capture the required information.</p> <p>In other changes, IFRS 9 (2014) also introduces additional application guidance to clarify the requirements for contractual cash flows of a financial asset to be regarded as giving rise to payments that are Solely Payments of Principal and Interest (SPPI), one of the two criteria that need to be met for an asset to be measured at amortised cost. Previously, the SPPI test was restrictive, and the changes in the application of the SPPI test will result in additional financial assets being measured at amortised cost. For example, certain instruments with regulated interest rates may now qualify for amortised cost measurement, as might some instruments which only marginally fail the strict SPPI test.</p> <p>A third measurement category has also been added for debt instruments - FVTOCI. This new measurement category applies to debt instruments that meet the SPPI contractual cash flow characteristics test and where the entity is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.</p> <p>In comparison with previous versions of IFRS 9, the introduction of the FVTOCI category may result in less profit or loss volatility, in particular for entities such as insurance companies which hold large portfolios with periodic buying and selling activities.</p> <p>The amendments could lead to significant reclassifications of debt instruments across the different measurement categories: amortised cost, FVTOCI, and FVTPL. This may lead to less volatility in profit or loss for debt investment portfolios, but greater equity volatility if assets are reclassified from amortised cost to FVTOCI (which could affect regulatory capital).</p> |                  |                               |

|      | IFRS Reference                                   | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Application date                                                                               | Impact on initial Application            |
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| 3.11 | IFRS 9 (own credit risk requirements)            | <p>IFRS 9 (2014) provides an option to early adopt the 'own credit' provisions for financial liabilities measured at fair value through profit or loss (FVTPL) under the fair value option without any of the other requirements of IFRS 9. This option will remain available until 1 January 2018.</p> <p>Entities that use the fair value option and designate financial liabilities at fair value through profit or loss (FVTPL) present the fair value changes in 'own credit' in OCI instead of profit or loss.</p> <p>Therefore, for financial liabilities designated at FVTPL, entities can continue to apply IAS 39 Financial Instruments: Recognition and Measurement but follow the presentation requirement in IFRS 9 and present the changes in 'own credit' in OCI.</p> <p>This amendment is expected to mainly affect financial institutions and insurers.</p>                                                                                                                                                                                                                                                                                                                                | Can be applied until the effective date of IFRS 9 (2014) which is 1 January 2018.              | To be adopted on from the effective date |
| 3.12 | <b>IFRS 10 Consolidated financial statements</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                |                                          |
|      | Amendments to IFRS 10 Issued: September 2014     | <p>Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</p> <p>The amendments clarify the accounting for transactions where a parent loses control of a subsidiary, that does not constitute a business as defined in IFRS 3 Business Combinations, by selling all or part of its interest in that subsidiary to an associate or a joint venture that is accounted for using the equity method.</p> <p>In the case of any retained interest in the former subsidiary, gains and losses from the remeasurement</p> <ul style="list-style-type: none"> <li>- The retained interest is accounted for as an associate or joint venture using the equity method:<br/>The parent recognises the gain or loss in profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The remainder is eliminated against the carrying amount of the investment in the associate or joint venture.</li> <li>- The retained interest is accounted for at fair value in accordance with IFRS 9 Financial Instruments:<br/>The parent recognises the gain or loss in full in profit or loss.</li> </ul> | Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted. | No impact.                               |

|      | IFRS Reference                                              | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Application date                                                                               | Impact on initial Application |
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| 3.13 | <b>IFRS 11 Joint Arrangements</b>                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                |                               |
|      | Amendments to IFRS 11 Issued: May 2014                      | <p>Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations</p> <p>The amendments require an entity to apply all of the principles of IFRS Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined by IFRS 3. The amendment also includes two new Illustrative Examples:</p> <ul style="list-style-type: none"> <li>- Accounting for acquisitions of interests in joint operations in which the activity constitutes a business</li> <li>- Contributing the right to use know-how to a joint operation in which the activity constitutes a business.</li> </ul> <p>A consequential amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards has also been made, to clarify that the exemption from applying IFRS 3 to past business combinations upon adoption of IFRS also applies to past acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business, as defined in IFRS 3.</p> | Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted. | No impact.                    |
| 3.14 | <b>IFRS 13 Fair Value Measurement</b>                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                |                               |
|      | Annual Improvements (2010-2012 Cycle) Issued: December 2013 | The amendment clarifies that short-term receivables and payables with no stated interest rate can still be measured at the invoice amount without discounting, if the effect of discounting is immaterial.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Mandatory adoption for periods beginning on or after 1 July 2014. Early                        | No impact.                    |
| 3.15 | <b>Scope of IFRS 13.52 (portfolio exemption)</b>            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                |                               |
|      | Improvements (2011-2013 Cycle) Issued: December 2013        | <p>IFRS 13.52 defines the scope of the exception that permits an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis. This is often referred to as the portfolio exception.</p> <p>The amendment clarifies that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments if this has been adopted early), regardless of whether they meet the definition of financial assets or financial liabilities in IAS 32 Financial Instruments: Presentation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                      | Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption permitted.    | No impact.                    |
| 3.16 | <b>IFRS 14 Regulatory Deferral Accounts</b>                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                |                               |
|      | IFRS 14 Issued: January 2014                                | In many countries, industry sectors (including utilities such as gas, electricity and water) are subject to rate regulation where governments regulate the supply and pricing. This can have a significant effect on the amount and timing of an entity's revenue. Some national GAAPs require entities that operate in industry sectors subject to rate regulation, to recognise associated assets and liabilities. The scope of IFRS 14 is narrow, with this extending to cover only those entities that:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted. | No impact.                    |

|      | IFRS Reference                              | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Application date                                                                               | Impact on initial Application |
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| 3.17 | <b>IFRS 14 Regulatory Deferral Accounts</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                |                               |
|      | IFRS 14 Issued: January 2014                | <p>In many countries, industry sectors (including utilities such as gas, electricity and water) are subject to rate regulation where governments regulate the supply and pricing. This can have a significant effect on the amount and timing of an entity's revenue. Some national GAAPs require entities that operate in industry sectors subject to rate regulation, to recognise associated assets and liabilities. The scope of IFRS 14 is narrow, with this extending to cover only those entities that:</p> <ul style="list-style-type: none"> <li>- Are first-time adopters of IFRS</li> <li>- Conduct rate regulated activities</li> <li>- Recognise associated assets and/or liabilities in accordance with their current national GAAP.</li> </ul> <p>Entities within the scope of IFRS 14 would be afforded an option to apply their previous local GAAP accounting policies for the recognition, measurement and impairment of assets and liabilities arising from rate regulation, which would be termed regulatory deferral account balances.</p> <p>Any regulatory deferral account balances, and their associated effect on profit or loss, would be recognised and presented separately from other items in the primary financial statements. As a result, for those entities that elect to adopt IFRS 14, all other line items and subtotals would exclude the effects of regulatory deferral accounts, meaning that they would be comparable with other entities that report in accordance with IFRS but do not apply IFRS 14.</p> <p>Application guidance is included in IFRS 14 in respect of other IFRSs that would need to be considered alongside the previous national GAAP accounting requirements in order for these regulatory deferral accounts to be accounted for appropriately in an entity's IFRS financial statements, including:</p> <ul style="list-style-type: none"> <li>- IAS 10 Events after the Reporting Period</li> <li>- IAS 12 Income Taxes</li> <li>- IAS 28 Investments in Associates and Joint Ventures</li> <li>- IAS 33 Earnings per Share</li> <li>- IAS 36 Impairment of Assets</li> <li>- IFRS 3 Business Combinations</li> <li>- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations</li> <li>- IFRS 10 Consolidated Financial Statements</li> <li>- IFRS 12 Disclosure of Interests in Other Entities.</li> </ul> | Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted. | No impact.                    |

|      | IFRS Reference                                       | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Application date                                                                               | Impact on initial Application                              |
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| 3.18 | <b>IFRS 15 Revenue from Contracts with Customers</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                |                                                            |
|      | IFRS 15 Issued: May 2014                             | <p>IFRS 15 Revenue from Contracts with Customers supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services). The objective of IFRS 15 is to clarify the principles of revenue recognition. This includes removing inconsistencies and perceived weaknesses and improving the comparability of revenue recognition practices across companies, industries and capital markets. In doing so IFRS 15 establishes a single revenue recognition framework. The core principle of the framework is, that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p>To accomplish this, IFRS 15 requires the application of the following five steps:</p> <ol style="list-style-type: none"> <li>1. Identify the contract</li> <li>2. Identify the performance obligation(s)</li> <li>3. Determine the transaction price</li> <li>4. Allocate the transaction price to each performance obligation</li> <li>5. Recognise revenue when each performance obligation is satisfied.</li> </ol> <p>IFRS 15 also includes specific guidance related to several additional topics, some of the key areas are:</p> <ul style="list-style-type: none"> <li>- Contract costs</li> <li>- Sale with a right of return</li> <li>- Warranties</li> <li>- Principal vs agent considerations</li> <li>- Customer options for additional goods and services</li> <li>- Customers unexercised rights</li> <li>- Non-refundable upfront fees (and some related costs)</li> <li>- Licensing Repurchase agreements</li> <li>- Consignment arrangements</li> <li>- Bill-and-hold arrangements</li> <li>- Customer acceptance.</li> </ul> <p>Furthermore the guidance significantly enhances the required qualitative and quantitative disclosures related to revenue. The main objective of the requirements is the disclosure of sufficient information in terms of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In order to meet this objective, IFRS 15 requires specific disclosures for contracts with customers and significant judgements.</p> | Mandatory adoption for periods beginning on or after 1 January 2017. Early adoption permitted. | The Company is currently assessing the impact on adoption. |

|      | IFRS Reference                                                                                                | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Application date                                                                               | Impact on initial Application                                                              |
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| 3.19 | <b>IAS 16 Property, Plant and Equipment</b>                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                |                                                                                            |
|      | Annual Improvements (2010-2012 Cycle) Issued: December 2013                                                   | <p>Revaluation method - proportionate restatement of accumulated depreciation</p> <p>The amendment clarifies the computation of accumulated depreciation when items of property, plant and equipment are subsequently measured using the revaluation model. The net carrying amount of the asset is adjusted to the revalued amount, and either:</p> <ul style="list-style-type: none"> <li>i. The gross carrying amount is adjusted in a manner consistent with the net carrying amount (eg proportionately to the change in the [net] carrying value, or with reference to observable market data). Accumulated depreciation is then adjusted to equal the difference between the gross and net carrying amounts</li> <li>ii. Accumulated depreciation is eliminated against the gross carrying amount.</li> </ul>                                                                                                                                                                                                                                                             | Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption permitted.    | The standard is not expected to have a material impact on the future financial statements. |
| 3.20 | <b>Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                |                                                                                            |
|      | Amendments to IAS 16 Issued: May 2014                                                                         | <p>Paragraph 62A of IAS 16 has been added to prohibit the use of revenue-based methods of depreciation for items of property, plant and equipment.</p> <p>Paragraph 62A clarifies that this is because the revenue generated by an activity that includes the use of an item of property, plant and equipment generally reflects factors other than the consumption of the economic benefits of the item, such as:</p> <ul style="list-style-type: none"> <li>- Other inputs and processes</li> <li>- Selling activities and changes in sales</li> <li>- Volumes and prices, and</li> <li>- Inflation.</li> </ul> <p>Paragraph 56 of IAS 16, which includes guidance for the depreciation amount and depreciation period, has been expanded to state that expected future reductions in the selling price of items produced by an item of property, plant and equipment could indicate technical or commercial obsolescence (and therefore a reduction in the economic benefits embodied in the item), rather than a change in the depreciable amount or period of the item.</p> | Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted. | The Company is currently assessing the impact on adoption.                                 |

|      | IFRS Reference                                               | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Application date                                                                               | Impact on initial Application                                                              |
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| 3.21 | <b>IAS 19 Employee Benefits</b>                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                |                                                                                            |
|      | Amendments to IAS 19 Issued: November 2013                   | <p>Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions</p> <p>The amendment introduces a narrow scope amendments that: -</p> <p>Provides a practical expedient for certain contributions from employees or third parties to a defined benefit plan, but only those contributions that are independent of the number of years of service</p> <p>- Clarifies the treatment of contributions from employees or third parties to a defined benefit plan that are not subject to the practical expedient. These are accounted for in the same way that the gross benefit is attributed in accordance with IAS 19.70. Contributions that are independent of the number of years of service include:</p> <ul style="list-style-type: none"> <li>- Contributions that are based on a fixed percentage of salary</li> <li>- Contributions of a fixed amount throughout the service period</li> <li>- Contributions that are dependent on the employee's age.</li> </ul> | Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption permitted.    | The standard is not expected to have a material impact on the future financial statements. |
| 3.22 | <b>IAS 19 Employee Benefits</b>                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                |                                                                                            |
|      | Annual Improvements (2012-2014 Cycle) Issued: September 2014 | <p>The guidance in IAS 19 has been clarified and requires that high quality corporate bonds used to determine the discount rate for the accounting of employee benefits need to be denominated in the same currency as the related benefits that will be paid to the employee.</p> <p>Entities are required to apply the amendment from the earliest comparative period presented in the financial statements, with initial adjustments being recognised in retained earnings at the beginning of that period.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted. | The standard is not expected to have a material impact on the future financial statements. |
| 3.23 | <b>IAS 24 Related Party Disclosures</b>                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                |                                                                                            |
|      | Annual Improvements (2010-2012 Cycle) December 2013          | <p>The amendment clarifies that an entity that provides key management personnel services (management entity) to a reporting entity (or to the parent of the reporting entity), is a related party of the reporting entity, and:</p> <ul style="list-style-type: none"> <li>- Would require separate disclosure of amounts recognised as an expense for key management personnel services provided by a separate management entity</li> <li>- Would not require disaggregated disclosures by the categories set out in IAS 24.17.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                    | Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption permitted.    | The standard is not expected to have a material impact on the future financial statements. |

|      | IFRS Reference                                               | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Application date                                                                               | Impact on initial Application                                                              |
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| 3.24 | <b>IAS 27 Separate Financial Statements</b>                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                |                                                                                            |
|      | Amendments to IAS 27<br>Issued: August 2014                  | <p>The amendments include the introduction of an option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The accounting approach that is selected is required to be applied for each category of investment.</p> <p>Before the amendments, entities either accounted for its investments in subsidiaries, joint ventures or associates at cost or in accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for those entities that have yet to adopted IFRS 9). The option to present its investments using the equity method result in the presentation of a share of profit or loss, and other comprehensive income, of subsidiaries, joint ventures and associates with a corresponding adjustment to the carrying amount of the equity accounted investment in the statement of financial position.</p> <p>Any dividends received are deducted from the carrying amount of the equity accounted investment, and are not recorded as income in profit or loss.</p> <p>A consequential amendment was also made to IAS 28 Investments in Associates and Joint Ventures, to avoid a potential conflict with IFRS 10 Consolidated Financial Statements for partial sell downs.</p> | Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted. | The standard is not expected to have a material impact on the future financial statements. |
| 3.25 | <b>IAS 34 Interim Financial Reporting</b>                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                |                                                                                            |
|      | Annual Improvements (2012-2014 Cycle) Issued: September 2014 | <p>The requirements of paragraph 16A of IAS 34 require additional disclosures to be presented either in the:</p> <ul style="list-style-type: none"> <li>- Notes to the interim financial statements or</li> <li>- Elsewhere in the interim financial report.</li> </ul> <p>The amendment clarifies, that a cross-reference is required, if the disclosures are presented 'elsewhere' in the interim financial report, such as in the management commentary or the risk report of an entity. However, to comply with paragraph 16A of IAS 34, if the disclosures are contained in a separate document from the interim report, that document needs to be available to users of the financial statements on the same terms and at the same time as the interim report itself.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted. | The standard is not expected to have a material impact on the future financial statements. |

|      | IFRS Reference                                              | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Application date                                                                               | Impact on initial Application                                                              |
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| 3.26 | <b>IAS 38 Intangible Assets</b>                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                |                                                                                            |
|      | Annual Improvements (2010-2012 Cycle) Issued: December 2013 | <p>The amendment clarifies the computation of accumulated amortisation when intangible assets are subsequently measured using the revaluation model. The net carrying amount of the asset is adjusted to the revalued amount, and either:</p> <ul style="list-style-type: none"> <li>i. The gross carrying amount is adjusted in a manner consistent with the net carrying amount (eg proportionately to the change in the [net] carrying value, or with reference to observable market data). Accumulated amortisation is then adjusted to equal the difference between the gross and net carrying amounts</li> <li>ii. Accumulated amortisation is eliminated against the gross carrying amount</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption permitted.    | The standard is not expected to have a material impact on the future financial statements. |
| 3.27 | Amendments to IAS 38 Issued: May 2014                       | <p>The amendments clarify that for intangible assets there is a rebuttable presumption that amortisation based on revenue is not appropriate. Paragraphs 98A - 98C of IAS 38 have been added to clarify that there is a presumption that revenue-based amortisation is not appropriate, and that this can only be rebutted in limited circumstances where either:</p> <ul style="list-style-type: none"> <li>- The intangible asset is expressed as a measure of revenue, or</li> <li>- Revenue and the consumption of the economic benefits of the intangible asset are highly correlated.</li> </ul> <p>Paragraph 98B clarifies that as a starting point to determining an appropriate amortisation method, an entity could determine the 'predominant limiting factor' inherent in the intangible asset, for example:</p> <ul style="list-style-type: none"> <li>- A contractual term which specifies the period of time that an entity has the right to use an asset</li> <li>- Number of units allowed to be produced</li> <li>- Fixed total amount of revenue allowed to be received.</li> </ul> <p>Paragraph 98C then clarifies that where an entity has identified that the achievement of a revenue threshold is the predominant limiting factor of an intangible asset, it may be possible to rebut the presumption that revenue-based amortisation is not appropriate.</p> | Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted. | The standard is not expected to have a material impact on the future financial statements. |

|      | IFRS Reference                                              | Nature of change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Application date                                                                               | Impact on initial Application                                                              |
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| 3.28 | <b>IAS 40 Investment Property</b>                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                |                                                                                            |
|      | Annual Improvements (2011-2013 Cycle) Issued: December 2013 | <p>The amendment notes that determining whether the acquisition of an investment property is a business combination requires consideration of the specific requirements of IFRS 3, independently from the requirements of IAS 40, in relation to:</p> <ul style="list-style-type: none"> <li>- Whether the acquisition of investment property is the acquisition of an asset, a group of assets, or a business combination (by applying the requirements of IFRS 3 only)</li> <li>- Distinguishing between investment property and owner-occupied property (by applying the requirements of IAS 40 only).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption permitted.    | The standard is not expected to have a material impact on the future financial statements. |
| 3.29 | <b>IAS 41 Agriculture</b>                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                |                                                                                            |
|      | Amendments to IAS 41 Issued: June 2014                      | <p>The amendments extend the scope of IAS 16 Property, Plant and Equipment to include bearer plants and define a bearer plant as a living plant that:</p> <ul style="list-style-type: none"> <li>- Is used in the production process of agricultural produce,</li> <li>- Is expected to bear produce for more than one period; and</li> <li>- Has a remote likelihood of being sold (except incidental scrap sales).</li> </ul> <p>The changes made result in bearer plants being accounted for in accordance with IAS 16 using either:</p> <ul style="list-style-type: none"> <li>- The cost model, or</li> <li>- The revaluation model.</li> </ul> <p>The agricultural produce of bearer plants remains within the scope of IAS 41 Agriculture.</p> <p>The amendments include the following transitional reliefs for the purposes of their first time application:</p> <ul style="list-style-type: none"> <li>- Deemed cost exemption - Entities are allowed to use the fair value of the bearer plants at the beginning of the earliest period presented as the deemed cost.</li> <li>- Disclosures - Quantitative information describing the effect of the first time application as required by IAS 8.28(f) is not required for the current reporting period, but is required for each prior period presented.</li> </ul> | Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted. | The standard is not expected to have a material impact on the future financial statements. |

**4) Basis of consolidation**

**(i) 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.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

**(ii) Changes in ownership interests in subsidiaries without change of control**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

InterCompany 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 statements of the parent entity is measured at cost.

**(iii) 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.

**(iv) 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 gain or loss 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 an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**5) Cash and cash equivalents**

For the purposes of statement of cash flows, cash comprises cash in hand and deposits held at call with banks. Cash equivalents comprise highly liquid investments (including money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value with original maturities of three months or less being used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

**6) Financial Assets**

The Group classifies its financial assets into the following categories: Financial assets at fair value through profit or loss (or held-for-trading), Held-to-maturity, Available-for-sale and loans and receivables. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

**(i) Financial assets at fair value through profit or loss (Held-for-trading)**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Financial assets are designated at fair value through profit or loss or as Held-for-trading if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. The investments are carried at fair value, with gains and losses arising from changes in their value recognised in the consolidated income statement in the period in which they arise. Such investments are the Group's or the Company's investments in quoted equities.

**(ii) Held-to-maturity financial assets**

The Group classifies financial assets as Held-to-maturity financial assets when the group has positive intent and ability to hold the financial assets (i.e. investments) to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using effective interest method less any impairment losses. Any sale or reclassification of more than insignificant amount of held-to-maturity investments, not close to maturity, would result in the reclassification of all held-to-maturity financial assets as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments are largely bonds. Quoted equities and debt securities e.g. bonds that are initially classified as held-to-maturity are subsequently moved to available-for-sale financial assets whenever the market price is higher than the purchase price in order to sell and take profit. Interest on held-to-maturity investments are included in the consolidated income statement and are reported as 'Investment income'.

**(iii) Available -for-sale investments**

Available-for-sale financial assets are non-derivative financial assets that are classified as available-for-sale or are not classified in any of the two preceding categories and not as loans and receivables which may be sold by the group in response to its need for liquidity or changes in interest rates, exchange rates or equity prices. They include investment in unquoted shares. These investments are initially recognised at cost. After initial recognition or measurement, available-for-sale financial assets are subsequently measured at fair value using 'net asset valuation basis'. 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 consolidated statement of profit or loss and other comprehensive income.

**(iv) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- those that the Group intends to sell in the short term which are reclassified as fair value through profit or loss and those that the group upon initial recognition designates at fair value through profit or loss.
- those that the Group upon initial recognition designates as Available for Sale
- those for which the holder may not recover substantially all of its initial investment other than because of credit risk. They include:

(a) Trade receivables

These are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is made when there is objective evidence (such as the probability of insolvency, significant financial difficulties on the part of the counterparty or default or significant delay in payment - over 90 days) that the Company will not be able to collect the entire amount due under the original terms of the invoice. Allowances for impairment are made based on "incurred loss model" which consider premiums outstanding and not received within three months subsequent to the year-end as lost, given default for each customer and probability of default for the sectors in which the customer belongs. The amount of such a provision being the difference between the carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For amounts due from policy holders and reinsurers, which are reported net, such provisions are recorded in a separate impairment account with the loss being recognised in income statement. On confirmation that the amounts receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. Any subsequent recoveries are credited to the income statement in the period the recoveries are made.

(b) Other receivables and prepayments

Other receivables are made up of prepayments and other amounts due from parties which are not directly linked to insurance or investment contracts. Other receivables are stated after deductions of amount considered bad or doubtful of recovery. When a debt is deemed not collectible, it is written-off against the related provision or directly to the profit and loss account to the extent not previously provided for. Any subsequent recovery of written-off debts is credited to the profit and loss account. Prepayments are carried at cost less amortisation

(vi) **Impairment of financial assets**

(a) **Impairment of Financial assets carried at amortised cost**

The Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events (a 'loss event') that have occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group from the following events:

- i Default or delinquency by a debtor;
- ii Restructuring of an amount due to the Group on terms that the Group would not consider favourable;
- iii Indications that a debtor or issuer will enter bankruptcy;
- iv The disappearance of an active market for the security because of financial difficulties; and
- v Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

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

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, and the amount of the loss is recognised in the income statement. If a held-to-maturity financial asset or a receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As is practically expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the holder's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the assets. The amount of the reversal is recognised in the income statement as other income in the period the decrease is occurred.

**(b) Impairment of trade receivables**

These are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is made when there is objective evidence (such as the probability of insolvency, significant financial difficulties on the part of the counterparty or default or significant delay in payment - over 90 days) that the Company will not be able to collect the entire amount due under the original terms of the invoice. Allowances for impairment are made based on "incurred loss model" which consider premiums outstanding and not received within three months subsequent to the year-end as lost, given default for each customer and probability of default for the sectors in which the customer belongs. The amount of such a provision being the difference between the carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For amounts due from policy holders and reinsurers, which are reported net, such provisions are recorded in a separate impairment account with the loss being recognised in income statement. On confirmation that the amounts receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. Any subsequent recoveries are credited to the income statement in the period the recoveries are made.

**(c) Impairment of Assets classified as available-for-sale**

The Group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or a prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 10% or more is regarded as significant, and a period of 1 year or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account. The cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets previously recognised in profit or loss, is removed from equity and recognised in the income statement. If in a particular subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

**(d) Reclassification of financial assets**

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

**(e) Derecognition of financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. Impaired debts are derecognised when they are assessed as uncollectible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previous recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversed date. Any subsequent reversal of an impairment loss is recognised in the income statement.

**(f) Offsetting financial instruments**

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

**7) Reinsurance assets**

Reinsurance assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in compliance with the terms of the reinsurance contract. The reinsurers' share of unearned premiums (i.e. the reinsurance assets) are recognised as an asset using principles consistent with the Group's method for determining unearned premium liability. The amount reflected on the statement of financial position is on a gross basis to indicate the extent of credit risk related to the reinsurance and its obligations to policy holders.

The Group assesses its reinsurance assets for impairment at each statement of financial position date. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost.

**8) Deferred acquisition costs (DAC)**

Commissions and other acquisition costs that are related to securing new contracts and renewing existing contracts are capitalised as Deferred Acquisition Costs (DAC) if they are separately identifiable, can be measured reliably and it is probable that they will be recovered. All other acquisition costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contracts in line with premium revenue using assumptions consistent with those used in calculating unearned premium. It is calculated by applying to the acquisition expenses the ratio of unearned premium to written premium. The DAC is tested for impairment annually and written down when it is not expected to be fully recovered.

**9) Investment in subsidiaries**

In the separate financial statements of International Energy Insurance Plc, investments in subsidiaries is accounted for at cost.

**10) Investment properties**

Investment properties comprise of completed property and property under construction that are held by the group for capital appreciation.

Investment properties are measured initially at their cost, including related transaction costs. Transaction costs include professional fees for legal services and other commissions to bring the properties to the condition necessary for them to be capable of operating. After initial recognition, investment properties are carried at fair value with any changes therein recognised in the profit or loss component of the Group's statement of comprehensive income.

An external, independent valuer, having appropriate recognised professional qualifications, certified by the Financial Reporting Council (FRC) of Nigeria and with recent experience in the location and category of the Investment properties being valued, values the Group's investment properties annually. The fair value are based on market value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the property) is recognised in the profit or loss component of the consolidated statement of comprehensive income in the period of the derecognition.

**11) Deferred tax assets and liabilities**

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability differs from its tax base. Deferred taxes are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (tax bases of the assets or liability). The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted by the reporting date.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

## 12) Intangible Assets

Intangible assets comprise computer software purchase from third parties. They are measured at cost less accumulated amortisation and accumulated impairment losses. Purchased computer software are capitalised on the basis of costs incurred to acquire and bring into use the specific software. These costs are amortised on straight line basis over the useful life of the asset.

Expenditure that enhances and extends the benefits of computer software beyond their original specifications and lives, is recognised as a capital improvement cost and is added to the original cost of the software. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is 10years. The residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An Intangible asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The estimated useful lives for the current and comparative period of the computer software is 10%

## 13) Property, plant and equipment

### (a) Recognition and measurement

Items of property, plant and equipment are initially recognised at cost and are subsequently carried at revalued amount less subsequent accumulated depreciation and impairment losses. The cost of property plant and equipment includes expenditures that are directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress.

### (b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

### (c) Depreciation

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

Land is shown at fair value based on periodic valuations by external independent valuers less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts over their estimated useful lives.

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

|                                          |     |
|------------------------------------------|-----|
| Buildings                                | 1%  |
| Leasehold improvements                   | 20% |
| Plant and Machinery                      | 25% |
| Furniture, fittings and office equipment | 10% |
| Computer equipment                       | 10% |
| Motor vehicles                           | 20% |

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**(d) Revaluation of land and building**

Property, plant & equipment are initially recorded at cost. Land and building are subsequently carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. When an individual property is revalued, any increase in its carrying amount (as a result of revaluation) is transferred to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense in the statement of profit or loss. When the value of an individual property is decreased as a result of a revaluation, the decrease is charged against any related credit balance in the revaluation reserve in respect of that property. However, to the extent that it exceeds any surplus, it is recognised as an expense in the statement of profit or loss.

**(e) De-recognition**

An item of property, plant and equipment is derecognised on disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceed and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year the asset is derecognised.

**(f) Impairment of non-financial assets**

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit (CGU) is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any intangible asset allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a prorata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in the group income statement.

**14) Statutory deposit**

The Group's Statutory deposit represents the fixed deposit with the Central Bank of Nigeria in accordance with section 10(3) of the Insurance Act, 2003. The deposit is recognised at the cost in the consolidated and separate statement of financial position being 10% of the statutory minimum capital requirement of N3 billion for General insurance business. Interest income on the deposit is recognised in the consolidated income statement in the period the interest is earned.

**15) Insurance contracts and Insurance contract liabilities**

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. These contracts include General accident, workmens compensation, motor, marine and aviation and fire insurance.

Insurance contracts protect the Group's customers against the risk of harm from unforeseen events to their properties resulting from their legitimate activities. 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.

Others forms of Insurance contracts include but are not limited to workmens compensation, motor, marine and aviation insurance.

Claims and loss adjustment expenses are charged to income statement as incurred based on the estimated liability for compensation owed to contract holders or third parties for damaged incurred or lost suffered by the contract holders. They include direct and indirect claims settlement costs arising from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Companies i.e. Claims incurred but not reported (IBNR) which is actuarial valuation. The Group does not discount its liabilities for unpaid claims other than for workmen compensation claims. Liabilities for unpaid claims are estimated using the impute of assessments of provision reported to the Group and analysis for the claims incurred but not reported (IBNR).

#### **Reinsurance contracts held**

The Group holds the under-noted reinsurance contracts:

- Treaty Reinsurance Outward is usually between the Group and Reinsurers.
- Facultative Reinsurance Outward is usually between the Group and other insurance companies or between the Group and Reinsurers.
- Facultative reinsurance inwards is usually between the Group and other insurance Companies or between the Group and Reinsurers.

Premiums due to the reinsurers are paid and all claims and recoveries due from reinsurers are received.

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 re-insurance contracts held while contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward re-insurance) are included within insurance contracts.

The benefits to which the Group is entitled under its re-insurance contracts held are recognized as re-insurance assets. These assets consist of short-term balances due from reinsurers, as well as long term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amount recoverable from or due to reinsurers are measured consistently with the amount associated with the primary insurance contracts and in accordance with the terms of each reinsurance contract. Re-insurance liabilities are primarily premiums payable for the reinsurance contracts and are recognized as an expense when due.

The Group's Insurance liabilities or balances arising from insurance contracts primarily include those insurance contract liabilities that were valued by the Actuaries. These include Unearned premiums reserve and Outstanding claim reserve.

#### **(i) Unearned premium reserve**

Unearned premium provision is calculated using a time - apportionment basis, in particular, the 365ths method.

#### **(ii) Outstanding claims reserve**

Individual loss estimates are provided on each claim reported. In addition, provisions are made for adjustment expenses, changes in reported claims and for claims incurred but not reported (IBNR), based on past experience and business in force which are ultimately valued by the Actuaries.

The reserve for outstanding claims is maintained as the total amount of outstanding claims incurred and reported plus claims incurred but not reported ("IBNR") as at the statement of financial position date. The IBNR is based on the liability adequacy test carried out by an Actuary.

**(iii) Liability adequacy test**

At the end of each reporting period, liability adequacy tests are performed by an Actuary to ensure the adequacy of the contract liabilities net of related Deferred Acquisition Cost 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 provisions of the Insurance Act, CAP 117 LFN 2004 require an actuarial valuation for life 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 No.6, 2011 gives superiority to the provisions of IFRS and since it results in a more conservative reserving than the provision of the Insurance Act, CAP 117 LFN 2004, it supports the group's prudential concerns.

**(iv) Salvage and subrogation reimbursements**

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

**16) Trade payables**

Trade payables (i.e insurance payables) are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Trade payables include payables to agents and brokers, payables to reinsurance companies, payables to coinsurance companies and commission payable.

The effective interest method is a method of calculating the amortised cost of the financial liabilities and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liabilities, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

**17) Provisions and other payables**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the Director's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The provisions are reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

Other payables are recognised initially at fair value and are subsequently measured at amortised cost using effective interest method. They comprise of other short-term monetary liabilities such as Professional fees payable, Insurance levy payable, and staff pension liability.

**18) Retirement obligations and Employee benefits**

The Group operates the following contribution and benefit schemes for its employees:

**(i) Defined contribution pension scheme**

The Group operates a defined contributory pension scheme for eligible employees. Employers and employees contribute 10% and 7.5% respectively of the employees' Basic, Housing and Transport allowances in line with the provisions of the Pension Reform Act 2004. The Group pays the contributions to a pension fund administrator. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(ii) Short-term benefits**

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are recognised as employee benefit expenses and paid in arrears when the associated services are rendered by the employees of the

**19) Income Taxes - Company income tax and deferred tax liabilities**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income. Current income tax is the estimated income tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

The tax currently payable is based on taxable results for the year. Taxable results differs from results as reported in the income statement because it includes not only items of income or expense that are taxable or deductible in other years but it further excludes items that are never taxable or deductible. The Group's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

**20) Financial liabilities at amortised cost**

The Group classifies its financial liabilities as financial liabilities measured at amortised cost. The classification depends on the purpose for which the liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

**(a) Recognition of Financial Liabilities**

Financial liabilities carried at amortised cost are mainly Bond facilities. They are recognised initially at cost, being their issue proceeds (fair value of consideration received) net of transaction costs incurred.

Financial liabilities are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

The effective interest method is that method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**(b) Derecognition of Financial Liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

**21) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as a transaction cost of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer the settlement of the liabilities for at least twelve months after the date of the statement of financial

**22) Borrowing costs**

Borrowing costs are interest and other costs incurred by the Group directly attributable to the acquisition of qualifying assets which are assets that necessarily takes a substantial period of time to get ready for its intended use.

Borrowing costs are capitalised as part of the cost of a qualifying asset only when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or net realizable value, the carrying amount is written down to its recoverable amount. The Group deducts those investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets from the borrowing costs eligible for capitalisation.

**23) Deposit for share**

Deposit for share is recognised at cost, being the amount of deposit received from potential share holders of the group. The deposit is derecognised when the Group's equity instruments have been issued to the depositors or refund made.

**24) Share capital and Share premium**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

**25) Contingency reserves**

In compliance with Section 21(2) of Insurance Act, CAP I17 LFN 2004, contingency reserve is credited with the greater of 3% of total premium, or 20% of the net profits. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 percent of net premium.

**26) Dividend on ordinary shares**

Dividends on the Group's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Group's shareholders. Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note.

**27) Revenue reserve**

Revenue reserve represents amount set aside out of the profits of the Group which shall at the discretion of the directors be applicable for meeting contingencies, repairs or maintenance of any works connected with the business of the Group, for equalising dividends, for special dividend or bonus, or such other purposes for which the profits of the Group may lawfully be applied.

**28) Related party transactions or insider dealings**

In accordance with International Accounting Standard (IAS) 24, parties are considered related if, directly or indirectly, one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

Where there is a related party transaction with the Group, the transactions are disclosed separately as to the type of relationship that exists with the Group and the outstanding balances necessary to understand their effects on the financial position and the mode of settlement.

**29) Contingent Assets and Contingent liabilities**

A contingent asset is a possible asset 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.

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 but is not recognized because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated.

Contingent liabilities and contingent assets are never recognized rather they are disclosed in the consolidated financial statements when they arise.

**30) Premiums and Unearned Premiums**

Premiums written comprise the premiums on contracts incepting in the financial year. Premiums written are stated gross of commissions payable to agents and exclusive of taxes levied on premiums. The Group earns premium income evenly over the term of the insurance policy generally using the pro rata method. The portion of the premium related to the unexpired portion of the policy at the end of the fiscal year is reflected in unearned premiums.

**31) Reinsurance expenses**

Reinsurance expenses represent outward premium paid to reinsurance companies less the unexpired portion as at the end of the accounting year.

**32) Fees and commission income**

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, they are deferred and recognised over those future periods.

**33) Claims expenses**

Claims expenses incurred consist of claims and claims handling expenses paid by the Group during the financial year together with the movement in the provision for outstanding claims.(See the accounting policy for reserve for outstanding claims above). The gross provision for claims represents the estimated liability arising from claims in the current and preceding financial years which have not yet given rise to claims paid. The provision includes an allowance for claims management and handling expenses.

The gross provision for claims is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provision for prior years are reflected in the income statement in the financial period in which adjustments are made, and disclosed separately if

**34) Acquisition costs and other underwriting expenses**

Acquisition costs represent commissions payable and other expenses related to the acquisition of insurance contract revenues written during the financial year. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the unearned premium provision (See policy for Deferred Acquisition Cost above). Examples of these costs include, but are not limited to, commission expense, supervisory levy, superintending fees and other technical expenses. Other underwriting expenses are those incurred in servicing existing policies/contract.

**35) Investment income**

This includes interest income and dividend income. Interest income is recognised in the consolidated 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. Dividend income from available-for-sale equities is recognised when the right to receive payment is established.

**36) Management expenses**

Management expenses are expenses other than claims, investment expenses, employee benefits, expenses for marketing and administration and underwriting expenses. They include wages, professional fee, depreciation expenses and other non-operating expenses. Management expenses are accounted for on accrual basis and recognized in the consolidated income statement upon utilization of the service or at the date of their origin.

**37) Finance income and expenses**

Finance income and expense for all interest-bearing financial instruments are recognised within 'finance income' and 'finance costs' in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the finance income or finance costs over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating effective interest, the Group estimates cash flows considering all contractual terms redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**38) Income tax expenses**

Income tax expense comprises current income tax, education tax levy, information technology tax and deferred tax. (See policy on taxation above)

**39) Earnings per share**

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.



**INTERNATIONAL ENERGY INSURANCE PLC**

**THE FINANCIAL STATEMENTS**

## International Energy Insurance Plc

Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December, 2013

|                                                                                      |       | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|--------------------------------------------------------------------------------------|-------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
|                                                                                      | Notes |                                       |                                       |                                         |                                         |
| <b>Income</b>                                                                        |       |                                       |                                       |                                         |                                         |
| Gross premium written                                                                | 32    | 5,774,585                             | 6,972,343                             | 5,012,360                               | 6,022,105                               |
| Gross premium income                                                                 | 32    | 5,358,415                             | 7,542,019                             | 4,677,224                               | 6,562,631                               |
| Re-insurance expenses                                                                | 33    | (1,153,636)                           | (1,190,912)                           | (996,481)                               | (1,013,892)                             |
| Net premium income                                                                   |       | 4,204,779                             | 6,351,107                             | 3,680,743                               | 5,548,739                               |
| Commission income                                                                    | 34    | 129,210                               | 106,780                               | 97,082                                  | 106,780                                 |
| Net underwriting income                                                              |       | 4,333,989                             | 6,457,887                             | 3,777,825                               | 5,655,519                               |
| <b>Expenses</b>                                                                      |       |                                       |                                       |                                         |                                         |
| Claims incurred                                                                      | 35    | (1,348,874)                           | (1,655,739)                           | (1,049,683)                             | (1,533,942)                             |
| Acquisition cost                                                                     | 36    | (742,272)                             | (1,114,989)                           | (641,929)                               | (1,073,880)                             |
| Maintenance cost                                                                     | 37    | (336,922)                             | (398,680)                             | (336,922)                               | (398,680)                               |
| Underwriting expenses                                                                |       | (2,428,068)                           | (3,169,408)                           | (2,028,534)                             | (3,006,502)                             |
| <b>Underwriting results</b>                                                          |       | 1,905,921                             | 3,288,479                             | 1,749,291                               | 2,649,017                               |
| Investment income                                                                    | 38    | 162,647                               | 245,293                               | 147,871                                 | 237,199                                 |
| Other income                                                                         | 39    | 2,781,342                             | 1,392,701                             | 2,568,177                               | 1,058,265                               |
| <b>Net operating income</b>                                                          |       | 4,849,910                             | 4,926,473                             | 4,465,339                               | 3,944,481                               |
| Management expenses                                                                  | 40    | (3,651,204)                           | (3,251,517)                           | (2,759,923)                             | (2,307,468)                             |
| Finance expense                                                                      | 41    | (408,725)                             | (1,422,201)                           | (408,725)                               | (1,422,201)                             |
| Allowance for impairment of other assets                                             | 42    | (737,586)                             | (601,409)                             | (818,946)                               | (1,001,870)                             |
| Profit/(loss) before taxation                                                        | 43    | 52,395                                | (348,654)                             | 477,745                                 | (787,058)                               |
| Taxation                                                                             | 20(a) | (38,825)                              | (55,321)                              | (44,255)                                | (20,588)                                |
| <b>Profit/(loss) after taxation</b>                                                  |       | 13,569                                | (403,975)                             | 433,490                                 | (807,646)                               |
| Non-controlling interests                                                            |       | 52,815                                | (2,885)                               | -                                       | -                                       |
| <i>Profit/(loss) after tax and NCI attributable to owners of the parent</i>          |       | 66,384                                | (406,860)                             | 433,490                                 | (807,646)                               |
| <b>Other comprehensive income:</b>                                                   |       |                                       |                                       |                                         |                                         |
| <i>Items within OCI that may be reclassified to the Profit or loss:</i>              |       |                                       |                                       |                                         |                                         |
| Net(loss)/gain on valuation of available-for-sale                                    | 28    | (8,476)                               | 9,708                                 | (8,476)                                 | 9,708                                   |
| Foreign exchange gains and losses arising from the translation of foreign operations | 29    | 86,922                                | (10,746)                              | -                                       | -                                       |
| <i>Items within OCI that will not be reclassified to the Profit or loss:</i>         |       |                                       |                                       |                                         |                                         |
| Net revaluation surplus on land and building                                         | 27    | -                                     | 302,407                               | -                                       | 302,407                                 |
| <b>Total other comprehensive income/(loss) for the year</b>                          |       | 78,446                                | 301,369                               | (8,476)                                 | 312,115                                 |
| <b>Total comprehensive income/(loss) for the year</b>                                |       | 144,830                               | (105,490)                             | 425,014                                 | (495,531)                               |
| <i>Total comprehensive income/(loss) for the year attributable to:</i>               |       |                                       |                                       |                                         |                                         |
| Owners of the parent                                                                 |       | 92,015                                | (102,605)                             | 425,014                                 | (495,531)                               |
| Non-controlling interests                                                            |       | 52,815                                | (2,885)                               | -                                       | -                                       |
|                                                                                      |       | 144,830                               | (105,490)                             | 425,014                                 | (495,531)                               |
| <b>Earnings/(loss) per share:</b>                                                    |       |                                       |                                       |                                         |                                         |
| Basic (kobo)                                                                         | 44    | 5.17                                  | (6.34)                                | 33.76                                   | (12.58)                                 |
| Adjusted (Kobo)                                                                      | 44    | 5.17                                  | (31.68)                               | 33.76                                   | (62.90)                                 |

The accounting policies on pages 18 to 37 and notes on pages 45 to 94 form part of these financial statements

Auditors' report, pages 16 and 17

**International Energy Insurance Plc**

**Consolidated and Separate Statement of Financial Position, 31 December 20**

|                                                         |              | <b>Group</b>       | <b>Group</b>       |
|---------------------------------------------------------|--------------|--------------------|--------------------|
|                                                         |              | <b>31 December</b> | <b>31 December</b> |
|                                                         |              | <b>2013</b>        | <b>2012</b>        |
| <b>Assets</b>                                           | <b>Notes</b> | <b>N'000</b>       | <b>N'000</b>       |
| Cash and cash equivalents                               | 6            | 1,440,478          | 1,039,273          |
| Held-for-trading financial assets                       | 7(a)         | 61,576             | 179,627            |
| Available-for-sale financial assets                     | 7(b)         | 1,424,281          | 2,780,674          |
| Held-to-maturity financial assets                       | 7(c)         | 13,964             | 269,227            |
| Trade receivables                                       | 8            | 236,479            | 1,125,594          |
| Other receivables and prepayments                       | 9            | 924,177            | 909,164            |
| Reinsurance assets                                      | 10           | 744,621            | 193,395            |
| Deferred acquisition costs                              | 11           | 199,676            | 213,390            |
| Investment in subsidiaries                              | 12           | -                  | -                  |
| Investment properties                                   | 13           | 2,719,001          | 2,025,389          |
| Deferred tax asset                                      | 20(c)        | 23,893             | 31,299             |
| Intangible Asset                                        | 14           | 3,237              | 5,384              |
| Property, plant and equipment                           | 15           | 2,006,405          | 2,015,739          |
| Statutory deposit                                       | 16           | 344,485            | 349,027            |
| <b>Total Assets</b>                                     |              | <b>10,142,274</b>  | <b>11,137,182</b>  |
| <b>Liabilities</b>                                      |              |                    |                    |
| Insurance contract liabilities                          | 17           | 3,790,723          | 2,910,151          |
| Trade payables                                          | 18           | 450,730            | 290,935            |
| Provisions and other payables                           | 19           | 775,191            | 1,232,394          |
| Current income tax liabilities                          | 20(b)        | 83,461             | 52,772             |
| Deferred tax liability                                  | 20(c)        | 128,675            | 128,675            |
| Borrowings                                              | 21           | 4,160,760          | 5,954,769          |
| Deposit for shares                                      | 22           | 410,147            | 168,874            |
| <b>Total liabilities</b>                                |              | <b>9,799,687</b>   | <b>10,738,570</b>  |
| <b>Net Assets</b>                                       |              | <b>342,587</b>     | <b>398,612</b>     |
| Share capital                                           | 23           | 642,043            | 3,210,214          |
| Share premium                                           | 24           | 963,097            | 963,097            |
| Statutory Contingency reserve                           | 25           | 1,240,630          | 1,073,337          |
| Capital reserve                                         | 26           | 7,926,398          | 5,503,223          |
| Property revaluation reserve                            | 27           | 302,407            | 302,407            |
| Available-for-sale financial assets revaluation reserve | 28           | 1,232              | 9,708              |
| Foreign currency revaluation reserve                    | 29           | (57,827)           | (144,749)          |
| Revenue reserve                                         | 30           | (10,630,935)       | (10,524,082)       |
|                                                         |              | 387,045            | 393,156            |
| Non-controlling interest                                | 31           | (44,458)           | 5,456              |
| <b>Total equity</b>                                     |              | <b>342,587</b>     | <b>398,612</b>     |

Signed on behalf of the Board by:

\_\_\_\_\_  
**Olushina Olaogun**  
**Chief Financial Officer**  
**FRC/2013/ICAN/00000005263**

\_\_\_\_\_  
**Mr. Peter Irene**  
**Interim Managing Director**  
**FRC/2014/ICAN/00000006610**

The accounting policies on pages 18 to 37 and notes on pages 45 to 94 form part of the Auditors' report, pages 16 and 17

113

| Company<br>31 December<br>2013 | Company<br>31 December<br>2012 |             |              |             |
|--------------------------------|--------------------------------|-------------|--------------|-------------|
| N'000                          | N'000                          |             |              |             |
| 1,319,490                      | 839,242                        |             |              |             |
| 61,576                         | 179,627                        | 118,051     |              |             |
| 1,424,281                      | 2,780,674                      | 1,356,393   |              |             |
| 13,964                         | 269,227                        | 255,263     |              |             |
| 19,774                         | 630,318                        | 610,544     |              |             |
| 886,984                        | 817,412                        | (69,572)    |              |             |
| 744,621                        | 193,395                        | (551,226)   |              |             |
| 152,919                        | 165,003                        | 12,084      |              |             |
| -                              | 81,360                         | 81,360      |              |             |
| 2,719,001                      | 2,025,389                      | (693,612)   |              |             |
| -                              | -                              |             |              |             |
| 3,237                          | 4,316                          | 1,079       |              |             |
| 1,884,402                      | 1,810,291                      | (74,111)    |              |             |
| 322,500                        | 322,500                        | -           |              |             |
| 9,552,749                      | 10,118,754                     |             |              |             |
| 3,371,721                      | 2,553,461                      | 818,260     |              |             |
| 50,844                         | 9,891                          | 40,953      |              |             |
| 707,933                        | 914,339                        | (206,406)   |              |             |
| 60,426                         | 16,171                         | 44,255      |              |             |
| 128,675                        | 128,675                        | -           |              |             |
| 4,160,760                      | 5,954,769                      | (1,794,009) | 1,794,009    | 65460 ##### |
| 393,761                        | 142,837                        | 250,924     |              |             |
| 8,874,120                      | 9,720,143                      |             |              |             |
| 678,629                        | 398,611                        |             | 3,675,300.00 | 8,745,445   |
| 642,043                        | 3,210,214                      |             | 350,000      |             |
| 963,097                        | 963,097                        |             |              |             |
| 1,144,455                      | 994,084                        |             |              |             |
| 7,926,398                      | 5,503,223                      |             |              |             |
| 302,407                        | 302,407                        |             | -            |             |
| 1,232                          | 9,708                          |             |              |             |
| -                              | -                              |             |              |             |
| (10,301,003)                   | (10,584,122)                   |             |              |             |
| 678,629                        | 398,611                        |             |              | -           |
| 678,629                        | 398,611                        |             | (1)          |             |

Mr. Muhammad K. Ahmad  
Interim Chairman  
FRC/2015/IODN/0000002581

art of these financial statements

International Energy Insurance Plc.  
Consolidated and Separate Statement of Changes in Equity - Group  
for the year ended 31 December, 2013

|                                                                         | Issued Share<br>capital<br>N'000 | Share<br>premium<br>N'000 | Statutory<br>Contingency<br>reserve<br>N'000 | Capital<br>reserve<br>N'000 |
|-------------------------------------------------------------------------|----------------------------------|---------------------------|----------------------------------------------|-----------------------------|
| Balance 1 January,<br>2013                                              | 3,210,214                        | 963,097                   | 1,073,338                                    | 5,503,223                   |
| <b><i>Total comprehensive income<br/>for the year:</i></b>              |                                  |                           |                                              |                             |
| Loss for the year                                                       | -                                | -                         | -                                            | -                           |
| <i>Other comprehensive income:</i>                                      |                                  |                           |                                              |                             |
| <i>Changes in fair value of</i>                                         |                                  |                           |                                              |                             |
| -Available-for-sale<br>financial assets                                 | -                                | -                         | -                                            | -                           |
| Changes in value of                                                     |                                  |                           |                                              |                             |
| - foreign currencies                                                    | -                                | -                         | -                                            | -                           |
|                                                                         | -                                | -                         | -                                            | -                           |
| <b><i>Transactions with owners<br/>recorded directly in Equity:</i></b> |                                  |                           |                                              |                             |
| Surplus on share<br>reconstruction<br>transferred to Capital<br>reserve | (2,568,171)                      | -                         | -                                            | 2,568,171                   |
| Share reconstruction<br>expenses                                        | -                                | -                         | -                                            | (144,996)                   |
| Transfer to<br>-contingency reserve                                     | -                                | -                         | 173,238                                      | -                           |
| Non-controlling interest                                                | -                                | -                         | (5,945)                                      | -                           |
|                                                                         | (2,568,171)                      | -                         | 167,293                                      | 2,423,175                   |
| <b>Balance 31<br/>December, 2013</b>                                    | <b>642,043</b>                   | <b>963,097</b>            | <b>1,240,631</b>                             | <b>7,926,398</b>            |

The accounting policies on pages 18 to 37 and notes on pages 45 to 94 form part of the

Auditors' report, pages 16 and 17

International Energy Insurance Plc.  
Consolidated and Separate Statement of Changes in Equity - Group  
for the year ended 31 December, 2012

|                                                                         | Issued Share<br>capital<br>N'000 | Share<br>premium<br>N'000 | Statutory<br>Contingency<br>reserve<br>N'000 | Capital<br>reserve<br>N'000 |
|-------------------------------------------------------------------------|----------------------------------|---------------------------|----------------------------------------------|-----------------------------|
| Balance 1 January,<br>2012                                              | 3,210,214                        | 963,097                   | 872,068                                      | 5,503,223                   |
| <b><i>Total comprehensive income<br/>for the year:</i></b>              |                                  |                           |                                              |                             |
| Loss for the year                                                       | -                                | -                         | -                                            | -                           |
| <b><i>Other comprehensive income:</i></b>                               |                                  |                           |                                              |                             |
| Changes in fair value of<br>Available-for-sale<br>financial assets      | -                                | -                         | -                                            | -                           |
| Property, plant and<br>equipment revaluation<br>reserve                 | -                                | -                         | -                                            | -                           |
| Changes in value of<br>foreign currencies                               | -                                | -                         | -                                            | -                           |
|                                                                         | -                                | -                         | -                                            | -                           |
| <b><i>Transactions with owners<br/>recorded directly in Equity:</i></b> |                                  |                           |                                              |                             |
| Transfer to contingency<br>reserve                                      | -                                | -                         | 206,069                                      | -                           |
| Non-controlling interest                                                | -                                | -                         | (4,799)                                      | -                           |
|                                                                         | -                                | -                         | 201,270                                      | -                           |
| Balance 31 December,<br>2012                                            | 3,210,214                        | 963,097                   | 1,073,338                                    | 5,503,223                   |

The accounting policies on pages 18 to 37 and notes on pages 45 to 94 form part of the  
Auditors' report, pages 16 and 17

| Property<br>revaluation<br>reserve<br>N'000 | Reserve for<br>available<br>for sale<br>financial<br>assets<br>N'000 | Foreign<br>currency<br>revaluation<br>reserve<br>N'000 | Revenue<br>reserve<br>N'000 | Total<br>N'000 | Non-<br>controlling<br>interest<br>N'000 | Total equity<br>N'000 |
|---------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------|-----------------------------|----------------|------------------------------------------|-----------------------|
| 302,407                                     | 9,708                                                                | (144,749)                                              | (10,524,082)                | 393,156        | 5,456                                    | 398,612               |
| -                                           | -                                                                    | -                                                      | 66,384                      | 66,384         | (52,815)                                 | 13,569                |
| -                                           | (8,476)                                                              | -                                                      | -                           | (8,476)        | -                                        | (8,476)               |
| -                                           | -                                                                    | 86,922                                                 | -                           | 86,922         | (3,044)                                  | 83,878                |
| -                                           | (8,476)                                                              | 86,922                                                 | 66,384                      | 144,830        | (55,859)                                 | 88,971                |
| -                                           | -                                                                    | -                                                      | -                           | -              | -                                        | -                     |
| -                                           | -                                                                    | -                                                      | -                           | (144,996)      | -                                        | (144,996)             |
| -                                           | -                                                                    | -                                                      | (173,238)                   | -              | -                                        | -                     |
| -                                           | -                                                                    | -                                                      | -                           | (5,945)        | 5,945                                    | -                     |
| -                                           | -                                                                    | -                                                      | (173,238)                   | (150,941)      | 5,945                                    | (144,996)             |
| 302,407                                     | 1,232                                                                | (57,827)                                               | (10,630,936)                | 387,046        | (44,458)                                 | 342,588               |

these financial statements

| Property<br>revaluation<br>reserve<br>N'000 | Reserve for<br>available<br>for sale<br>financial<br>assets<br>N'000 | Foreign<br>currency<br>revaluation<br>reserve<br>N'000 | Revenue<br>reserve<br>N'000 | Total<br>N'000 | Non-<br>controlling<br>interest<br>N'000 | Total equity<br>N'000 |
|---------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------|-----------------------------|----------------|------------------------------------------|-----------------------|
| -                                           | -                                                                    | (134,003)                                              | (9,911,153)                 | 503,446        | 36,081                                   | 539,527               |
| -                                           | -                                                                    | -                                                      | (406,860)                   | (406,860)      | -                                        | (406,860)             |
| -                                           | 9,708                                                                | -                                                      | -                           | 9,708          | -                                        | 9,708                 |
| 302,407                                     | -                                                                    | -                                                      | -                           | 302,407        | -                                        | 302,407               |
| -                                           | -                                                                    | (10,746)                                               | -                           | (10,746)       | -                                        | (10,746)              |
| 302,407                                     | 9,708                                                                | (10,746)                                               | (406,860)                   | (105,490)      | -                                        | (105,490)             |
| -                                           | -                                                                    | -                                                      | (206,069)                   | -              | (30,625)                                 | (30,625)              |
| -                                           | -                                                                    | -                                                      | -                           | (4,799)        | -                                        | (4,799)               |
| -                                           | -                                                                    | -                                                      | (206,069)                   | (4,799)        | (30,625)                                 | (35,424)              |
| 302,407                                     | 9,708                                                                | (144,749)                                              | (10,524,082)                | 393,156        | 5,456                                    | 398,612               |

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International Energy Insurance Plc.  
Consolidated and Separate Statement of Changes in Equity - Company  
for the year ended 31 December, 2013

|                                                                         | Issued Share<br>capital<br>N'000 | Share<br>premium<br>N'000 | Statutory<br>Contingency<br>reserve<br>N'000 | Capital<br>reserve<br>N'000 | Property<br>revaluation<br>reserve<br>N'000 | Reserve for<br>available for<br>sale financial<br>assets<br>N'000 | Revenue reserve<br>N'000 | Total<br>N'000 |
|-------------------------------------------------------------------------|----------------------------------|---------------------------|----------------------------------------------|-----------------------------|---------------------------------------------|-------------------------------------------------------------------|--------------------------|----------------|
| Balance 1 January, 2013                                                 | 3,210,214                        | 963,097                   | 994,084                                      | 5,503,223                   | 302,407                                     | 9,708                                                             | (10,584,122)             | 398,611        |
| <b><i>Total comprehensive income<br/>for the year:</i></b>              |                                  |                           |                                              |                             |                                             |                                                                   |                          |                |
| Profit for the year                                                     | -                                | -                         | -                                            | -                           | -                                           | -                                                                 | 433,490                  | 433,490        |
| <i>Other comprehensive income:</i>                                      |                                  |                           |                                              |                             |                                             |                                                                   |                          | -              |
| <i>Changes in fair value of</i>                                         |                                  |                           |                                              |                             |                                             |                                                                   |                          |                |
| -Available-for-sale financial assets                                    | -                                | -                         | -                                            | -                           | -                                           | (8,476)                                                           | -                        | (8,476)        |
|                                                                         | -                                | -                         | -                                            | -                           | -                                           | (8,476)                                                           | 433,490                  | 425,014        |
| <b><i>Transactions with owners<br/>recorded directly in Equity:</i></b> |                                  |                           |                                              |                             |                                             |                                                                   |                          |                |
| Transfer to contingency reserve                                         | -                                | -                         | 150,371                                      | -                           | -                                           | -                                                                 | (150,371)                | -              |
| Surplus on share reconstruction<br>transferred to Capital reserve       | (2,568,171)                      | -                         | -                                            | 2,568,171                   | -                                           | -                                                                 | -                        | -              |
| Share reconstruction expenses                                           | -                                | -                         | -                                            | (144,997)                   | -                                           | -                                                                 | -                        | (144,997)      |
|                                                                         | (2,568,171)                      | -                         | 150,371                                      | 2,423,174                   | -                                           | -                                                                 | (150,371)                | (144,997)      |
| <b>Balance 31 December, 2013</b>                                        | <b>642,043</b>                   | <b>963,097</b>            | <b>1,144,455</b>                             | <b>7,926,397</b>            | <b>302,407</b>                              | <b>1,232</b>                                                      | <b>(10,301,003)</b>      | <b>678,628</b> |

The accounting policies on pages 18 to 37 and notes on pages 45 to 94 form part of these financial statements

Auditors' report, pages 16 and 17

International Energy Insurance Plc.  
Consolidated and Separate Statement of Changes in Equity - Company  
for the year ended 31 December, 2012

|                                                                         | Issued Share<br>capital<br>N'000 | Share<br>premium<br>N'000 | Statutory<br>Contingency<br>reserve<br>N'000 | Capital<br>reserve<br>N'000 | Property<br>revaluation<br>reserve<br>N'000 | Reserve for<br>available for<br>sale financial<br>assets<br>N'000 | Revenue reserve<br>N'000 | Total<br>N'000 |
|-------------------------------------------------------------------------|----------------------------------|---------------------------|----------------------------------------------|-----------------------------|---------------------------------------------|-------------------------------------------------------------------|--------------------------|----------------|
| Balance 1 January, 2012                                                 | 3,210,214                        | 963,097                   | 813,421                                      | 5,503,223                   | -                                           | -                                                                 | (9,595,813)              | 894,142        |
| <b><i>Total comprehensive income<br/>for the year:</i></b>              |                                  |                           |                                              |                             |                                             |                                                                   |                          |                |
| Loss for the year                                                       | -                                | -                         | -                                            | -                           | -                                           | -                                                                 | (807,646)                | (807,646)      |
| <b><i>Other comprehensive income:</i></b>                               |                                  |                           |                                              |                             |                                             |                                                                   |                          |                |
| <b><i>Changes in fair value of</i></b>                                  |                                  |                           |                                              |                             |                                             |                                                                   |                          |                |
| -Available-for-sale financial assets                                    | -                                | -                         | -                                            | -                           | -                                           | 9,708                                                             | -                        | 9,708          |
| Property, plant and equipment<br>revaluation reserve                    | -                                | -                         | -                                            | -                           | 302,407                                     | -                                                                 | -                        | 302,407        |
|                                                                         | -                                | -                         | -                                            | -                           | 302,407                                     | 9,708                                                             | (807,646)                | (495,531)      |
| <b><i>Transactions with owners<br/>recorded directly in Equity:</i></b> |                                  |                           |                                              |                             |                                             |                                                                   |                          |                |
| Transfer to contingency reserve                                         | -                                | -                         | 180,663                                      | -                           | -                                           | -                                                                 | (180,663)                | -              |
|                                                                         | -                                | -                         | 180,663                                      | -                           | -                                           | -                                                                 | (180,663)                | -              |
| <b>Balance 31 December, 2012</b>                                        | <b>3,210,214</b>                 | <b>963,097</b>            | <b>994,084</b>                               | <b>5,503,223</b>            | <b>302,407</b>                              | <b>9,708</b>                                                      | <b>(10,584,122)</b>      | <b>398,611</b> |

The accounting policies on pages 18 to 37 and notes on pages 45 to 94 form part of these financial statements

Auditors' report, pages 16 and 17

## International Energy Insurance Plc.

Consolidated and Separate Statement of Changes of Cash Flows  
for the year ended 31 December, 2013

|                                                               |              | Group<br>2013<br>N'000 | Group<br>2012<br>N'000 | Company<br>2013<br>N'000 | Company<br>2012<br>N'000 |
|---------------------------------------------------------------|--------------|------------------------|------------------------|--------------------------|--------------------------|
| <b>Cashflows from operating activities</b>                    | <b>Notes</b> |                        |                        |                          |                          |
| Premium received from policy holders                          |              | 6,663,700              | 6,633,891              | 5,622,904                | 5,789,653                |
| Commission received                                           | 34           | 129,210                | 106,780                | 97,082                   | 106,780                  |
| Commission Paid                                               | 36           | (742,272)              | (1,114,989)            | -641,929                 | (1,073,880)              |
| Payment of Claims                                             |              | (1,348,874)            | (1,655,739)            | -1,049,683               | (1,533,942)              |
| Investment and other income                                   | 38,39        | 2,943,989              | 1,637,994              | 2,716,048                | 1,295,464                |
| Operating costs and payment to employees                      |              | (6,862,307)            | (5,289,721)            | -5,896,078               | (4,430,617)              |
| Tax paid                                                      | 20           | -                      | (269,868)              |                          | (265,802)                |
| Net cash provided/(consumed) by operating activities          | 45           | <u>783,446</u>         | <u>48,348</u>          | <u>848,344</u>           | <u>(112,344)</u>         |
| <b>Cashflow from investing activities</b>                     |              |                        |                        |                          |                          |
| Purchase of property, plant and equipment                     | 15           | -288,511               | (40,891)               | -279,658                 | (27,956)                 |
| Purchase of intangible assets                                 | 14           | -                      | (1,335)                | -                        | -                        |
| Purchase of Held-to-maturity financial assets                 | 7(c)         | -                      | (269,227)              | -                        | (269,227)                |
| Additions to statutory deposits                               |              | (5,291)                |                        |                          |                          |
| Purchase of Available-for-sale financial assets               | 7(b)         | -                      | (1,000,000)            | -                        | (1,000,000)              |
| Proceeds on disposal of held for trading financial assets     |              | 116,181                | -                      | 116,181                  | -                        |
| Proceeds from disposal of Available-for-sale financial assets | 7b(iii,viii) | 1,730,000              | 415,768                | 1,730,000                | 415,768                  |
| Proceeds from disposal of property, plant and equipment       |              | <u>10,426</u>          | <u>252,944</u>         | <u>10,426</u>            | <u>251,704</u>           |
| Net cash inflow/(outflow) from investing activities           |              | <u>1,562,805</u>       | <u>(642,741)</u>       | <u>1,576,949</u>         | <u>(629,711)</u>         |
| <b>Cashflow from financing activities</b>                     |              |                        |                        |                          |                          |
| Term loan obtained                                            | 21           | 350,000                | 1,000,000              | 350,000                  | 1,000,000                |
| Payment of long term liability                                | 21(b(i))     | -808,139               | -                      | -808,139                 | -                        |
| Payment of Term loan                                          | 21(a)(iv)    | -1,758,530             | (242,500)              | -1,758,530               | (242,500)                |
| Deposit for shares                                            | 22           | 250,924                | 44,336                 | 250,924                  | 39,892                   |
| Net cash(outflow)/ inflow from financing activities           |              | <u>(1,965,745)</u>     | <u>801,836</u>         | <u>(1,965,745)</u>       | <u>797,392</u>           |
| Net increase in cash and cash equivalents                     |              | 380,506                | 207,443                | 459,548                  | 55,337                   |
| Cash and cash equivalents at the beginning of the year        |              | <u>994,513</u>         | <u>787,070</u>         | <u>794,482</u>           | <u>739,145</u>           |
| Cash and cash equivalents at the end of the year              | 46           | <u>1,375,019</u>       | <u>994,513</u>         | <u>1,254,030</u>         | <u>794,482</u>           |

The accounting policies on pages 18 to 37 and notes on pages 45 to 94 form part of these financial statements

Auditors' report, pages 16 and 17

1) **General Information**

The Company was incorporated as Nigeria Exchange Insurance Limited on 26 March, 1969. The name was changed to Mutual Life and General Insurance Limited in 1995. In the year 2000, the name of the Company was changed to Global Assurance Limited. In 2003, the Company's name was changed to International Energy Insurance Limited following the acquisition of 70% of the shares of Global Assurance Limited by SKI Consult. The Company merged its operations with Rivbank Insurance Limited on 30 November, 2006 with the name of the combined business changing to International Energy Insurance Plc, thereafter, the Company was listed on the Nigeria Stock Exchange in 2007.

**Principal activities**

The activities of the Company include general insurance business with special focus on Oil and Energy. The activities include insurance underwriting, claims administration and management of liquidity by investing the surplus in fixed deposits, bonds and treasury bills.

2) **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are disclosed on pages 18 - 37. These policies have been consistently applied to all the years presented, unless otherwise stated.

3) **Critical accounting estimates and judgments**

The Group makes estimates and assumptions about the future that affects the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in income statement in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i **Income taxes**

The Group periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Group records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

ii **Impairment of property, plant and equipment**

The group assesses assets or groups of assets for impairment annually or whenever events or changes in circumstances indicate that carrying amounts of those assets may not be recoverable. In assessing whether a write-down of the carrying amount of a potentially impaired asset is required, the asset's carrying amount is compared to the recoverable amount. Frequently, the recoverable amount of an asset proves to be the Company's estimated value in use.

The estimated future cash flows applied are based on reasonable and supportable assumptions and represent management's best estimates of the range of economic conditions that will exist over the remaining useful life of the cash flow generating assets.

iii **Insurance contracts**

The uncertainty inherent in the financial statements of the Group arises principally in respect of the technical provisions. The technical provisions of the Group include Provision for Unearned Premiums and Outstanding claims (including IBNR).

(a) **Estimates of future claims payments**

Outstanding claims provision is determined based upon knowledge of events, terms and conditions of relevant policies, on interpretation of circumstances as well as previous claims experience. Similar cases and historical claims payment trends are also relevant.

The Group employs a variety of techniques and a number of different bases to determine appropriate provisions. These include:

- terms and conditions of the insurance contracts;
- knowledge of events;
- court judgements;
- economic conditions;
- previously settled claims;
- triangulation claim development analysis;
- estimates based upon a projection of claims numbers and average cost; and
- expected loss ratios.

Large claims impacting each relevant business class are generally assessed separately, being measured either at the face value of the loss adjuster's recommendations or based on management's experience.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provision and having due regard to collectability.

(b) **Sensitivity**

The reasonableness of the estimation process is tested by an analysis of sensitivity around several different scenarios and the best estimate is used.

(c) **Uncertainties and judgements**

The uncertainty arising under insurance contracts may be characterised under a number of specific headings; such as:

- uncertainty as to whether an event has occurred which would give rise to a policy holder suffering an insured loss;
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring;
- uncertainty over the timing of a settlement to a policyholder for a loss suffered.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks. For certain classes of policy, the maximum value of the settlement of a claim may be specified under the policy terms while for other classes, the cost of a claim will be determined by an actual loss suffered by the policyholder.

There may be some reporting lags between the occurrence of the insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. There are many factors that will determine the level of uncertainty such as judicial trends, unreported information etc.

iv **Reinsurance**

The Group is exposed to disputes on, and defects in, contract wordings and the possibility of default by its reinsurers. The Group monitors the financial strength of its Reinsurers. Allowance is made in the financial statements for non recoverability due to reinsurers default.

v **Held-to-maturity financial assets**

The Group follows the guidance of International Accounting Standard (IAS) 39. Financial Assets "Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity financial assets. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, It will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

vi **Impairment of available-for-sale financial assets**

The Group follows the guidance of IAS 39 on determining when a financial asset is other than temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost, and the financial health of and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

vii **Impairment of other assets**

At each balance sheet date, management reviews and assesses the carrying amounts of the other assets and where relevant, writes them down to their recoverable amounts based on best estimates.

viii **Fair value estimation**

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

4) **Fair Value Hierarchy**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of 'significant inputs used in fair value measurement, as follows:

- level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (ie derived from prices)
- level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The hierarchy of the fair value measurement of the Company's financial assets and financial liabilities are as follows:

The hierarchy of the fair value measurement of the Company's financial assets and financial liabilities are as follows:

**Group**

31 December 2013

**Assets**

Fair value through profit or loss

Available-for-sale financial assets

Trade receivables

Other receivables excluding prepayments

Total

**Liabilities**

Trade payables

Other payables

Borrowings

Total

**Net fair value**

|                                         | Level 1       | Level 2  | Level 3            | Total              |
|-----------------------------------------|---------------|----------|--------------------|--------------------|
| Fair value through profit or loss       | 61,576        | -        | -                  | 61,576             |
| Available-for-sale financial assets     | -             | -        | 1,424,281          | 1,424,281          |
| Trade receivables                       | -             | -        | 236,479            | 236,479            |
| Other receivables excluding prepayments | -             | -        | 882,484            | 882,484            |
| <b>Total</b>                            | <b>61,576</b> | <b>-</b> | <b>2,543,244</b>   | <b>2,604,820</b>   |
| <b>Liabilities</b>                      |               |          |                    |                    |
| Trade payables                          | -             | -        | 450,730            | 450,730            |
| Other payables                          | -             | -        | 667,555            | 667,555            |
| Borrowings                              | -             | -        | 4,160,760          | 4,160,760          |
| <b>Total</b>                            | <b>-</b>      | <b>-</b> | <b>5,279,045</b>   | <b>5,279,045</b>   |
| <b>Net fair value</b>                   | <b>61,576</b> | <b>-</b> | <b>(2,735,801)</b> | <b>(2,674,225)</b> |

**Group**

31 December 2012

**Assets**

|                                         | Level 1        | Level 2  | Level 3          | Total            |
|-----------------------------------------|----------------|----------|------------------|------------------|
| Fair value through profit or loss       | 179,627        | -        | -                | 179,627          |
| Available-for-sale financial assets     | -              | -        | 2,780,674        | 2,780,674        |
| Trade receivables                       | -              | -        | 1,125,594        | 1,125,594        |
| Other receivables excluding prepayments | -              | -        | 858,785          | 858,785          |
| <b>Total</b>                            | <b>179,627</b> | <b>-</b> | <b>4,765,053</b> | <b>4,944,680</b> |

**Liabilities**

|                |          |          |                  |                  |
|----------------|----------|----------|------------------|------------------|
| Trade payables | -        | -        | 290,935          | 290,935          |
| Other payables | -        | -        | 658,577          | 658,577          |
| Borrowings     | -        | -        | 5,954,769        | 5,954,769        |
| <b>Total</b>   | <b>-</b> | <b>-</b> | <b>6,904,281</b> | <b>6,904,281</b> |

**Net fair value**

|                |          |                    |                    |
|----------------|----------|--------------------|--------------------|
| <b>179,627</b> | <b>-</b> | <b>(2,139,228)</b> | <b>(1,959,601)</b> |
|----------------|----------|--------------------|--------------------|

**Company**

31 December 2013

**Assets**

|                                         | Level 1       | Level 2  | Level 3          | Total            |
|-----------------------------------------|---------------|----------|------------------|------------------|
| Fair value through profit or loss       | 61,576        | -        | -                | 61,576           |
| Available-for-sale financial assets     | -             | -        | 1,424,281        | 1,424,281        |
| Trade receivables                       | -             | -        | 19,774           | 19,774           |
| Other receivables excluding prepayments | -             | -        | 612,855          | 612,855          |
| <b>Total</b>                            | <b>61,576</b> | <b>-</b> | <b>2,056,910</b> | <b>2,118,486</b> |

**Liabilities**

|                |          |          |                  |                  |
|----------------|----------|----------|------------------|------------------|
| Trade payables | -        | -        | 50,844           | 50,844           |
| Other payables | -        | -        | 600,297          | 600,297          |
| Borrowings     | -        | -        | 4,160,760        | 4,160,760        |
| <b>Total</b>   | <b>-</b> | <b>-</b> | <b>4,811,901</b> | <b>4,811,901</b> |

**Net fair value**

|               |          |                    |                    |
|---------------|----------|--------------------|--------------------|
| <b>61,576</b> | <b>-</b> | <b>(2,754,991)</b> | <b>(2,693,415)</b> |
|---------------|----------|--------------------|--------------------|

**Company**

31 December 2012

**Assets**

|                                         | Level 1        | Level 2  | Level 3          | Total            |
|-----------------------------------------|----------------|----------|------------------|------------------|
| Fair value through profit or loss       | 179,627        | -        | -                | 179,627          |
| Available-for-sale financial assets     | -              | -        | 2,780,674        | 2,780,674        |
| Trade receivables                       | -              | -        | 630,318          | 630,318          |
| Other receivables excluding prepayments | -              | -        | 853,898          | 853,898          |
| <b>Total</b>                            | <b>179,627</b> | <b>-</b> | <b>4,264,890</b> | <b>4,444,517</b> |

**Liabilities**

|                |          |          |                  |                  |
|----------------|----------|----------|------------------|------------------|
| Trade payables | -        | -        | 9,891            | 9,891            |
| Other payables | -        | -        | 479,931          | 479,931          |
| Borrowings     | -        | -        | 5,954,769        | 5,954,769        |
| <b>Total</b>   | <b>-</b> | <b>-</b> | <b>6,444,591</b> | <b>6,444,591</b> |

**Net fair value**

|                |          |                    |                    |
|----------------|----------|--------------------|--------------------|
| <b>179,627</b> | <b>-</b> | <b>(2,179,701)</b> | <b>(2,000,074)</b> |
|----------------|----------|--------------------|--------------------|

*For held for trading, fair values have been determined by reference to their quoted bid prices at the reporting dates.*

5) **Management of insurance and financial risk**

The Group issues contracts that transfer insurance risk. This section summarises the main risks linked to short-term insurance business and the way they are managed.

i **Insurance risk**

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is fortuitous and therefore unexpected and unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and indemnity payments exceed the carrying amount of the insurance liabilities.

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.

ii **Frequency and severity of claims**

The frequency and severity of claims can be affected by several factors the most significant resulting from events like fire and allied perils and their consequences and liability claims. Inflation is another factor that may affect claims payments.

Underwriting measures are in place to enforce appropriate risk selection criteria or not to renew an insurance contract.

The reinsurance arrangements for proportional and non-proportional treaties are such that the Group is adequately protected and would only suffer predetermined amounts.

iii **Concentration of insurance risk**

The following table discloses the concentration of claims by class of business and the gross future claims paid that are incurred by the Company:

| Class of Business    | Outstanding claims |                     |                |                    |                     |                |
|----------------------|--------------------|---------------------|----------------|--------------------|---------------------|----------------|
|                      | 2013               |                     |                | 2012               |                     |                |
|                      | Gross OCR<br>N'000 | Gross IBNR<br>N'000 | Total<br>N'000 | Gross OCR<br>N'000 | Gross IBNR<br>N'000 | Total<br>N'000 |
| Fire                 | 283,581            | 23,922              | 307,503        | 90,862             | 38,989              | 129,851        |
| General accident     | 434,315            | 83,183              | 517,498        | 132,795            | 207,984             | 340,779        |
| Marine               | 37,327             | 42,694              | 80,021         | 53,616             | 7,229               | 60,845         |
| Motor                | 204,235            | 95,719              | 299,954        | 142,400            | 202,300             | 344,700        |
| Oil and<br>gas       | 648,391            | 130,409             | 778,800        | 478,595            | 109,947             | 588,542        |
| Workmen compensation | 45,770             | 22,337              | 68,107         | 11,733             | 34,037              | 45,770         |
|                      | 1,653,619          | 398,264             | 2,051,883      | 910,001            | 600,486             | 1,510,487      |

The Group manages insurance risks through the underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk and class of business.

iv **Sources of uncertainty in the estimation of future claim payments**

Claims are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR). 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 compensation paid on these contracts is the monetary awards granted.

The Group claims are short term and are settled within a short time and the Company's estimation processes reflect with a higher degree of certainty all the factors that influence the amount and timing.

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR and a provision for reported claims not yet paid at the balance sheet date. The Group has ensured that liabilities on the balance sheet at year end for existing claims whether reported or not, are adequate.

The Group has in place a series of quota-share and excess of loss covers in each of the last four years to cover for losses on these contracts.

v **Financial risk**

The Group is exposed to financial risks through its financial assets, financial liabilities and insurance and reinsurance assets and liabilities. In particular, the key financial risk is that investment proceeds are not sufficient to fund obligations arising from insurance contracts.

The most important components of this financial risk are:

- Market risk (which includes currency risk, interest rate risk and equity price risk)
- Credit risk;
- Liquidity risk;
- Capital management; and
- Fair value estimation

These risks arise from open position in interest rate, currency and equity products, all of which are exposed to general and open market movements.

The Group's risk management policies are designed to identify and analyse risks, to set appropriate risk limits and control, and monitor the risks and adherence to limits by means of reliable and up-to-date administrative and information systems.

The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board recognises the critical importance of having efficient and effective risk management policies and systems in place.

To this end, there is a clear organisational structure with delegated authorities and responsibilities from the Board to Board Committees, executives and senior management, individual responsibility and accountability are designed to deliver a disciplined, conservative and constructive culture of risk management and control.

(a) **Market risk**

Market risk is the risk of adverse financial impact due to changes in fair value of future cashflows of financial instruments from fluctuations in foreign currency exchange rates, interest rates and equity prices.

The Group has established policies which set out the principles that they expect to adopt in respect of management of the key market risks to which they are exposed. The Group monitors adherence to this market risk policy through the Group's Investment Committee. The Group's Investment Committee is responsible for managing market risk.

The financial impact from market risk is monitored at board level through investment reports which examine impact of changes in market risk in investment returns and asset values. The Group's market risk policy sets out the principles for matching liabilities with appropriate assets, the approaches to be taken when liabilities cannot be matched and the monitoring processes that are required.

(b) **Currency risk**

IEI Plc. maintains investments in IEI Ghana Limited, the sole subsidiary of IEI Plc. Transactions with the subsidiary involved foreign currency , thereby being exposed to foreign currency fluctuations.

The Group's primary exposures are with respect to the Ghana Cedis.

The Group has a number of investments in foreign currencies which are exposed to this currency risk. The Investment Committee closely monitors currency risk exposures against pre-determined limits. Exposure to foreign currency exchange risk is not hedged.

The Group total assets and liabilities by currency is detailed below:

| At December 31, 2013             | N'000             | ¥'000            | Equivalent in N'000 |            |                |              | Total             |
|----------------------------------|-------------------|------------------|---------------------|------------|----------------|--------------|-------------------|
|                                  |                   |                  | GH¢'000             | £'000      | \$'000         | €'000        |                   |
| Assets:                          |                   |                  |                     |            |                |              |                   |
| Non-current assets               | 5,097,022         | -                | -                   | -          | -              | -            | 5,097,022         |
| Current assets                   | 3,604,774         | -                | -                   | -          | -              | -            | 3,604,774         |
| Bank balances, deposits and cash | 1,194,758         | -                | 82,232              | 90         | 159,748        | 3,651        | 1,440,478         |
| <b>TOTAL ASSETS</b>              | <b>9,896,553</b>  | <b>-</b>         | <b>82,232</b>       | <b>90</b>  | <b>159,748</b> | <b>3,651</b> | <b>10,142,274</b> |
| Liabilities:                     |                   |                  |                     |            |                |              |                   |
| Current liabilities              | 5,510,253         | -                | -                   | -          | -              | -            | 5,510,253         |
| Non-current liabilities          | 128,675           | 4,160,760        | -                   | -          | -              | -            | 4,289,435         |
| <b>TOTAL LIABILITIES</b>         | <b>5,638,927</b>  | <b>4,160,760</b> | <b>-</b>            | <b>-</b>   | <b>-</b>       | <b>-</b>     | <b>9,799,687</b>  |
| At December 31, 2012             | N'000             | ¥'000            | GH¢'000             | £'000      | \$'000         | €'000        | Total             |
| Assets:                          |                   |                  |                     |            |                |              |                   |
| Non-currents assets              | 4,426,838         | -                | -                   | -          | -              | -            | 4,426,838         |
| Current assets                   | 5,671,071         | -                | -                   | -          | -              | -            | 5,671,071         |
| Bank balances, deposits and cash | 717,492           | -                | 200,031             | 182        | 115,306        | 6,262        | 1,039,273         |
| <b>TOTAL ASSETS</b>              | <b>10,815,401</b> | <b>-</b>         | <b>200,031</b>      | <b>182</b> | <b>115,306</b> | <b>6,262</b> | <b>11,137,182</b> |
| Liabilities:                     |                   |                  |                     |            |                |              |                   |
| Current liabilities              | 4,655,126         | -                | -                   | -          | -              | -            | 4,655,126         |
| Non-current liabilities          | 128,675           | 5,954,769        | -                   | -          | -              | -            | 6,083,444         |
| <b>TOTAL LIABILITIES</b>         | <b>4,783,801</b>  | <b>5,954,769</b> | <b>-</b>            | <b>-</b>   | <b>-</b>       | <b>-</b>     | <b>10,738,570</b> |

### Sensitivity

If the Naira had weakened/strengthened against the following currencies with all variables remaining constant, the impact on the results for the year would have been as shown below mainly as a result of foreign exchange gains/losses:

|                              | NGN       | Cedis<br>(Converted<br>to NGN) | Pounds<br>(Converted<br>to NGN) | USD<br>(Converted<br>to NGN) | Euro<br>(Converted<br>to NGN) | Carrying<br>Value<br>N'000 | + 5%<br>N'000 | - 5%<br>N'000 |
|------------------------------|-----------|--------------------------------|---------------------------------|------------------------------|-------------------------------|----------------------------|---------------|---------------|
| Impact on Results :<br>Group |           |                                |                                 |                              |                               |                            |               |               |
| At December<br>31, 2013      |           |                                |                                 |                              |                               |                            |               |               |
| Bank balances                | 793,552   | 82,232                         | 90                              | 159,748                      | 3,651                         | 1,039,273                  | 12,286        | (12,286)      |
| At December<br>31, 2012      |           |                                |                                 |                              |                               |                            |               |               |
| Bank balances                | 1,118,697 | 200,031                        | 182                             | 115,306                      | 6,262                         | 1,440,478                  | 16,089        | (16,089)      |

### Limitations of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's views of possible near-term market changes that cannot be predicted with any certainty.

### ( c ) Interest rate risk

Interest rate risk arises from the Group's investments in long term debt securities and fixed income securities (Held-to-Maturity financial assets), bank balances and deposits which are exposed to fluctuations in interest rates. Exposure to interest rate risk on short term business is monitored by the Investment Committee through a close matching of assets and liabilities. The impact of exposure to sustained low interest rates is also regularly monitored.

The impact on the Group's results, had interest rates varied by plus or minus 1% would have been as follows:

| <u>Group</u>                        | Carrying<br>value | Impact on results |           |
|-------------------------------------|-------------------|-------------------|-----------|
|                                     |                   | + 1%              | - 1%      |
|                                     |                   | N'000             | N'000     |
| At December 31, 2013                |                   |                   |           |
| - Held-to-maturity financial assets | 13,964            | 14,104            | 13,824    |
| - Bank balances and deposits        | 1,440,478         | 1,454,883         | 1,426,074 |
| - Borrowings                        | 4,160,760         | 4,202,368         | 4,119,152 |
|                                     |                   | + 1%              | - 1%      |
|                                     |                   | N'000             | N'000     |
| At December 31, 2012                |                   |                   |           |
| - Held-to-maturity financial assets | 269,227           | 271,919           | 266,535   |
| - Bank balances and deposits        | 1,039,273         | 1,049,666         | 1,028,880 |
| - Borrowings                        | 5,954,769         | 6,014,317         | 5,895,221 |

| <u>Company</u>                      | Carrying value | Impact on results |           |
|-------------------------------------|----------------|-------------------|-----------|
|                                     |                | + 1%              | - 1%      |
|                                     |                | N'000             | N'000     |
| At December 31, 2013                |                |                   |           |
| - Held-to-maturity financial assets | 13,964         | 14,104            | 13,824    |
| - Bank balances and deposits        | 1,319,490      | 1,332,685         | 1,306,295 |
| - Borrowings                        | 4,160,760      | 4,202,368         | 4,119,152 |
|                                     |                | + 1%              | - 1%      |
|                                     |                | N'000             | N'000     |
| At December 31, 2012                |                |                   |           |
| - Held-to-maturity financial assets | 269,227        | 271,919           | 266,535   |
| - Bank balances and deposits        | 839,242        | 847,634           | 830,850   |
| - Borrowings                        | 5,954,769      | 6,014,317         | 5,895,221 |

(d) **Equity price risk**

The Group is subject to price risk due to daily changes in the market values of its equity securities portfolio. Equity price risk is actively managed in order to mitigate anticipated unfavourable market movements. In addition, local insurance regulations set the capital required for risks associated with type of assets held, investments above a certain concentration limit, policy liabilities risk, catastrophes risks and reinsurance ceded.

The Investment Committee actively monitors equity assets owned directly by the Group as well as concentrations of specific equity holdings. Equity price risk is also mitigated as the Group holds diversified portfolios of local and foreign investments in various sectors of the local and foreign investments in various sectors of the economy.

**Sensitivity**

The impact on the Group's shareholders' equity, had the equity market values increased/decreased by 1% and 5% with other assumptions left unchanged, would have been as follows:

**2013**

| <b>Group</b>                | Carrying value | Increase by 1% | Increase by 5% | Decrease by 1% | Decrease by 5% |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Financial assets            |                |                |                |                |                |
| Listed equities (HFT)       | 61,576         | 616            | 3,079          | (616)          | (3,079)        |
| Unlisted equities (AFS)     | 1,424,281      | 14,243         | 71,214         | (14,243)       | (71,214)       |
| Treasury bills (HTM)        | 13,964         | 140            | 698            | (140)          | (698)          |
| Impact on profit before tax |                | 14,998         | 74,991         | (14,998)       | (74,991)       |
| Tax charge of 30%           |                | 4,499          | 22,497         | (4,499)        | (22,497)       |
| Impact on profit after tax  |                | 10,499         | 52,494         | (10,499)       | (52,494)       |
| <b>Company</b>              |                | Increase by 1% | Increase by 4% | Decrease by 1% | Decrease by 4% |
| Financial assets            |                |                |                |                |                |
| Listed equities (HFT)       | 61,576         | 616            | 3,079          | (616)          | (3,079)        |
| Unlisted equities (AFS)     | 1,424,281      | 14,243         | 71,214         | (14,243)       | (71,214)       |
| Treasury bills (HTM)        | 13,964         | 140            | 698            | (140)          | (698)          |
| Impact on profit before tax |                | 14,998         | 74,991         | (14,998)       | (74,991)       |
| Tax charge of 30%           |                | 4,499          | 22,497         | (4,499)        | (22,497)       |
| Impact on profit after tax  |                | 10,499         | 52,494         | (10,499)       | (52,494)       |

| 2012                        |           |                   |                   |                   |                   |
|-----------------------------|-----------|-------------------|-------------------|-------------------|-------------------|
| Group                       |           | Increase<br>by 1% | Increase by<br>4% | Decrease by<br>1% | Decrease by<br>4% |
| Financial assets            |           |                   |                   |                   |                   |
| Listed equities (HFT)       | 179,627   | 1,796             | 8,981             | (1,796)           | (8,981)           |
| Unlisted equities (AFS)     | 2,780,674 | 27,807            | 139,034           | (27,807)          | (139,034)         |
| Treasury bills (HTM)        | 269,227   | 2,692             | 13,461            | (2,692)           | (13,461)          |
| Impact on profit before tax |           | 32,295            | 161,476           | (32,295)          | (161,476)         |
| Tax charge of 30%           |           | 9,689             | 48,443            | (9,689)           | (48,443)          |
| Impact on profit after tax  |           | 22,607            | 113,033           | (22,607)          | (113,033)         |
| Company                     |           | Increase<br>by 1% | Increase by<br>4% | Decrease by<br>1% | Decrease by<br>4% |
| Financial assets            |           |                   |                   |                   |                   |
| Listed equities (HFT)       | 179,627   | 1,796             | 8,981             | (1,796)           | (8,981)           |
| Unlisted equities (AFS)     | 2,780,674 | 27,807            | 139,034           | (27,807)          | (139,034)         |
| Treasury bills (HTM)        | 269,227   | 2,692             | 13,461            | (2,692)           | (13,461)          |
| Impact on profit before tax |           | 32,295            | 161,476           | (32,295)          | (161,476)         |
| Tax charge of 30%           |           | 9,689             | 48,443            | (9,689)           | (48,443)          |
| Impact on profit after tax  |           | 22,607            | 113,033           | (22,607)          | (113,033)         |

The amounts presented in the balance sheets are net of allowances for estimated irrecoverable amount receivables, based on management's prior experience and the current economic environment.

The Group has no significant concentration of credit risk in respect of its insurance business with exposure spread over a large number of clients, agents and brokers. The Group has policies in place to ensure that sales or services are made to clients, agents and brokers with sound credit history.

(e) **Reinsurance credit exposures**

The Group is however exposed to concentrations of risks with respect to their reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The Group is exposed to the possibility of default by their reinsurers in respect of share of insurance liabilities and refunds in respect of claims already paid.

The Group manages its reinsurance counterparty exposures and the reinsurance department has a monitoring role over this risk.

This exposure is monitored on a regular basis for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the Group will arise.

Management also monitors the financial strength of reinsurers and there are policies in place to ensure that risks are ceded to top-rated and credit worthy reinsurers only.

(i) **Estimates of future claims payments**

Outstanding claims provision is determined based upon knowledge of events, terms and conditions of relevant policies, on interpretation of circumstances as well as previous claims experience. Similar cases and historical claims payment trends are also relevant.

The Group employs a variety of techniques and a number of different bases to determine appropriate provisions. These include:

- terms and conditions of the insurance contracts;
- knowledge of events;
- court judgements;
- economic conditions;
- previously settled claims;
- triangulation claim development analysis;
- estimates based upon a projection of claims numbers and average cost; and
- expected loss ratios.
- Actuarial valuation

Large claims impacting each relevant business class are generally assessed separately, being measured either at the face value of the loss adjuster's recommendations or based on management's experience.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provision and having due regard to collectability.

(ii) **Sensitivity**

The reasonableness of the estimation process is tested by an analysis of sensitivity around several different scenarios and the best estimate is used.

(iii) **Uncertainties and judgements**

The uncertainty arising under insurance contracts may be characterised under a number of specific headings. such as:

- uncertainty as to whether an event has occurred which would give rise to a policy holder suffering an insured loss;
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring;
- uncertainty over the timing of a settlement to a policyholder for a loss suffered.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks. For certain classes of policy, the maximum value of the settlement of a claim may be specified under the policy terms while for other classes, the cost of a claim will be determined by an actual loss suffered by the policyholder.

There may be some reporting lags between the occurrence of the insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. There are many factors that will determine the level of uncertainty such as judicial trends, unreported information etc.

(iv) **Reinsurance**

The Group is exposed to disputes on, and defects in, contract wordings and the possibility of default by its reinsurers. The Group monitors the financial strength of its Reinsurers. Allowance is made in the financial statements for non recoverability due to reinsurers default.

(v) **Premium and Reinsurance Receivables**

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as a primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The Credit Control Committee works closely with the Underwriting and Reinsurance Committees to assess the creditworthiness of all reinsurers and intermediaries by setting and reviewing regularly the credit rating of each reinsurer using internal records and other publicly available financial information.

Individual operating units maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Group includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the Group's procedures on credit.

Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Group's risk department.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

5b) **Enterprise Risk Management**

**Introduction and Overview**

International Energy Insurance Plc has a clear and functional Enterprise Wide Risk Management (ERM) Framework that is responsible for identifying, assessing and managing the likely impact of risk faced by the group. The Group is exposed to financial risk and business risk. Financial Risk are those risks with the probability of loss inherent in financing methods which may impair the ability to provide adequate return. Business risk plus the financial risk equal total corporate risk.

**Enterprise-wide Risk Management Principles**

Here in International Energy Insurance Plc, we try as much as possible to balance our portfolio while maximizing our value to stakeholders through an approach that mitigate the inherent risk and reward in our business.

To ensure effective and economic use of resources, we operate strictly by the following principles

- The Company will not take any action that will compromise its integrity
- The Company will at all times comply with all government regulations and uphold best international practice.
- The Company will build an enduring risk culture, which shall prevade the entire organisation
- The Company will at all time hold a balanced portfolio and adhere to guidelines on investment issued by the regulator and Finance and Purpose Committee of the Company.
- The Company will ensure that there is adequate reinsurance in place for the business above its limit and also prompt payment of such premiums.

**Approach to Risk Management**

In International Energy Insurance Plc, there are levels of authority put in place for the oversight function and management of risk to create and promote a culture that mitigate the negative impact of risks facing the group.

**The Board**

The Board sets the organisation's objectives, risk appetite and approves the strategy for managing risk. There are various committee nominated to serve of whom their various functions are geared towards minimising likelihood impacts of risks faced by the group.

**The Audit Committee:**

This is one of the most powerful arms of the Board which is saddled with the following functions:

- Perform oversight function on accounting and financial reporting
- Liase with the external auditors
- Ensure regulatory compliance
- Monitoring the effectiveness of internal control processes within the Group.

**Board Risk Committee**

This is more of technical committee that oversee the business process. Their functions include;

- Reviewing of Group's risk appetite
- Oversee management's process for the identification of significant risk across the Group and the adequacy of prevention detection and reporting mechanisms.
- Review underwriting risks especially above limit for adequacy of reinsurance and Company's participation.
- Review and recommend for approval of the Board risk management procedures and controls for new products and services.

**Board Investment Committee**

- Set the investments limit and the type of business the Company should invest in
- Reviews and approves the above Group's investment policy
- Approves investments over and above managements' approval limit
- Ensures that there is optimal asset location in order to meet the targeted goals of the Company.

The second level is the management of the companies. This comprises of Managing Director and the management staff of the companies.

They are responsible for strategy implementation of the Enterprise Risk Management policies and guidelines set both by the regulator, government and the board for risk mitigation. This is achieved through the business unit they supervised. The last level is that of independent assurance. This comprises the internal audit function that provides independent and objective assurance of the effectiveness of the Group's systems of internal control established by the first and second lines of defence in management of enterprise risks across the organisation.

#### **Risk Categorisation**

As a business entity and an underwriter, International Energy Insurance Plc is exposed to an array of risk through its operations. The Company has identified and categorised its exposure to these broad risks as listed below.

- Financial risk
- Business risk
- Operational risk
- Hazard risk
- Underwriting risk

Financial risk comprises of market, liquidity and credit risk.

Market risks are sub-divided into interest-rate risk, exchange risk, property price risk and equity risk.

The liquidity risk includes; liquidation value risk, affiliated investment risk and capital funding risk.

The credit risk: This includes default risk, downgrade or mitigation risk, indirect credit or spread risk and concentration risk. Business risk relates to the potential erosion of our market position. This includes customer risk, innovation risk and brand reputation risk.

#### **Operational Risk**

This is the risk of loss resulting from inadequacy or failure of internal processing arising from people, systems and or from external events.

#### **Hazard Risk**

These are risk which are rare in occurrence but likely impact may be major on the Group. Examples of these are natural disaster, terrorism, health and environmental risk, employee injury and illness, property damage and third-party liability.

#### **Insurance/underwriting Risk**

Our activities involve various range of risk arising from the business itself. This manifest from underwriting, re-insurance, claims management, reserve development risk, premium default, product design and pricing risk. The Company has a pragmatic approach in identifying, assessing and mitigating risk of such approaches as stated above.

The risk categorization are presented on pages 58 to 65.

International Energy Insurance Plc  
Consolidated and Separate Financial Statements, 31 December 2013  
Notes to the Financial Statements

|     |           |                                 | FINANCIAL RISK REGISTER                                                                                                                                                                                                         |                         |
|-----|-----------|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| S/N | RISK TYPE | RISK ELEMENTS                   | RISK EVENT<br>DESCRIPTION                                                                                                                                                                                                       | INHERENT RISK<br>RATING |
| i   | Market    | a) interest rate risk           | a) losses resulting from movement in interest rates to the extent that future cash flows from asset and liabilities are not well matched                                                                                        | extreme                 |
|     |           | b) equity risk                  | b) losses resulting from movement of market values of equities; to the extent that the insurer makes capital investments, which exposes its portfolio to sustained declines in market values                                    | extreme                 |
|     |           | c) real estate                  | c) losses resulting from movement of market values of real estates and other assets; to the extent that the insurer makes capital investments in real estate by which it becomes exposed to sustained declines in market values | high                    |
|     |           | d) currency risk                | d) losses resulting from movements in exchange rates; to the extent that cash flows, assets and liabilities are denominated in different currencies                                                                             | high                    |
| ii  | Credit    | a) Default risk                 | a) non- receival or delayed receival of cash flow or assets to which it is entitled due to default in one or more obligation by the other party                                                                                 | extreme                 |
|     |           | b) Downgrade or Mitigation risk | b) changes in the probability of a future default by an obligor will adversely affect the present value of the contract with the obligor today                                                                                  | low                     |

International Energy Insurance Plc  
Consolidated and Separate Financial Statements, 31 December 2013  
Notes to the Financial Statements

|     |           |                               | FINANCIAL RISK REGISTER                                                                                                                                                                 |                         |
|-----|-----------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| S/N | RISK TYPE | RISK ELEMENTS                 | RISK EVENT<br>DESCRIPTION                                                                                                                                                               | INHERENT RISK<br>RATING |
|     |           | d) Concentration risk         | d) losses due to concentration of investments in a geographical area, economic sector, counterparty, or connected parties                                                               | extreme                 |
| iii | liquidity | a) liquidation value risk     | a) unexpected timing or amounts of needed cash may require the liquidation of assets when market conditions could result in loss of realised value                                      | high                    |
|     |           | b) affiliated investment risk | b) investment in a member Company of the conglomerate or group may be difficult to sell, or that affiliates may create a drain on the financial or operating resources from the insurer | extreme                 |
|     |           | c) capital funding risk       | c) inability to obtain sufficient outside funding, as its assets are illiquid, at the time it needs it (to meet an unanticipated large claim)                                           | medium                  |

|                                                                                                                                                                                                                       | TABLE I                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RISK DRIVER                                                                                                                                                                                                           | DESCRIPTION OF EXISTING                                                                                                                                                                                                                                                                                                                                |
| DESCRIPTIONS                                                                                                                                                                                                          | CONTROLS                                                                                                                                                                                                                                                                                                                                               |
| where interest rate fluctuates in relation to existing commitments as a result of change in economic & monetary policies and CBN reserve deposits                                                                     | setting of metrics to measure exposure to interest rate risk factors, setting appropriate limit structure to control exposures to interest rate risk, document appropriate alternative products to hedge exposures against interest rate risk, use stress testing to determine the potential effect of economic shifts, market events on interest rate |
| where equity prices fluctuates widely as a result of speculations and industry induced factors, while the Company is forced to sell to meet emerging commitments, thus, incurring losses from fall in value of equity | setting of metrics to measure exposure to equity value risk factors, setting appropriate limit structure to control exposures to equity value risk, document appropriate alternative products to hedge exposures against equity value risk, use stress testing to determine the potential effect of economic shifts and market events on equity value  |
| where real estate prices fall in response to various market conditions                                                                                                                                                | setting of metrics to measure exposure to real estate risk factors, setting appropriate limit structure to control exposures to real estate risk, document appropriate alternative products to hedge exposures against real estate risk, use stress testing to determine the potential effect of economic shifts and market events on real estate      |
| where the naira fluctuates in response to limited intervention from CBN and oil majors                                                                                                                                | set appropriate limits for foreign currency holding                                                                                                                                                                                                                                                                                                    |
| where premium are not received on time or interest and principal are delayed or become irrecoverable                                                                                                                  | credit is extended only on secured basis, where credit is unsecured a limit structure is established. Transactions and exposures involving affiliated entities must receive special approval and portfolio diversification                                                                                                                             |
| where insurance premium owed overtime is to be rediscounted for payment                                                                                                                                               | set appropriate premium credit limit structure                                                                                                                                                                                                                                                                                                         |

|                                                                                                                                                                                    |                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
|                                                                                                                                                                                    | TABLE I                                                  |
| RISK DRIVER                                                                                                                                                                        | DESCRIPTION OF EXISTING                                  |
| DESCRIPTIONS                                                                                                                                                                       | CONTROLS                                                 |
| where the Company's investment portfolio is skewed towards a particular instrument or issuer, where premium generated is predominantly from one or two intermediaries              | diversification of investment portfolio and premium base |
| where fund is not available to meet emerging but urgent claims and other statutory payments as a result of deterioration of the economy and abnormally volatile or stressed market | set appropriate limits                                   |
| where investment in affiliate Company is not easily realisable when needed as a result of economic shifts or unquoted nature of the investment                                     | set appropriate limits                                   |
| where additional funding is difficult to obtain or raising of equity is laborious and long as a result of deterioration of the economy or stressed market                          | set appropriate limits                                   |

International Energy Insurance Plc  
Consolidated and Separate Financial Statements, 31 December 2013  
Notes to the Financial Statements

|     |              |                                                                                        | STRATEGIC RISK REGISTER                                                                                                                                                                                                                                                         |
|-----|--------------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| S/N | RISK TYPE    | RISK ELEMENTS                                                                          | RISK EVENT DESCRIPTION                                                                                                                                                                                                                                                          |
| i   | Business     | customer risk,<br>innovations risk & brand<br>reputation risk                          | losses resulting from any incident or<br>circumstance which dramatically<br>alters customer preference, or<br>deployment of new innovative<br>products by competitors which<br>induces a heavy reduction in<br>Company's customer base or renders<br>Company's product obsolete |
| ii  | Reputational | corporate governance<br>breaches, reputational<br>risk management<br>process and event | losses resulting from any incidence or<br>circumstance which ultimately results<br>in reputation risk- the risk that the<br>Company's reputation may be<br>damaged through negative publicity of<br>its business practices, conduct or<br>financial conditions                  |
| iii | Compliance   | proposed regulatory<br>changes, corporate<br>positioning                               | losses resulting from forced merger<br>and acquisition bid or the inability to<br>anticipate fundamental changes in<br>operative legislation                                                                                                                                    |

|                      |                                                                                                                                                                                                                                  | TABLE II                                                                                                                                                   |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                      |                                                                                                                                                                                                                                  |                                                                                                                                                            |
| INHERENT RISK RATING | RISK DRIVER DESCRIPTIONS                                                                                                                                                                                                         | DESCRIPTION OF EXISTING CONTROLS                                                                                                                           |
| medium               | where extensive market rumours arise, where severe regulatory sanction arises, where competitors introduce a revolutionary innovative product, and where economic shift result in severe changes in customer taste & preferences | customer relationship management, monitoring of industry and market changes, continuous product innovations & development                                  |
|                      |                                                                                                                                                                                                                                  |                                                                                                                                                            |
| extreme              | where the Company suffers negative publicity, impaired public confidence which may result in costly litigation or decline in its customer base or business revenue                                                               | effective reputation risk management process, institution of good corporate governance, adequate management of reputation events                           |
|                      |                                                                                                                                                                                                                                  |                                                                                                                                                            |
| medium               | where the Company could not access capital funding to meet new legislation requirement                                                                                                                                           | progressively build up share capital and share holders fund, establish media to anticipate new legislations, regularly monitor industry and market changes |

| HAZARD RISK REGISTER |                                          |                                                                           |                                                                                                                                                                                                                                  |                      |                                                                                                                                                                                                 | TABLE III                                                                                                                                                                                                                   |
|----------------------|------------------------------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| S/N                  | RISK TYPE                                | RISK ELEMENTS                                                             | RISK EVENT DESCRIPTION                                                                                                                                                                                                           | INHERENT RISK RATING | RISK DRIVER DESCRIPTIONS                                                                                                                                                                        | DESCRIPTION OF EXISTING CONTROLS                                                                                                                                                                                            |
| i                    | Natural Disasters, Terrorism & Vandalism | Fundamental perils, Acts of Terrorism, Riot & Commotion                   | losses arising out of any one event or series of event caused by the occurrence of earthquake, civil war, riots or acts of terrorism that may result in damage to Company's property or injury to staff or lead to a third party | medium               | where Company is located near the source of a fundamental peril                                                                                                                                 | insurance                                                                                                                                                                                                                   |
| ii                   | Health safety & Environmental risk       | Pollution, Contagious                                                     | losses arising out of any one event                                                                                                                                                                                              | medium               | where hazardous substances or materials are used in work processes or where pollution is prevalent around the work environment or where an employee with a contagious disease is not restricted | removal of hazardous processes and substances from work environment, restriction of access to employees in hazardous areas, wearing of protective devices for hazardous processes, restriction of employees with contagious |
| iii                  | Employee injury & illness                | Workplace accident, Hazardous Processes, Suffocation, Electrical shocks & | losses arising out of any one event or series of event caused by accident, electrical shocks & burns, resulting in illness, injury or permanent disability to the employee                                                       | medium               | where hazardous processes are engaged or work environment is badly structured or where the Company has a poor maintenance culture                                                               | removal of hazardous processes, effective maintenance system and decent work environment                                                                                                                                    |
| iv                   | Property damage                          | fire, explosion, robbery, accidental damage                               | losses arising out of any one event or series of events caused by fire, explosion, robbery and accidental damage which may result in loss of property or injury to employees and third parties                                   | medium               | where the Company has a poor maintenance culture, poor house-keeping and weak security system                                                                                                   | good house-keeping, good security system                                                                                                                                                                                    |
| v                    | Third-Party Liability                    | Slipping / tripping/ falling risk, falling Objects                        | losses arising out of any one event or series of events caused by slipping, tripping or falling objects which may result in loss of property or injury to third parties                                                          | medium               | where the Company has a poor maintenance culture, poor house-keeping and weak security system                                                                                                   | good house-keeping, good security system                                                                                                                                                                                    |

|     |                               |                                                                          | INSURANCE RISK REGISTER                                                                                                                                                                                                                                                                                           |
|-----|-------------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| S/N | RISK TYPE                     | RISK ELEMENTS                                                            | RISK EVENT DESCRIPTION                                                                                                                                                                                                                                                                                            |
| i   | Insurance Underwriting        | Risk Assessment & Risk Rating, Process & Control deficiency, System Risk | weaknesses in the system of underwriting and control which exposes the Company to more than normal risks or limits the ability of the Company to charge equitable premium                                                                                                                                         |
| ii  | Re-insurance                  | a) Inadequate reinsurance arrangement                                    | weaknesses in the reinsurance process which may result in omission of risks exposures from current reinsurance coverage or exhaustion of reinsurance covers through multiple losses                                                                                                                               |
|     |                               | b) Reinsurers selection error / failure                                  | weakness in the reinsurance management process which overlooks the strength, capacity and performance as necessary factors in selection of reinsurers from time to time : insufficient consideration for the possibility of insolvency of the reinsurer or its inability to respond to cash calls during the year |
| iii | Claims Management             | illiquidity, Failed Process, Fraud                                       | weaknesses in the underwriting & Claims management process which may hinder or prevent the Company from fulfilling its contractual obligation to policy holders; illiquidity arising out of huge outstanding premium, or inability to liquidate assets or obtain funding; or inability to discover claims fraud   |
| iv  | Reserve Development risk      | Computation error, Solvency & System error                               | weakness in reserving method which results in insurance reserve being less than the net amount payable when the risks crystallise, such weaknesses may include, calculation error, system error, people error or a sign of the impending insolvency of the Company                                                |
| v   | Premium default               | Agent default, Brokers default & Fraud                                   | weakness in the management system that allows agent and brokers to freely owe or defraud the Company                                                                                                                                                                                                              |
| vi  | Product Design & Pricing risk | Product recall / default, Pricing Defect                                 | the possibility that a newly developed product may be wrongly priced or not accepted in the market                                                                                                                                                                                                                |

| TABLE IV             |                                                                                                                                                                                                                                                                                                  |                                                                                                                                               |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| INHERENT RISK RATING | RISK DRIVER DESCRIPTIONS                                                                                                                                                                                                                                                                         | DESCRIPTION OF EXISTING CONTROLS                                                                                                              |
| extreme              | where material information necessary for prudent underwriting is ambiguous without the underwriter getting clarifications, where necessary risk survey and inspection are not carried out, where risks are written at ridiculous rates and where system error compounds the underwriting process | existence of underwriting policy, rating guides, and functional reporting & supervision system                                                |
| high                 | where there is failed process or errors of omission by staff or system error                                                                                                                                                                                                                     | existence of reinsurance policy and procedure, functional reporting & supervision system, rendition of quarterly account                      |
| medium               | where the reinsurers are not regularly appraised and evaluated                                                                                                                                                                                                                                   | annual pre-qualifications for reinsurers, standard parameters established for reinsurers participation in Companies' accounts                 |
| extreme              | where the underwriting is poorly done, where the Company has illiquidity problems or where claims consultants collude with staff to defraud the Company, or where the process is laborious                                                                                                       | existence of claim management policies & procedures, existence of internal SLAs, functional reporting & supervision system                    |
| extreme              | where calculation error, system error, people error exists or where the Company is tending toward insolvency                                                                                                                                                                                     | statutory basis for reserve calculation, internal & external audit checks                                                                     |
| extreme              | where there are huge outstanding premium due to uncollectable premium from agents, brokers or direct insured; where there is collusion between staff members and such intermediaries; where there is pressure to meet production target                                                          | defined basis for premium recognition, pre-qualification for premium credit, establishment of credit control                                  |
| extreme              | where new product is not based on market need, or where a product is inappropriately priced                                                                                                                                                                                                      | step by step procedure for new product development, new product emerge only through a committee comprising members from different departments |

|     |           |                                        | OPERATIONAL RISK REGISTER                                                                                                |                      |
|-----|-----------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------|----------------------|
| S/N | RISK TYPE | RISK ELEMENTS                          | RISK EVENT DESCRIPTION                                                                                                   | INHERENT RISK RATING |
| i   | People    | a) Discrimination                      | a)Gender discrimination, Tribe discrimination+ Qualification discrimination(B.Sc/ HND).                                  | High                 |
|     |           | b) Demotivated & Disgruntled workforce | b)Poor conditions of service, Bad Management, Delayed gratuity payment, poor work environment                            | Medium               |
|     |           | c) Employee Health & safety            | c)Unconducive work environment, staff constant exposure to harzadous pollutants                                          | Medium               |
|     |           | d) Misappropriation of assets          | d)Conversion of Company's asset for personal use, theft.                                                                 | High                 |
|     |           | e) Internal fraud                      | e)Ghost workers, forgery, Aiding and Abating, financial collusions, over invoicing, delayed retirement of advances & IOU | High                 |
|     |           | f) High Staff attrition                | f) High turn-over of Staff, forced & Voluntary resignations, Abadonment                                                  | Medium               |
|     |           | g) Sudden Resignation of Key employee  | g) Efficient employees leaving, key employees leaving                                                                    | High                 |

|      |                        |                                                         | OPERATIONAL RISK REGISTER                                                                                                                                                                            |                      |
|------|------------------------|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| S/N  | RISK TYPE              | RISK ELEMENTS                                           | RISK EVENT DESCRIPTION                                                                                                                                                                               | INHERENT RISK RATING |
|      |                        | b) Documentation Errors                                 | b) flaws in documentation, flaws in marketing & promotion literature, errors in policy documentation, failure to maintain proper records.                                                            | High                 |
|      |                        | c) Miscommunication / Misreporting                      | c) issuance of factually incorrect or misleading information to internal & external customers, errors in policy wordings & financial statements, unauthorised disclosure of confidential information | High                 |
|      |                        | d) Transaction & Payment processing error               | d) Manual data entry errors, design & specification errors, casting errors, omissions                                                                                                                | High                 |
|      |                        | e) Sales advise / practice errors                       | e) Mis-selling & negligent sales advisory services                                                                                                                                                   | High                 |
| iii. | <b>System</b>          | Hardware failure, software failure, utility disruptions | system hang, system hacking, electricity disruption, software design failure, data corruption, viruses, theft of information, security breaches                                                      | extreme              |
| iv   | <b>External events</b> | a) legislative & regulatory risk                        | a) non compliance, delayed compliance & inability to fully comply with regulatory & legislative procedures                                                                                           | extreme              |
|      |                        | b) damage to Company's assets                           | b) loss of Company assets due to terrorism, riots and civil commotion and other fundamental perils                                                                                                   | extreme              |

|     |                          |                                                           | OPERATIONAL RISK REGISTER                                                                                                                                      |                      |
|-----|--------------------------|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| S/N | RISK TYPE                | RISK ELEMENTS                                             | RISK EVENT DESCRIPTION                                                                                                                                         | INHERENT RISK RATING |
|     |                          |                                                           |                                                                                                                                                                |                      |
|     |                          | c) external fraud                                         | c) Theft of information, financial collusion & forgery, impersonation, fraudulent claims, fraudulent billing by suppliers                                      | extreme              |
|     |                          | d) Third party liabilities.                               | d)outsourcing delivery failure, actions by third party against the Company                                                                                     | medium               |
| v   | <b>Legal/ Litigation</b> | Contracts &documentation, outsourcing, fiduciary breaches | a) missing or incomplete legal documentation, poor contract staff management, risk relating to tax legislation, either general taxation or VAT, claims dispute | extreme              |

Aside from this, the Group train and re-train the personnel in risk handling technique which has p with proven track records over the years.

|                                                                                                                                                                                          | TABLE V                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RISK DRIVER DESCRIPTIONS                                                                                                                                                                 | DESCRIPTION OF EXISTING CONTROLS                                                                                                                                                                                                                                                   |
| a)where HR employs more males than females, or B.sc, is given precedence over HND, or one tribe is predominantly employed.                                                               | a)Recruitment & Selection is strictly on merit, minimum qualifications are specified for every position in the organisation, deliberate policy of the Company is to engage a minimum number of physically challenged people                                                        |
| b) where Salary, Promotion & confirmation of Staff are delayed, Where Salary & emoluments are not regularly reviewed                                                                     | b) review of salaries & emoluments in line with inflation, adherence to employees union agreements, agreed timeline for payment of salaries & emoluments                                                                                                                           |
| c) where adequate provision is not made for Health maintenance of employees, where work environment is tight & untidy                                                                    | c) Availability of Health Insurance, retained Medical clinics for emergencies, Decent & well lighted work environment                                                                                                                                                              |
| d) where assets are not properly labelled, where assets register is poorly maintained, and where assets movement & control are inadequate.                                               | d) regularly updated assets register, adequately labelled & asset inscription, strict security checks, documented asset movement                                                                                                                                                   |
| e) where financial control is loose, where regular audit is far in between, where filing & access to financial documents / department is free                                            | e) Regular Audit, , regular monitoring of compliance with financial controls, regular updating of financial controls, secure financial documents & checks, establishment of comprehensive control administrative & accounting procedure, strict adherence to functional reporting. |
| f) where there is the absence of Staff forum, where there is poor management-staff relationship, where there is poor internal communication and where there is under-employment of Staff | f) competitive remuneration package, comprehensive Learning & Development program, continuously improved work environment, fully engaged employees                                                                                                                                 |
| g) where employees productivity is not matched with reward, where there is poor Management-Staff relationship, where Management integrity is absent, where Manageent & Board is wasteful | g) regular management-key employees dialogue, comprehensive training & development program, adequate motivation                                                                                                                                                                    |

|                                                                                                                                                                                        | TABLE V                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RISK DRIVER DESCRIPTIONS                                                                                                                                                               | DESCRIPTION OF EXISTING CONTROLS                                                                                                                                                                                                                     |
| where employees are poorly trained, sentimentally recruited & supervision is weak, where functional manuals are not made available, where manual record keeping is still prevalent     | automation of processes, re-engineering of processes, enforcement of strong supervisory controls, zero tolerance for process errors, introduction of self assessment programs, Training & development                                                |
| where functional supervision is loose, where functional reporting is not strictly enforced, where there is no comprehensive control administrative procedure                           | establishment of central communication center at corporate & functional levels, enforcement of strong supervisory control                                                                                                                            |
| where record keeping is still largely manual, where there is no comprehensive control accounting procedures, where financial controls are weak, and where employees are poorly trained | enforcement of comprehensive control and accounting procedure, automation of processes, pre-payment audit                                                                                                                                            |
| where customers frequently return policies and endorsements, where sales people oversell Company's products, and where policies are prematurely terminated or not renewed              | training & employees capacity building in sales & marketing management, customer retention as a KPI for Sales/ Marketing employees                                                                                                                   |
| where disruption is caused to service delivery for internal & external customers because of system failure, telecommunication failure, security breaches and frequent down-time        | standardised proprietry hardware, robust software deployment, availability of maintenance contract, strict adherence to security control system, adequate system & data Back-up, controlled infrastructure and dependable telecommunications network |
| where penalties are paid for non-compliance or delayed compliance of regulatory procedures                                                                                             | establishment of compliance unit, enforment of compliance requirement                                                                                                                                                                                |
| where the Company loses one of its assets due to the occurrence of a fundametal peril                                                                                                  | asset insurance, authorised movement of assets                                                                                                                                                                                                       |

| TABLE V                                                                                                                                          |                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| RISK DRIVER DESCRIPTIONS                                                                                                                         | DESCRIPTION OF EXISTING CONTROLS                                                                            |
|                                                                                                                                                  |                                                                                                             |
| where signatures are forged by third parties, where fraudulent billings are presented and where policy claims are manipulated                    | secured storage of Company's financial documents, pre & post audit of supplies, pre audit of claims payment |
| where services outsourced to third parties are impaired, and where third parties make claims on the Company for negligence or breach of contract | enforceable outsourcing contract, imposition of by-laws within Company premises                             |
| where contracts are not carefully drafted, where policy documents are ambiguous, where existing legislation is hard to comply with               | centralisation of all contracts with legal, functional supervision of policy documents                      |

ut the Company as one of the leading underwriters

5(c) **Asset and Liability Management**

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (Insurance contract liabilities and borrowings) and reinsurance assets.

Asset and Liability management (ALM) attempts to address financial risks the Company is exposed to which includes interest rate risks, foreign currency risks, equity price risks and credit risks. The major financial risk is that in the long term its investment proceeds are not sufficient to fund the obligations arising from its insurance contract liabilities. ALM ensures that specific assets of the Company is allocated to cover reinsurance and liabilities of the Company.

The Company manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The following tables reconciles the Company's non Life business within the Statement of financial position to the classes and portfolios used in the Company's ALM framework.

|                                     | INSURANCE CONTRACT | SHAREHOLDERS'<br>FUND | TOTAL            |
|-------------------------------------|--------------------|-----------------------|------------------|
|                                     | N'000              | N'000                 | N'000            |
| <b>Assets</b>                       |                    |                       |                  |
| Cash and cash equivalents           | 1,319,490          | -                     | 1,319,490        |
| Held-for-trading financial assets   | 61,576             | -                     | 61,576           |
| Available-for-sale financial assets | 1,424,281          | -                     | 1,424,281        |
| Held-to-maturity financial assets   | 13,964             | -                     | 13,964           |
| Trade receivables                   | 19,774             | -                     | 19,774           |
| Other receivables and prepayments   | -                  | 886,984               | 886,984          |
| Reinsurance assets                  | 744,621            | -                     | 744,621          |
| Deferred acquisition cost           | -                  | 152,919               | 152,919          |
| Investment in subsidiaries          | -                  | -                     | -                |
| Investment properties               | -                  | 2,719,001             | 2,719,001        |
| Intangible Asset                    | -                  | 3,237                 | 3,237            |
| Property, plant and equipment       | -                  | 1,884,402             | 1,884,402        |
| Statutory deposit                   | -                  | 322,500               | 322,500          |
| <b>Total assets</b>                 | <b>3,583,706</b>   | <b>5,969,043</b>      | <b>9,552,749</b> |
| <b>Liabilities:</b>                 |                    |                       |                  |
| Insurance contract liabilities      | 3,371,721          | -                     | 3,371,721        |
| Trade payables                      | -                  | 50,844                | 50,844           |
| Provisions and other payables       | -                  | 707,933               | 707,933          |
| Current income tax liabilities      | -                  | 60,426                | 60,426           |
| Deferred tax liability              | -                  | 128,675               | 128,675          |
| Borrowings                          | -                  | 4,160,760             | 4,160,760        |
| Deposit for share                   | -                  | 393,761               | 393,761          |
| <b>Total liabilities</b>            | <b>3,371,721</b>   | <b>5,502,399</b>      | <b>8,874,120</b> |
| <b>Gap</b>                          | <b>211,985</b>     | <b>466,644</b>        | <b>678,629</b>   |

5(d) **Capital Management**

The main objectives of the Company when managing capital are:

- to ensure that the Minimum Capital Requirement of N3 billion as required by the Insurance Act CAP I17, LFN 2004, is maintained at all times.

This is a risk based capital method of measuring the minimum amount appropriate for an insurance Company to support its overall business operations in consideration of its size and risk profile. The calculation is based on applying capital factors to amongst others, the Company's assets, outstanding claims, unearned premium reserve and assets above a certain concentration limit.

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts and other services commensurately with the level of risk.

The Insurance Act CAP I17, LFN 2004 specifies the amount of capital that must be held in proportion to the Company's liabilities, i.e in respect of outstanding claims liability risk, unearned premium liability risk, investment risk, catastrophe risk and reinsurance ceded.

As part of its plan to meet the required capital base set by NAICOM and to maintain the statutory asset cover based on its underwritten risks, the Company intends to do the following to strengthen its financial position:

- Dispose its investment properties.
- Recoveries from trade and other debtors: The Company has engaged the services of solicitors and recovery agents to help it make substantial recoveries from its debtors.
- The Company is still on its plan to bring in fresh capital into the Company through private placement

The Company is also subject to a solvency requirement under the Insurance Act CAP I17, LFN 2004 and is required to maintain its solvency at the minimum capital required at all times. Solvency margin is the excess of admissible assets in Nigeria over admissible liabilities in Nigeria and shall not be less than the minimum paid-up capital or 15% of the gross premium income less reinsurance premiums paid out during the year, whichever is higher in accordance with section 24 of Insurance Act CAP I17 LFN, 2004.

**Capital Adequacy Test**

Based on the capital adequacy calculation below, International Energy Insurance Plc has a deficit of N3.83 billion.

|                                                           | 2014    |                 |
|-----------------------------------------------------------|---------|-----------------|
|                                                           | N'000   | N'000           |
| Shareholders funds as per statement of financial position |         | 678,629         |
| Less:                                                     |         |                 |
| Other receivables                                         | 758,777 |                 |
| Intangible assets                                         | 3,237   |                 |
|                                                           |         | 762,014         |
| <b>Capital Base</b>                                       |         | <b>(83,385)</b> |

Management uses regulatory capital ratios to monitor its capital base. Based on the capital base computed above, the Company's capital base is below the minimum capital requirement of N3 billion specified by NAICOM.

The Company's capital requirement of N3,000,000,000 was not maintained as at the end of the financial year, while the Solvency margin was also below the requirements of the Insurance Act CAP I17, LFN 2004 as a result of the restriction on the admissibility of certain assets.

|                                                                | December 2013    |
|----------------------------------------------------------------|------------------|
| Cash and Cash equivalents                                      | 1,319,490        |
| <b>Financial assets:</b>                                       |                  |
| Held for trading                                               | 61,576           |
| Available for sale                                             | 1,424,281        |
| Held to Maturity                                               | 13,964           |
| Statutory deposits                                             | 322,500          |
| Trade receivables                                              | 19,774           |
| Staff receivables                                              | 128,207          |
| Land and buildings                                             | 1,000,000        |
| Furniture & equipment                                          | 95,106           |
| Plant and machinery                                            | 10,014           |
| Motor vehicles                                                 | 202,461          |
| Amount due from retrocession                                   | 744,621          |
| Deferred acquisition costs                                     | 152,919          |
| <b>Admissible assets</b>                                       | <b>5,494,913</b> |
| Insurance liabilities                                          | 3,371,721        |
| Trade and other payables                                       | 758,777          |
| Borrowings                                                     | 4,160,760        |
| Taxation                                                       | 60,426           |
| Deposit for shares                                             | 393,761          |
| <b>Admissible liabilities</b>                                  | <b>8,745,445</b> |
| Solvency margin                                                | (3,250,532)      |
| The higher of 15% of net premium income and shareholders funds | 3,000,000        |
| Shortfall in solvency margin                                   | -6,250,532       |
| Solvency ratio                                                 | (108.35)         |

|                                                 | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|-------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>6 Cash and cash equivalents</b>              |                                       |                                       |                                         |                                         |
| Cash in hand                                    | 2,660                                 | 900                                   | 271                                     | 384                                     |
| Balances with banks                             | 1,021,481                             | 295,696                               | 1,011,207                               | 239,571                                 |
| Short-term liquid instruments                   | -                                     | 766,226                               | -                                       | 656,291                                 |
| Placements                                      | 642,060                               | -                                     | 572,491                                 | -                                       |
| Treasury bills                                  | 38,756                                | 33,455                                | -                                       | -                                       |
|                                                 | <u>1,704,957</u>                      | <u>1,096,277</u>                      | <u>1,583,969</u>                        | <u>896,246</u>                          |
| Impairment allowance of balances with banks (a) | (2,450)                               | (2,994)                               | (2,450)                                 | (2,994)                                 |
| Impairment allowance of short term deposits (b) | (262,029)                             | (54,010)                              | (262,029)                               | (54,010)                                |
|                                                 | <u>1,440,478</u>                      | <u>1,039,273</u>                      | <u>1,319,490</u>                        | <u>839,242</u>                          |
| Current                                         | 1,440,478                             | 1,039,273                             | 1,319,490                               | 839,242                                 |
| Non-current                                     | -                                     | -                                     | -                                       | -                                       |
|                                                 | <u>1,440,478</u>                      | <u>1,039,273</u>                      | <u>1,319,490</u>                        | <u>839,242</u>                          |

Cash and cash equivalents comprise cash in hand, call deposits at banks and investments in short-term liquid instruments. The group holds cash and cash equivalents for the purpose of meeting short-term cash commitments rather than for investment or other long-term cash commitment purposes.

|                                                                     |                |               |                |               |
|---------------------------------------------------------------------|----------------|---------------|----------------|---------------|
| <b>(a) Movement in impairment allowance of balances with banks:</b> | <b>N'000</b>   | <b>N'000</b>  | <b>N'000</b>   | <b>N'000</b>  |
| Balance at the beginning of the year                                | 2,994          | 2,994         | 2,994          | 2,994         |
| impairment charge no longer required(Note 39)                       | (544)          | -             | (544)          | -             |
| Balance at the end of the year                                      | <u>2,450</u>   | <u>2,994</u>  | <u>2,450</u>   | <u>2,994</u>  |
| <b>(b) Movement in impairment allowance of short term deposits:</b> | <b>N'000</b>   | <b>N'000</b>  | <b>N'000</b>   | <b>N'000</b>  |
| Balance at the beginning of the year                                | 54,010         | 40,078        | 54,010         | 40,078        |
| charged to profit or loss during the year (note 42)                 | 214,878        | 13,932        | 214,878        | 13,932        |
| impairment charge no longer required (Note 39)                      | (6,859)        | -             | (6,859)        | -             |
| Balance at the end of the year                                      | <u>262,029</u> | <u>54,010</u> | <u>262,029</u> | <u>54,010</u> |

Impairment allowance of balances with banks and short term deposits represent allowances for impairment of deposits with some defunct banks and other financial institutions that are long overdue.

|                                              |                  |                  |                  |                  |
|----------------------------------------------|------------------|------------------|------------------|------------------|
| <b>7 Financial assets</b>                    | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     |
| Held-for-trading financial assets (a)        | 61,576           | 179,627          | 61,576           | 179,627          |
| Available -for-sale financial assets (b)     | 1,424,281        | 2,780,674        | 1,424,281        | 2,780,674        |
| Held-to-maturity financial assets (e)        | 13,964           | 269,227          | 13,964           | 269,227          |
|                                              | <u>1,499,821</u> | <u>3,229,528</u> | <u>1,499,821</u> | <u>3,229,528</u> |
| <b>(a) Held-for-trading financial assets</b> | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     |
| Balance at the beginning of the year         | 179,627          | 151,735          | 179,627          | 151,735          |
| addition during the year                     | -                | -                | -                | -                |
| disposals during the year                    | (82,895)         | -                | (82,895)         | -                |
| written off during the year (Note (i))       | (49,606)         | -                | (49,606)         | -                |
| Balance at the end of the year               | <u>47,126</u>    | <u>151,735</u>   | <u>47,126</u>    | <u>151,735</u>   |
| Fair value gain during the year (note 38)    | 14,450           | 27,892           | 14,450           | 27,892           |
| Market value at the end of the year          | <u>61,576</u>    | <u>179,627</u>   | <u>61,576</u>    | <u>179,627</u>   |
| Current                                      | 61,576           | 179,627          | 61,576           | 179,627          |
| Non-current                                  | -                | -                | -                | -                |
|                                              | <u>61,576</u>    | <u>179,627</u>   | <u>61,576</u>    | <u>179,627</u>   |

- (i) Held-for-trading financial assets represent the Group's investments in listed securities traded on the Nigerian stock exchange. The investment is carried at fair value based on current bid price at the Nigerian stock exchange.

Investment written off represents the Company's investment in C&I leasing which was utilised in settling the Company's indebtedness to PAC Capital.

Analysis of the fair value of the investments in listed entities is shown below:

|                                                                            | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|----------------------------------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| ACCESS BANK PLC.                                                           | 8,405                                 | 7,923                                 | 8,405                                   | 7,923                                   |
| AFRICAN PRUDENTIAL REGISTRARS PLC                                          | 303                                   | -                                     | 303                                     | -                                       |
| ALUMINIUM MANUFACTURING CO PLC                                             | 2                                     | 2                                     | 2                                       | 2                                       |
| AT&T GLOBAL INFORMATION                                                    | 1,066                                 | -                                     | 1,066                                   | -                                       |
| BERGER PAINTS NIG                                                          | 419                                   | 471                                   | 419                                     | 471                                     |
| C & I LEASING                                                              | -                                     | 49,606                                | -                                       | 49,606                                  |
| CADBURY                                                                    | -                                     | 2,380                                 | -                                       | 2,380                                   |
| DIAMOND BANK PLC                                                           | -                                     | 5,434                                 | -                                       | 5,434                                   |
| DUNLOP                                                                     | 500                                   | 500                                   | 500                                     | 500                                     |
| FBN                                                                        | 3,395                                 | 8,740                                 | 3,395                                   | 8,740                                   |
| FCMB                                                                       | 6,062                                 | 44,168                                | 6,062                                   | 44,168                                  |
| FIRST ALUMINIUM                                                            | 1,376                                 | 1,376                                 | 1,376                                   | 1,376                                   |
| GT BANK PLC                                                                | 1,023                                 | 871                                   | 1,023                                   | 871                                     |
| INTENEGINS                                                                 | 36                                    | 167                                   | 36                                      | 167                                     |
| JOHN HOLT PLC                                                              | 96                                    | 290                                   | 96                                      | 290                                     |
| LINKAGE                                                                    | 6,763                                 | 6,763                                 | 6,763                                   | 6,763                                   |
| LIVESTOCK                                                                  | 4,300                                 | 1,440                                 | 4,300                                   | 1,440                                   |
| NESTLE NIG PLC                                                             | 4,387                                 | 12,231                                | 4,387                                   | 12,231                                  |
| NIGERIAN ENAMELWARE PLC                                                    | 8,179                                 | 8,656                                 | 8,179                                   | 8,656                                   |
| OANDO                                                                      | 888                                   | 452                                   | 888                                     | 452                                     |
| RT BRISCO                                                                  | 32                                    | 27                                    | 32                                      | 27                                      |
| SCOA NIG PLC                                                               | 828                                   | 843                                   | 828                                     | 843                                     |
| SKYE BANK                                                                  | -                                     | 6,593                                 | -                                       | 6,593                                   |
| TRANSCORP                                                                  | -                                     | 1,575                                 | -                                       | 1,575                                   |
| UAC OF NIG PLC                                                             | -                                     | 1,052                                 | -                                       | 1,052                                   |
| UBA                                                                        | 9,287                                 | 13,736                                | 9,287                                   | 13,736                                  |
| UBA CAPITAL PLC                                                            | 756                                   |                                       | 756                                     |                                         |
| UBN                                                                        | 458                                   | 350                                   | 458                                     | 350                                     |
| UNIVERSAL                                                                  | 2,500                                 | 3,653                                 | 2,500                                   | 3,653                                   |
| WAPIC INSURANCE                                                            | 202                                   |                                       | 202                                     |                                         |
| WEST AFRICAN GLASS                                                         | 315                                   | 315                                   | 315                                     | 315                                     |
| Others                                                                     | -                                     | 13                                    | -                                       | 13                                      |
|                                                                            | 61,576                                | 179,627                               | 61,576                                  | 179,627                                 |
| (b) <b>Available -for-sale financial assets</b>                            | <b>N'000</b>                          | <b>N'000</b>                          | <b>N'000</b>                            | <b>N'000</b>                            |
| (i) <b>Unlisted equities:</b>                                              |                                       |                                       |                                         |                                         |
| Cost at the beginning of the year                                          | 3,558,654                             | 4,435,432                             | 3,643,009                               | 4,519,787                               |
| Addition during the year (see note 7b(iii) below)                          | 1,000,000                             | 1,000,000                             | 1,000,000                               | 1,000,000                               |
| Disposal during the year Note (7b(vii))                                    | (2,770,370)                           | (280,000)                             | (2,770,370)                             | (280,000)                               |
| Equity exchanged for investment properties (note 13) and note 7b(xi) below | -                                     | (1,596,778)                           | -                                       | (1,596,778)                             |
| Cost at the end of the year                                                | 1,788,284                             | 3,558,654                             | 1,872,639                               | 3,643,009                               |
| less: allowance for impairment (note 7(b,(xii))                            | (355,527)                             | (777,980)                             | (439,882)                               | (862,335)                               |
| Fair value loss on available for sale investments (Note 28)                | (8,476)                               | -                                     | (8,476)                                 | -                                       |
| Fair value determined at the end of the year                               | 1,424,281                             | 2,780,674                             | 1,424,281                               | 2,780,674                               |
| Current                                                                    | -                                     | -                                     | -                                       | -                                       |
| Non-current                                                                | 1,424,281                             | 2,780,674                             | 1,424,281                               | 2,780,674                               |

Available-for-sale financial assets represent the Group's investments in unlisted securities and long term placements in other corporate entity. The investment is carried at fair value based on the net asset value of the group's investments in the other corporate entities.

(ii) Analysis of the cost of investments in unlisted entities at the end of the year is shown below:

|                                               | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|-----------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| Heritage Banking Company Limited (Note (iii)) | 1,000,000                             | 1,700,000                             | 1,000,000                               | 1,700,000                               |
| IEI Anchor Pensions Manager Limited (vii)     | 629,630                               | 1,700,000                             | 629,630                                 | 1,700,000                               |
| Pabod breweries limited                       | 102,500                               | 102,500                               | 102,500                                 | 102,500                                 |
| Air liquid                                    | 24                                    | 24                                    | 24                                      | 24                                      |
| IEI Saotome and Principe limited              | 48,160                                | 48,160                                | 48,160                                  | 48,160                                  |
| IEI Cote D' Ivoire Limited                    | 7,970                                 | 7,970                                 | 7,970                                   | 7,970                                   |
| IEI Ghana limited (Deposit for shares)        | -                                     | -                                     | 84,355                                  | 84,355                                  |
|                                               | <u>1,788,284</u>                      | <u>3,558,654</u>                      | <u>1,872,639</u>                        | <u>3,643,009</u>                        |

(iii) The Company redeemed its investment in loan notes with Heritage Banking Company Limited during the year at its face value of N1,700,000,000

Subsequently, during the year ended 31 December 2013, the Company received 1,000,000,000 ordinary shares of N1.00 each equity investment of Heritage Banking Company Limited in lieu of the amount receivable from Management Buy-out debtors which had been previously impaired. The value of the amount recovered from the impaired balance has been recognised as part of other income in the profit and loss account

(iv) Investments in IEI Saotome and Principe Limited and in IEI Cote D' Ivoire Limited are pre-incorporation expenses incurred on the companies which are yet to commence operation. International Energy Insurance Plc holds 100% of these investments. The expenses have however been allowed for impairment.

(v) Deposit for shares in respect of IEI Ghana Limited represents various expenditures incurred on behalf of IEI Ghana Limited. The parent Company has the intention of converting the deposit for shares to equity in the nearest future. However, the expenditures incurred were fully allowed for impairment as at 1 January, 2011

(vi) At the reporting date the following investments in unlisted entities were impaired:

|                                        | N'000          | N'000          | N'000          | N'000          |
|----------------------------------------|----------------|----------------|----------------|----------------|
| IEI Anchor Pensions Manager Limited    | 248,501        | 670,954        | 248,501        | 670,954        |
| Pabod breweries limited                | 50,872         | 50,872         | 50,872         | 50,872         |
| Air liquid                             | 24             | 24             | 24             | 24             |
| IEI Saotome and Principe limited       | 48,160         | 48,160         | 48,160         | 48,160         |
| IEI Cote D' Ivoire Limited             | 7,970          | 7,970          | 7,970          | 7,970          |
| IEI Ghana limited (Deposit for shares) | -              | -              | 84,355         | 84,355         |
|                                        | <u>355,527</u> | <u>777,980</u> | <u>439,882</u> | <u>862,335</u> |

(vii) Analysis of disposal of available for sale investments disposed during the year is as stated below:

|                                                      | N'000            | N'000          | N'000            | N'000          |
|------------------------------------------------------|------------------|----------------|------------------|----------------|
| Loan notes in Heritage Banking Company Limited (iii) | 1,700,000        | -              | 1,700,000        | -              |
| Investment in IEI Anchor Pension Limited (viii)      | 1,070,370        | -              | 1,070,370        | -              |
| Other available for sale investments                 | -                | 280,000        | -                | 280,000        |
|                                                      | <u>2,770,370</u> | <u>280,000</u> | <u>2,770,370</u> | <u>280,000</u> |

(viii) During the year ended 31 December 2013, The Company disposed of its investment of 1,133,220,000 ordinary shares N1.00 each in IEI Anchor Pension Limited representing 51% of the share capital of the Company. The shares were sold to VFV Limited for N650 million. The Company received N30 million during the year, while N507.5 million was received from the outstanding balance of N620 million subsequent to the year ended 31 December 2013. The contract for the sale of IEI Anchor Pension Limited was later repudiated by IEI Plc and the sum of N537.5 million had been refunded to VFV Limited as at October 2014.

The fair value of the 30% holding (carrying value N381,128,148) yet to be disposed was determined to be N372,651,871 (resulting in a fair value loss of N8,476,277 ( See note ix below) as at 31 December 2013.

- (ix) The analysis of the fair value loss on investment with IEI Anchor Pension Limited as at 31 December 2013 is as follow:

|                                                                       | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|-----------------------------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| Estimated value of the equity at the end of the year (see (ix) below) | 372,652                               | 1,029,046                             | 372,652                                 | 1,029,046                               |
| Less:carrying value of equity at the end of the year                  | 381,128<br>(8,476)                    | 1,000,000<br>29,046                   | 381,128<br>(8,476)                      | 1,000,000<br>29,046                     |
| (x) <i>Estimated value of the equity at the end of the year:</i>      | '000                                  | '000                                  | '000                                    | '000                                    |
| Net asset of IEI Anchor Pension (Value)                               | 1,242,173                             | 1,270,427                             | 1,242,173                               | 1,270,427                               |
| total share of IEI Anchor Pension (Number)                            | 2,222,000                             | 2,222,000                             | 2,222,000                               | 2,222,000                               |
| Net asset/share                                                       | 0.56                                  | 0.57                                  | 0.56                                    | 0.57                                    |
| Unit of equity held by IEI Plc (Number)                               | 666,600                               | 1,799,820                             | 666,600                                 | 1,799,820                               |
| Net asset/share of IEI Anchor Pension                                 | 0.56                                  | 0.57                                  | 0.56                                    | 0.57                                    |
| Valued @ net asset/per share of IEI Anchor Pension                    | 372,652                               | 1,029,046                             | 372,652                                 | 1,029,046                               |

- (xi) The equity exchanged for investment properties represents equity investment in Suburban Broadband Limited exchanged for land as disclosed in note 13.

|                                                                                             |           |           |           |           |
|---------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| (xii) <i>Movement in impairment allowance of unquoted investments:</i>                      | N'000     | N'000     | N'000     | N'000     |
| Balance at the beginning of the year                                                        | 777,980   | 1,622,265 | 862,335   | 1,706,620 |
| Write back during the year (note 28)                                                        | -         | (39,885)  | -         | (39,885)  |
| Impairment loss on disposed investment (IEI Anchor Pension) transferred to disposal account | (422,453) | -         | (422,453) | -         |
| Impairment allowance on equity exchanged for investment property (note 13)                  | -         | (798,389) | -         | (798,389) |
| Impairment recovered on investment disposed (note 39)                                       | -         | (6,011)   | -         | (6,011)   |
| Balance at the end of the year                                                              | 355,527   | 777,980   | 439,882   | 862,335   |

(c) **Held-to-maturity financial assets**

|                    |        |         |        |         |
|--------------------|--------|---------|--------|---------|
| FGN Treasury bills | 13,964 | 269,227 | 13,964 | 269,227 |
|--------------------|--------|---------|--------|---------|

Held-to-maturity financial assets represent investment in Federal Government of Nigeria Treasury bills . The Company has positive intent and ability to hold the financial assets to maturity and the financial assets are being carried at amortised cost. The detail of the Held-to-maturity financial assets is as follow:

|                             |            |               |               |                |
|-----------------------------|------------|---------------|---------------|----------------|
| (i) <b>Financial assets</b> | Face value | Discount rate | Maturity Date | Maturity value |
| FGN Treasury Bills          | 13,911,600 | 10% PA        | 31/12/2013    | 13,964,960     |

The value of the Held-to-maturity financial assets of N13,964,000 as at December, 2013 represents its amortised cost.

8 **Trade receivables**

|                                                           |             |             |             |             |
|-----------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                           | N'000       | N'000       | N'000       | N'000       |
| Amount due from Insurance brokers                         | 3,038,606   | 2,133,719   | 2,821,901   | 1,638,443   |
| Amounts due from Insurance companies                      | -           | 73,810      | -           | 73,810      |
| Amount due from direct insured                            | -           | 2,847,893   | -           | 2,847,893   |
| Amount due from re-insurance companies                    | -           | 3,616       | -           | 3,616       |
|                                                           | 3,038,606   | 5,059,038   | 2,821,901   | 4,563,762   |
| Less: impairment allowance of trade receivables (note 8a) | (2,802,127) | (3,933,444) | (2,802,127) | (3,933,444) |
|                                                           | 236,479     | 1,125,594   | 19,774      | 630,318     |
| Current                                                   | 236,479     | 1,125,594   | 19,774      | 630,318     |
| Non-current                                               | -           | -           | -           | -           |
|                                                           | 236,479     | 1,125,594   | 19,774      | 630,318     |

Trade receivables are receivables from insurance contracts as at the year end and are carried at amortised cost less impairment loss.

|                                                                                                                                                                                                                                                                                                                        | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| (a) <i>Movement in impairment allowance of trade receivables:</i>                                                                                                                                                                                                                                                      |                                       |                                       |                                         |                                         |
| Balance at the beginning of the year                                                                                                                                                                                                                                                                                   | 3,933,444                             | 3,938,635                             | 3,933,444                               | 3,658,465                               |
| Impairment allowance during the year (note 42)                                                                                                                                                                                                                                                                         | 396,070                               | 274,979                               | 396,070                                 | 274,979                                 |
| Impairment allowance written back                                                                                                                                                                                                                                                                                      | -                                     | (280,170)                             | -                                       | -                                       |
| Write off of trade receivables                                                                                                                                                                                                                                                                                         | (1,527,387)                           | -                                     | (1,527,387)                             | -                                       |
| Balance at the end of the year                                                                                                                                                                                                                                                                                         | 2,802,127                             | 3,933,444                             | 2,802,127                               | 3,933,444                               |
| The Group's allowances for impairment are made based on "incurred loss model" See Policy on impairment of trade receivables.                                                                                                                                                                                           |                                       |                                       |                                         |                                         |
| (b) <i>Analysed below are trade receivables received subsequent to the year end:</i>                                                                                                                                                                                                                                   | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| Insurance Agents/Brokers                                                                                                                                                                                                                                                                                               | 236,479                               | 362,301                               | 19,774                                  | 362,301                                 |
| Direct insured                                                                                                                                                                                                                                                                                                         | -                                     | 215,558                               | -                                       | 215,558                                 |
| Insurance Companies                                                                                                                                                                                                                                                                                                    | -                                     | 52,459                                | -                                       | 52,459                                  |
|                                                                                                                                                                                                                                                                                                                        | 236,479                               | 630,318                               | 19,774                                  | 630,318                                 |
| 9 <b>Other receivables and prepayments</b>                                                                                                                                                                                                                                                                             | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| Due from related parties (a)                                                                                                                                                                                                                                                                                           | 114,115                               | 642,137                               | 100,000                                 | 642,137                                 |
| Staff debtors (b)                                                                                                                                                                                                                                                                                                      | 137,726                               | 163,622                               | 128,207                                 | 142,537                                 |
| Prepayments                                                                                                                                                                                                                                                                                                            | 41,693                                | 50,379                                | 33,086                                  | 28,635                                  |
| Other debtors (c)                                                                                                                                                                                                                                                                                                      | 630,643                               | 53,026                                | 625,691                                 | 4,103                                   |
|                                                                                                                                                                                                                                                                                                                        | 924,177                               | 909,164                               | 886,984                                 | 817,412                                 |
| Current                                                                                                                                                                                                                                                                                                                | 924,177                               | 909,164                               | 886,984                                 | 817,412                                 |
| Non-current                                                                                                                                                                                                                                                                                                            | -                                     | -                                     | -                                       | -                                       |
|                                                                                                                                                                                                                                                                                                                        | 924,177                               | 909,164                               | 886,984                                 | 817,412                                 |
| (a) <b>Due from related parties</b>                                                                                                                                                                                                                                                                                    | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| (i) Related parties                                                                                                                                                                                                                                                                                                    |                                       |                                       |                                         |                                         |
| Due from IEI Limited - Ghana                                                                                                                                                                                                                                                                                           | -                                     | -                                     | 74,057                                  | 74,057                                  |
| Due from IEI Assets Limited/Anchor Pension                                                                                                                                                                                                                                                                             | 171,000                               | 71,000                                | 171,000                                 | 71,000                                  |
| Due from TMC Savings and loans                                                                                                                                                                                                                                                                                         | 3,624                                 | 3,624                                 | 3,624                                   | 3,624                                   |
| Due from other related parties                                                                                                                                                                                                                                                                                         | 14,115                                | -                                     | -                                       | -                                       |
|                                                                                                                                                                                                                                                                                                                        | 188,739                               | 74,624                                | 248,681                                 | 148,681                                 |
| Less: impairment allowance of due from related parties (see (iii) below)                                                                                                                                                                                                                                               | (74,624)                              | (74,624)                              | (148,681)                               | (148,681)                               |
|                                                                                                                                                                                                                                                                                                                        | 114,115                               | -                                     | 100,000                                 | -                                       |
| (ii) Other receivable from related party:                                                                                                                                                                                                                                                                              |                                       |                                       |                                         |                                         |
| Placement with IEI Assets Limited (see note 9(ii))                                                                                                                                                                                                                                                                     | 10,000                                | 1,152,137                             | 10,000                                  | 1,152,137                               |
| Less: allowance for impairment ( see 'iv' below)                                                                                                                                                                                                                                                                       | -10,000                               | -510,000                              | -10,000                                 | -510,000                                |
|                                                                                                                                                                                                                                                                                                                        | -                                     | 642,137                               | -                                       | 642,137                                 |
| Total                                                                                                                                                                                                                                                                                                                  | 114,115                               | 642,137                               | 100,000                                 | 642,137                                 |
| Due from related companies represents those expenditures incurred on behalf of the related companies which the Group considered recoverable as at the year end. The group makes allowance for impairment of the amount due from related companies when the Group considers the recoveries of the receivables doubtful. |                                       |                                       |                                         |                                         |
| (iii) <i>Movement in impairment allowance of due from related parties:</i>                                                                                                                                                                                                                                             | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| Balance at the beginning of the year                                                                                                                                                                                                                                                                                   | 74,624                                | 15,124                                | 148,681                                 | 89,181                                  |
| Addition during the year (note 42)                                                                                                                                                                                                                                                                                     | -                                     | 59,500                                | -                                       | 59,500                                  |
| Balance at the end of the year                                                                                                                                                                                                                                                                                         | 74,624                                | 74,624                                | 148,681                                 | 148,681                                 |

|                                                                               | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|-------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| (iv) Movement in impairment allowance of other receivable from related party: |                                       |                                       |                                         |                                         |
| Balance at the beginning of the year                                          | 510,000                               | 1,152,137                             | 510,000                                 | 1,152,137                               |
| Write back during the year (note 39)                                          | (500,000)                             | (642,137)                             | (500,000)                               | (642,137)                               |
| Balance at the end of the year                                                | 10,000                                | 510,000                               | 10,000                                  | 510,000                                 |

Placement with IEI Assets Limited represent the Group's deposit with an Asset Management Company at an agreed interest rate. The deposit was fully allowed for impairment as at 1 January, 2011 because of the financial constraint of IEI Assets Limited (the investee Company). The funds were therefore not available for the short-term cash commitment of International Energy Insurance Plc. The Company recovered N1,142,137,000 from the placement as at 31 December 2013.

|                                                |           |           |           |           |
|------------------------------------------------|-----------|-----------|-----------|-----------|
| (b) <b>Staff debtors</b>                       | N'000     | N'000     | N'000     | N'000     |
| Due from staff at the beginning of the year    | 287,263   | 184,892   | 266,178   | 163,807   |
| Additional loans and advances granted to staff | 7,907     | 102,371   | 7,907     | 102,371   |
| Recovery from staff during the year            | (16,944)  | -         | (13,193)  | -         |
|                                                | 278,226   | 287,263   | 260,892   | 266,178   |
| Less: impairment allowance (see (i) below)     | (132,685) | (123,641) | (132,685) | (123,641) |
| Foreign exchange reserves                      | (7,815)   | -         | -         | -         |
|                                                | 137,726   | 163,622   | 128,207   | 142,537   |

Staff debtors represents amount due from staff on loans and advances granted during the year.

|                                                                       |           |         |           |         |
|-----------------------------------------------------------------------|-----------|---------|-----------|---------|
| (i) <b>Movement in impairment allowance on amount due from staff:</b> | N'000     | N'000   | N'000     | N'000   |
| Balance at the beginning of the year                                  | 123,641   | 275     | 123,641   | 275     |
| Impairment allowance during the year (note 42)                        | 123,281   | 123,366 | 123,281   | 123,366 |
| Write back during the year (Note 39)                                  | (114,237) | -       | (114,237) | -       |
| Balance at the end of the year                                        | 132,685   | 123,641 | 132,685   | 123,641 |

|                                             |           |           |           |           |
|---------------------------------------------|-----------|-----------|-----------|-----------|
| (c) <b>Other receivables</b>                | N'000     | N'000     | N'000     | N'000     |
| Other debtors (see 'i' below)               | 798,335   | 217,361   | 793,383   | 168,438   |
| Less: impairment allowance (see 'ii' below) | (167,692) | (164,335) | (167,692) | (164,335) |
|                                             | 630,643   | 53,026    | 625,691   | 4,103     |

(i) Other debtors represents receivables from persons other than customers and staff and other various prepaid expenses as at the reporting date. The details are as follow:

|                                                            |         |         |         |         |
|------------------------------------------------------------|---------|---------|---------|---------|
|                                                            | N'000   | N'000   | N'000   | N'000   |
| Incorporation expenses of Heritage Banking Company Limited | 146,699 | 146,699 | 146,699 | 146,699 |
| Loan to agent and brokers                                  | 647     | 747     | 647     | 747     |
| Director's loan                                            | 3,000   |         | 3,000   |         |
| Advances to Equity Life Assurance                          | 10,000  | 10,000  | 10,000  | 10,000  |
| Due from Crossworld Global Electronics                     | 201     | -       | 201     | -       |
| Due from VFV Limited (Note 7b(vii))                        | 620,000 | -       | 620,000 | -       |
| Other prepayments                                          | 17,788  | 59,915  | 12,836  | 10,992  |
|                                                            | 798,335 | 217,361 | 793,383 | 168,438 |

(ii) *Movement in impairment allowance of other receivables:*

|                                                 | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|-------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| Balance at the beginning of the year            | 164,335                               | 34,703                                | 164,335                                 | 34,703                                  |
| impairment allowance during the year (note 42)  | 3,357                                 | 129,632                               | 3,357                                   | 129,632                                 |
| Balance at the end of the year                  | 167,692                               | 164,335                               | 167,692                                 | 164,335                                 |
| <b>10 Re-insurance assets</b>                   | <b>N'000</b>                          | <b>N'000</b>                          | <b>N'000</b>                            | <b>N'000</b>                            |
| Outstanding claims recoverable at the beginning | 193,395                               | 108,410                               | 193,395                                 | 108,410                                 |
| Increase during the year                        | 551,226                               | 84,985                                | 551,226                                 | 84,985                                  |
| Balance, end of the year                        | 744,621                               | 193,395                               | 744,621                                 | 193,395                                 |
| <b>(a) Outstanding claims recoverable</b>       | <b>N'000</b>                          | <b>N'000</b>                          | <b>N'000</b>                            | <b>N'000</b>                            |
| Recoverable on Outstanding claims               | 613,613                               | -                                     | 613,613                                 | -                                       |
| Recoverable on IBNR                             | 131,008                               | 193,395                               | 131,008                                 | 193,395                                 |
|                                                 | 744,621                               | 193,395                               | 744,621                                 | 193,395                                 |

Re-insurance assets represent the extent of credit risk related to the reinsurance and its obligations to policy holders. Re-insurance assets are carried at amortised cost. The carrying amount is not significantly different from the fair value.

|                                      |              |              |              |              |
|--------------------------------------|--------------|--------------|--------------|--------------|
| <b>11 Deferred acquisition costs</b> | <b>N'000</b> | <b>N'000</b> | <b>N'000</b> | <b>N'000</b> |
| Balance at the beginning of the year | 213,390      | 241,071      | 165,003      | 241,071      |
| Increase/(decrease) during the year  | 4,221        | (27,681)     | (12,084)     | (76,068)     |
| Foreign exchange reserves            | (17,935)     | -            | -            | -            |
| Balance at the end of the year       | 199,676      | 213,390      | 152,919      | 165,003      |
| Current                              | 199,676      | 213,390      | 152,919      | 165,003      |
| Non-current                          | -            | -            | -            | -            |
|                                      | 199,676      | 213,390      | 152,919      | 165,003      |

Deferred acquisition costs represent commissions paid by the Group on unearned premium relating to the unexpired risk.

Analysis of deferred acquisition cost by class of business is as follows:

|                                            |              |              |              |              |
|--------------------------------------------|--------------|--------------|--------------|--------------|
|                                            | <b>N'000</b> | <b>N'000</b> | <b>N'000</b> | <b>N'000</b> |
| Fire                                       | 49,373       | 17,407       | 25,571       | 13,460       |
| General Accident                           | 29,628       | 20,143       | 24,136       | 10,049       |
| Marine                                     | 15,986       | 13,410       | 15,246       | 13,259       |
| Motor                                      | 63,074       | 99,399       | 46,351       | 28,412       |
| Oil and Energy                             | 40,544       | 60,144       | 40,544       | 99,066       |
| Workmen Compensation                       | 1,071        | 2,887        | 1,071        | 757          |
|                                            | 199,676      | 213,390      | 152,919      | 165,003      |
| <b>12 Investment in subsidiary</b>         | <b>N'000</b> | <b>N'000</b> | <b>N'000</b> | <b>N'000</b> |
| IEI Ghana Limited                          | 51,360       | 51,360       | 622,306      | 622,306      |
| Less: impairment allowance (see 'a' below) | (51,360)     | (51,360)     | (622,306)    | (540,946)    |
|                                            | -            | -            | -            | 81,360       |
| Current                                    | -            | -            | -            | -            |
| Non-current                                | -            | -            | -            | 81,360       |
|                                            | -            | -            | -            | 81,360       |

Investment in subsidiary represents the Company's holdings in IEI Ghana Limited. IEI Plc has 95% holding of the ordinary shares of IEI Ghana Limited as at 31 December, 2013. IEI Ghana Limited operates non-life insurance business similar to its parent Company.

(a) *Movement in impairment allowance of investment in subsidiaries:*

|                                      | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|--------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| Balance at the beginning of the year | -                                     | -                                     | 540,946                                 | 140,485                                 |
| addition during the year (note 42)   | -                                     | -                                     | 81,360                                  | 400,461                                 |
| Balance at the end of the year       | -                                     | -                                     | 622,306                                 | 540,946                                 |

(b) *Detail of investment in subsidiaries impaired:*

|                                        | N'000  | N'000  | N'000   | N'000   |
|----------------------------------------|--------|--------|---------|---------|
| IEI Saotome and Principe limited       | 48,160 | 48,160 | 48,160  | 48,160  |
| IEI Cote D' Ivoire Limited             | 7,970  | 7,970  | 7,970   | 7,970   |
| IEI Ghana limited (Deposit for shares) | -      | -      | 84,355  | 84,355  |
| IEI Ghana limited (Ordinary shares)    | -      | -      | 481,821 | 400,461 |
|                                        | 56,130 | 56,130 | 622,306 | 540,946 |

(c) *The summary of the operational results of (the subsidiary) IEI Ghana Limited are as follow:*

|                               | 31 December<br>2013<br>N'000 | 31 December<br>2012<br>N'000 |
|-------------------------------|------------------------------|------------------------------|
| Total Assets                  | 481,201                      | 1,099,789                    |
| Total Liabilities             | 909,182                      | 1,018,429                    |
| Shareholders fund             | (427,980)                    | 81,360                       |
| Gross Premium                 | 762,225                      | 891,435                      |
| Net Premium earned            | 524,036                      | 802,367                      |
| Underwriting (loss)/profit    | (734,651)                    | 19,318                       |
| (Loss)/profit before taxation | (506,710)                    | 81,678                       |
| (Loss)/profit after taxation  | (501,280)                    | 57,699                       |
| Total comprehensive income    | (501,280)                    | 57,699                       |

13 **Investment properties**

At valuation:

Investment properties at the beginning of the year (a)

Fair value gain (note 39) See 'a' below

Additions during the year

Equity exchanged for investment property (note 7(b)) See (b) below

Balance at the end of the year

impairment allowance on equity exchanged for investment property (note 13b)

Allowance for impairment no longer required (Note 39)

Loss on investment property swap (Note 40)

Current

Non-current

|                                                                             | N'000     | N'000     | N'000     | N'000     |
|-----------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| Investment properties at the beginning of the year (a)                      | 2,025,389 | 1,135,956 | 2,025,389 | 1,135,956 |
| Fair value gain (note 39) See 'a' below                                     | -         | 91,044    | -         | 91,044    |
| Additions during the year                                                   | -         | -         | -         | -         |
| Equity exchanged for investment property (note 7(b)) See (b) below          | -         | 1,596,778 | -         | 1,596,778 |
| Balance at the end of the year                                              | 2,025,389 | 2,823,778 | 2,025,389 | 2,823,778 |
| impairment allowance on equity exchanged for investment property (note 13b) | -         | (798,389) | -         | (798,389) |
| Allowance for impairment no longer required (Note 39)                       | 798,389   | -         | 798,389   | -         |
| Loss on investment property swap (Note 40)                                  | (104,777) | -         | (104,777) | -         |
|                                                                             | 2,719,001 | 2,025,389 | 2,719,001 | 2,025,389 |
| Current                                                                     | -         | -         | -         | -         |
| Non-current                                                                 | 2,719,001 | 2,025,389 | 2,719,001 | 2,025,389 |
|                                                                             | 2,719,001 | 2,025,389 | 2,719,001 | 2,025,389 |

*Investment properties at the beginning*

- (a) The Company's investment properties represent land and buildings held for capital appreciation. As at 31 December 2012, the properties were professionally valued on 27 November 2012 by an Independent valuer Messrs. Obi Nwanchukwu and Associates with FRCN registration number FRC/2013/NIESV/00000005295 on the basis of open market values. The valuation produced a surplus amount of N91,044,000.

The method of valuation adopted by the valuer for the determination of the current 'Fair value' of the properties is 'Depreciated Replacement Cost Approach'. The method involves the determination and application of the current cost of construction of similar new developments to the superficial area of the building/structure under consideration and deducting therefrom all allowance to account for depreciation occasioned by physical wear and tear where the building/structures has been completed or outstanding works when they are under construction.

(b) *Equity exchanged for investment property*

In 2012, the Company exchanged equity for landed property. The landed property (Jabi Lake Property) was acquired by IEI Plc from Suburban Broadband Limited in consideration for its 230,000,000 unit of shares held in Suburban Broadband Limited. The cost of the equity was N1,596,778,000. A provision for impairment to the tune of N798,389,000, representing 50% of the cost of N1,596,778,000 was made and incorporated in the financial statements as at 31 December 2012 as the title documents were not yet been perfected. During the year ended 31 December 2013, the landed property (Jabi Lake Property) was swapped with 4 properties located at Wuse, Gbagada, Asaba and Enugu owned by Smartrock Limited (a Suburban formed Special Purpose Vehicle) with a total revalued amount of N1,492,000,000. The Investment property was transferred to International Energy Insurance Plc by a Share purchase agreement and Deed of Assignment. The Contract of Sale and Deed of Assignment are yet to be perfected as at 31 December 2013.

The loss on the Investment property swap of N104,777,000 has been written off to profit and loss account. Consequently, the provision of impairment of N798,389,000 made in the 2012 financial statements has been reversed and recognised in the profit and loss account as provision for impairment loss no longer required.

Details of the Investment properties replacing the Jabi Lake property subsequent to year end are as stated below:

|                                                                                                               | Forced sales<br>value<br>N | Revalued<br>amount<br>N |
|---------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------|
| Plot No 488, Cadastral Zone A08, Wuse Zone II, Abuja, Federal Capital Territory                               | 243,000,000                | 364,000,000             |
| 3 Oshunkeye Crescent, Gbagada Industrial Scheme, also known 3 Block A, Gbagada Industrial Scheme, Lagos State | 506,000,000                | 760,000,000             |
| 7, Onitsha-ABA-BENIN Expressway, Asaba, Delta State                                                           | 205,000,000                | 308,000,000             |
| UGBO ENYI-NIKE, ENUGU Local Government Area                                                                   | 40,000,000                 | 60,000,000              |
|                                                                                                               | <u>994,000,000</u>         | <u>1,492,000,000</u>    |

(e) Details of investment properties as at year end are as follows:

|                                                                           | N'000            |
|---------------------------------------------------------------------------|------------------|
| i) IEI Ibadan Estate, Liberty Road, Oke Ado Ibadan                        | 1,227,001        |
| ii) Property at No 3 Oshunkeye Crescent, Gbagada Industrial Scheme, Lagos | 760,000          |
| iii) Plot 488 Cadastral Zone, A08 Wuse Zone II, Abuja, FCT                | 364,000          |
| iv) 7 Onitsha-Aba Benin Expressway, Asaba, Delta State                    | 308,000          |
| v) Ugbo-Enyi-Nike, Enugu Local Government                                 | 60,000           |
| Total                                                                     | <u>2,719,001</u> |

|                                         | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|-----------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| 14 <b>Intangible Assets</b>             |                                       |                                       |                                         |                                         |
| <b>Cost:</b>                            |                                       |                                       |                                         |                                         |
| Balance at beginning of year            | 16,132                                | 14,797                                | 10,790                                  | 10,790                                  |
| Additions                               | -                                     | 1,335                                 | -                                       | -                                       |
| Foreign exchange reserves               | (1,980)                               | -                                     | -                                       | -                                       |
| Balance at end of the year              | <u>14,152</u>                         | <u>16,132</u>                         | <u>10,790</u>                           | <u>10,790</u>                           |
| <b>Amortisation:</b>                    |                                       |                                       |                                         |                                         |
| Balance at beginning of year            | 10,748                                | 9,402                                 | 6,474                                   | 5,395                                   |
| Charge during the year                  | 1,949                                 | 1,346                                 | 1,079                                   | 1,079                                   |
| Foreign exchange reserves               | (1,782)                               | -                                     | -                                       | -                                       |
| Balance at end of the year              | <u>10,915</u>                         | <u>10,748</u>                         | <u>7,553</u>                            | <u>6,474</u>                            |
| Carrying amounts at the end of the year | <u>3,237</u>                          | <u>5,384</u>                          | <u>3,237</u>                            | <u>4,316</u>                            |

Intangible assets are purchased computer software being used by the Group. IEI Plc is presently using "perfect accounting" which was purchased in year 2007. Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

| 15 (a) <u>Property, plant and equipment (Group)</u> | Improvement to<br>land and building<br>N'000 | Land and<br>Buildings<br>N'000 | Plant and<br>machinery<br>N'000 | Motor<br>vehicles<br>N'000 | Furniture &<br>equipment<br>N'000 | Total<br>N'000   |
|-----------------------------------------------------|----------------------------------------------|--------------------------------|---------------------------------|----------------------------|-----------------------------------|------------------|
| <u>Cost/valuation</u>                               |                                              |                                |                                 |                            |                                   |                  |
| At 1 January, 2012                                  | 1,433,262                                    | 512,370                        | 119,989                         | 438,486                    | 224,753                           | 2,728,860        |
| Additions                                           | 3,681                                        | 686                            | 861                             | 25,011                     | 10,652                            | 40,891           |
| Revaluation (note 27)                               | 1,218,000                                    | 485,000                        | -                               | -                          | -                                 | 1,703,000        |
| Disposals                                           | -                                            | (209,723)                      | (6,360)                         | (4,769)                    | (725)                             | (221,577)        |
| Transfer to the revaluation reserve (note 27)       | (1,050,664)                                  | (512,369)                      | -                               | -                          | -                                 | (1,563,033)      |
| <b>At 31 December, 2012</b>                         | <b>1,604,279</b>                             | <b>275,964</b>                 | <b>114,490</b>                  | <b>458,728</b>             | <b>234,680</b>                    | <b>2,688,141</b> |
| At 1 January, 2013                                  | 1,604,279                                    | 275,964                        | 114,490                         | 458,728                    | 234,680                           | 2,688,140        |
| Additions                                           | -                                            | 7,493                          | 12,749                          | 249,625                    | 18,644                            | 288,511          |
| Disposals                                           | -                                            | -                              | -                               | (79,721)                   | (682)                             | (80,403)         |
| Foreign exchange reserves                           | -                                            | (59,618)                       | (2,570)                         | (33,303)                   | (13,985)                          | (109,476)        |
| <b>At 31 December, 2013</b>                         | <b>1,604,279</b>                             | <b>223,839</b>                 | <b>124,669</b>                  | <b>595,329</b>             | <b>238,657</b>                    | <b>2,786,772</b> |
| <u>Depreciation</u>                                 |                                              |                                |                                 |                            |                                   |                  |
| At 1 January, 2012                                  | 150,255                                      | 36,724                         | 106,018                         | 388,185                    | 85,054                            | 766,236          |
| Charge for the year                                 | 25,755                                       | 10,247                         | 8,190                           | 45,473                     | 22,302                            | 111,967          |
| Transfer to the revaluation reserve (note 27)       | (162,250)                                    | (33,791)                       | -                               | -                          | -                                 | (196,041)        |
| Disposals                                           | -                                            | -                              | (5,700)                         | (3,529)                    | (531)                             | (9,760)          |
| <b>At 31 December, 2012</b>                         | <b>13,760</b>                                | <b>13,180</b>                  | <b>108,508</b>                  | <b>430,129</b>             | <b>106,825</b>                    | <b>672,402</b>   |
| At 1 January, 2013                                  | 13,760                                       | 13,180                         | 108,508                         | 430,129                    | 106,825                           | 672,402          |
| Charge for the year                                 | 120,517                                      | 16,003                         | 7,956                           | 50,719                     | 23,858                            | 219,053          |
| Disposals                                           | -                                            | -                              | -                               | (72,649)                   | (359)                             | (73,008)         |
| Foreign exchange reserves                           | -                                            | -                              | (2,563)                         | (28,755)                   | (6,762)                           | (38,080)         |
| <b>At 31 December, 2013</b>                         | <b>134,277</b>                               | <b>29,183</b>                  | <b>113,901</b>                  | <b>379,444</b>             | <b>123,562</b>                    | <b>780,367</b>   |
| <u>Carrying amounts at:</u>                         |                                              |                                |                                 |                            |                                   |                  |
| 31 December, 2013                                   | 1,470,002                                    | 194,656                        | 10,768                          | 215,885                    | 115,095                           | 2,006,405        |
| 31 December, 2012                                   | 1,590,519                                    | 262,784                        | 5,982                           | 28,599                     | 127,855                           | 2,015,739        |

Property, plant and equipment are initially recognised at cost and are subsequently measured at cost less accumulated depreciation and accumulated impairment losses (if any). The value of the Group's Property, plant and equipment as at 31 December, 2013 represents their carrying amounts at that date.

| (b) <u>Property, plant and equipment (Parent)</u> | Improvement to<br>land & building<br>N'000 | Land and<br>Buildings<br>N'000 | Plant and<br>machinery<br>N'000 | Motor<br>vehicles<br>N'000 | Furniture &<br>equipment<br>N'000 | Total<br>N'000   |
|---------------------------------------------------|--------------------------------------------|--------------------------------|---------------------------------|----------------------------|-----------------------------------|------------------|
|                                                   |                                            |                                |                                 |                            |                                   |                  |
| <u>Cost/valuation</u>                             |                                            |                                |                                 |                            |                                   |                  |
| At 1 January, 2012                                | 1,286,493                                  | 512,370                        | 113,335                         | 350,144                    | 179,447                           | 2,441,789        |
| Additions                                         | 3,681                                      | -                              | 861                             | 13,666                     | 9,748                             | 27,956           |
| Revaluation reserve (note 27)                     | 1,218,000                                  | 485,000                        | -                               | -                          | -                                 | 1,703,000        |
| Disposals                                         | -                                          | (209,723)                      | (6,360)                         | (120)                      | (725)                             | (216,928)        |
| Transfer to the revaluation reserve (note 27)     | (1,050,664)                                | (512,369)                      | -                               | -                          | -                                 | (1,563,033)      |
| <b>At 31 December, 2012</b>                       | <b>1,457,510</b>                           | <b>275,278</b>                 | <b>107,836</b>                  | <b>363,690</b>             | <b>188,470</b>                    | <b>2,392,784</b> |
| At 1 January, 2013                                | 1,457,510                                  | 275,278                        | 107,836                         | 363,690                    | 188,470                           | 2,392,784        |
| Additions                                         | -                                          | 7,493                          | 11,561                          | 244,145                    | 16,458                            | 279,657          |
| Disposals                                         | -                                          | -                              | -                               | (79,721)                   | (682)                             | (80,403)         |
| <b>At 31 December, 2013</b>                       | <b>1,457,510</b>                           | <b>282,771</b>                 | <b>119,397</b>                  | <b>528,114</b>             | <b>204,246</b>                    | <b>2,592,038</b> |
| <u>Depreciation</u>                               |                                            |                                |                                 |                            |                                   |                  |
| At 1 January, 2012                                | 150,255                                    | 36,724                         | 101,761                         | 340,159                    | 70,997                            | 699,896          |
| Charge for the year                               | 25,755                                     | 10,247                         | 6,804                           | 23,651                     | 18,532                            | 84,989           |
| Transfer to the revaluation (note 27)             | (162,250)                                  | (33,791)                       | -                               | -                          | -                                 | (196,041)        |
| Disposals                                         | -                                          | -                              | (5,700)                         | (120)                      | (531)                             | (6,351)          |
| <b>At 31 December, 2012</b>                       | <b>13,760</b>                              | <b>13,180</b>                  | <b>102,865</b>                  | <b>363,690</b>             | <b>88,998</b>                     | <b>582,493</b>   |
| At 1 January, 2013                                | 13,760                                     | 13,180                         | 102,865                         | 363,690                    | 88,998                            | 582,493          |
| Charge for the year                               | 120,517                                    | 16,003                         | 6,518                           | 34,612                     | 20,501                            | 198,151          |
| Disposals                                         | -                                          | -                              | -                               | (72,649)                   | (359)                             | (73,008)         |
| <b>At 31 December, 2013</b>                       | <b>134,277</b>                             | <b>29,183</b>                  | <b>109,383</b>                  | <b>325,653</b>             | <b>109,140</b>                    | <b>707,636</b>   |
| <u>Carrying amounts at:</u>                       |                                            |                                |                                 |                            |                                   |                  |
| 31 December, 2013                                 | 1,323,233                                  | 253,588                        | 10,014                          | 202,461                    | 95,106                            | 1,884,402        |
| 31 December, 2012                                 | 1,443,750                                  | 262,098                        | 4,971                           | -                          | 99,472                            | 1,810,291        |

In 2012, the Company carried out valuation of four of its land and buildings . The valuation was professionally done by Obi Nwachukwu & Associates, Estate Surveyors and Valuers .

The valuation, which was based on an open market value between a willing buyer and a willing seller, produced a surplus amount of N302,407,266 which has been credited to property, plant and equipment revaluation reserve account. As a result of the valuation, the revised value of the properties as at 31 December 2012 was N1,703,000,000.

The detail of the properties on which valuation was carried out is as follow:

| <i>Properties - Land and building</i>               |                                                                     | <i>Cost</i>  | <i>Accumulated<br/>Depreciation</i> | <i>Carrying<br/>Amount</i> | <i>Fair value</i> | <i>Revaluation<br/>surplus /<br/>(deficit)</i> |
|-----------------------------------------------------|---------------------------------------------------------------------|--------------|-------------------------------------|----------------------------|-------------------|------------------------------------------------|
|                                                     |                                                                     | <i>N,000</i> | <i>N,000</i>                        | <i>N,000</i>               | <i>N,000</i>      | <i>N,000</i>                                   |
| (i)                                                 | Head office - Plot 294 Jide Oki Street, Victoria Island Annex Lagos | 550,249      | 32,953                              | 517,296                    | 600,000           | 82,704                                         |
| (ii)                                                | Plot No. 5 Ribadu Street, Off Swimming Pool Road, Kaduna            | 45,150       | 2,258                               | 42,892                     | 60,000            | 17,108                                         |
| (iii)                                               | No. 8 Ohaeto Street, D-line PortHarcourt                            | 448,463      | 26,602                              | 421,861                    | 46,000            | (375,861)                                      |
| (iv)                                                | No. 14 Aba Road, PortHarcourt                                       | 519,171      | 134,228                             | 384,943                    | 997,000           | 612,057                                        |
|                                                     |                                                                     | 1,563,033    | 196,041                             | 1,366,992                  | 1,703,000         | 336,008                                        |
| Capital gain tax (10% of gross revaluation surplus) |                                                                     | -            | -                                   | -                          | -                 | (33,601)                                       |
|                                                     |                                                                     | 1,563,033    | 196,041                             | 1,366,992                  | 1,703,000         | 302,407                                        |

The method of valuation adopted by the professional valuer for the determination of the current 'fair value' of the properties is 'Depreciated Replacement Cost Approach'. The method involves the determination and application of the current cost of construction of similar new developments to the superficial area of the building/structure under consideration and deducting therefrom all allowance to account for depreciation occasioned by physical wear and tear where the building/structures has been completed or outstanding works when they are under construction.

The Group had no capital commitments of its property, plant and equipment as at the statement of financial position date 31 December 2013 (2012: Nil).

|    |                                      | Group       | Group       | Company     | Company     |
|----|--------------------------------------|-------------|-------------|-------------|-------------|
|    |                                      | 31 December | 31 December | 31 December | 31 December |
| 16 | <u>Statutory deposit</u>             | 2013        | 2012        | 2013        | 2012        |
|    |                                      | N'000       | N'000       | N'000       | N'000       |
|    | Balance at the beginning of the year | 349,027     | 342,802     | 322,500     | 322,500     |
|    | Addition during the year             | 5,291       | 6,225       | -           | -           |
|    | Foreign exchange reserves            | (9,833)     |             |             |             |
|    | Balance at the end of the year       | 344,485     | 349,027     | 322,500     | 322,500     |

This represents the minimum deposit with the Central Bank of Nigeria in accordance with the provision of section 9(1) and 10(3) of the Insurance Act, CAP I 17, LFN 2004.

The statutory deposit for International Energy Insurance Company Limited represents 50% of the minimum capital of the Company deposited into an escrow account in 2009 as part of the conditions required by the National Insurance Commission (NIC), Ghana for granting Insurance license to 'the company'. The instrument is carried at purchase amount plus any accrued interest and the deposits is not available for day to day running of the company.

|                                                | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| 17 <b>Insurance contracts liabilities</b>      |                                       |                                       |                                         |                                         |
| Reserve for unearned premium (see 'a' below)   | 1,602,366                             | 1,299,839                             | 1,378,110                               | 1,042,974                               |
| Reserve for outstanding claims (see 'b' below) | 2,188,357                             | 1,610,312                             | 1,993,611                               | 1,510,487                               |
|                                                | <u>3,790,723</u>                      | <u>2,910,151</u>                      | <u>3,371,721</u>                        | <u>2,553,461</u>                        |
| Current                                        | 3,790,723                             | 2,910,151                             | 3,371,721                               | 2,553,461                               |
| Non-current                                    | -                                     | -                                     | -                                       | -                                       |
|                                                | <u>3,790,723</u>                      | <u>2,910,151</u>                      | <u>3,371,721</u>                        | <u>2,553,461</u>                        |

The Group's Insurance contract liabilities or balances arising from insurance contracts are primarily unearned premium reserve and outstanding claims reserve. The insurance contract liabilities are carried at Actuarial values at the reporting date.

|                                        |                  |                  |                  |                  |
|----------------------------------------|------------------|------------------|------------------|------------------|
| (a) <b>Reserve for unexpired risks</b> | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     |
| Fire                                   | 259,548          | 88,402           | 155,531          | 70,933           |
| Motor                                  | 470,679          | 340,505          | 378,150          | 273,217          |
| General accident                       | 184,331          | 72,758           | 160,386          | 58,380           |
| Marine                                 | 105,186          | 89,828           | 101,421          | 72,077           |
| Oil and gas                            | 575,505          | 701,986          | 575,505          | 563,264          |
| Workmen compensation                   | 7,117            | 6,360            | 7,117            | 5,103            |
|                                        | <u>1,602,366</u> | <u>1,299,839</u> | <u>1,378,110</u> | <u>1,042,974</u> |

(i) *Movement in the unexpired risks account during the year is as follows:*

|                                      |                  |                  |                  |                  |
|--------------------------------------|------------------|------------------|------------------|------------------|
|                                      | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     |
| Balance at the beginning of the year | 1,299,839        | 1,869,515        | 1,042,974        | 1,583,500        |
| Movement during the year             | 416,170          | (569,676)        | 335,136          | (540,526)        |
| Foreign exchange reserves            | (113,643)        | -                | -                | -                |
| Balance at the end of the year       | <u>1,602,366</u> | <u>1,299,839</u> | <u>1,378,110</u> | <u>1,042,974</u> |

|                                           |                  |                  |                  |                  |
|-------------------------------------------|------------------|------------------|------------------|------------------|
| (b) <b>Reserve for outstanding claims</b> | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     |
| Fire                                      | 304,689          | 96,633           | 283,581          | 90,862           |
| General accident                          | 449,792          | 140,085          | 434,315          | 132,795          |
| Marine                                    | 59,925           | 55,026           | 37,327           | 53,616           |
| Motor                                     | 308,650          | 150,750          | 204,235          | 142,400          |
| Oil and gas                               | 648,391          | 509,588          | 648,391          | 478,595          |
| Workmen compensation                      | 64,353           | 12,615           | 45,770           | 11,733           |
|                                           | <u>1,835,800</u> | <u>964,697</u>   | <u>1,653,619</u> | <u>910,001</u>   |
| Gross IBNR                                | 352,557          | 645,615          | 339,992          | 600,486          |
|                                           | <u>2,188,357</u> | <u>1,610,312</u> | <u>1,993,611</u> | <u>1,510,487</u> |

|                                                                                              |                  |                  |                  |                  |
|----------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| (i) <i>The movement in the reserve for outstanding claims during the year is as follows:</i> | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     |
| Balance at the beginning of the year                                                         | 1,610,312        | 932,803          | 1,510,487        | 815,059          |
| Movement during the year                                                                     | 653,894          | 677,509          | 483,124          | 695,428          |
| Foreign exchange reserve                                                                     | (75,849)         | -                | -                | -                |
| Balance at the end of the year                                                               | <u>2,188,357</u> | <u>1,610,312</u> | <u>1,993,611</u> | <u>1,510,487</u> |

|                                       | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|---------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| 18 <b>Trade payables</b>              |                                       |                                       |                                         |                                         |
| Amounts due to re-insurance companies | 125,561                               | 109,149                               | 50,844                                  | 9,891                                   |
| Amounts due to co-insurance companies | 194,471                               | 181,786                               | -                                       | -                                       |
| Commission payable                    | 124,850                               | -                                     | -                                       | -                                       |
| Deferred commission income            | 5,848                                 | -                                     | -                                       | -                                       |
|                                       | <u>450,730</u>                        | <u>290,935</u>                        | <u>50,844</u>                           | <u>9,891</u>                            |
| Current                               | 450,730                               | 290,935                               | 50,844                                  | 9,891                                   |
| Non-current                           | -                                     | -                                     | -                                       | -                                       |
|                                       | <u>450,730</u>                        | <u>290,935</u>                        | <u>50,844</u>                           | <u>9,891</u>                            |

The carrying amounts of trade payables as at 31 December, 2013 approximate their fair values. Trade payables are derecognised when the obligation under the liability is settled, cancelled or expired.

|                                         |                |                  |                |                |
|-----------------------------------------|----------------|------------------|----------------|----------------|
| 19 <b>Provisions and other payables</b> | N'000          | N'000            | N'000          | N'000          |
| Staff pension                           | 293,419        | 216,478          | 293,419        | 216,502        |
| Pay-As-You-Earn                         | 29,434         | -                | 29,433         | -              |
| Accruals                                | 39,139         | 505,320          | 39,139         | 365,911        |
| Other creditors - Costain               | 164,603        | 164,602          | 164,604        | 164,604        |
| Other creditors - Coscharis motors      | 16,080         | -                | 16,080         | -              |
| Provision for contingent liabilities    | 68,497         | 68,497           | 68,497         | 68,497         |
| NAICOM Levy                             | 47,826         | 34,765           | 47,826         | 34,765         |
| Sundry creditors                        | 116,193        | 242,732          | 48,935         | 64,060         |
|                                         | <u>775,191</u> | <u>1,232,394</u> | <u>707,933</u> | <u>914,339</u> |
| Current                                 | 775,191        | 1,232,394        | 707,933        | 914,339        |
| Non-current                             | -              | -                | -              | -              |
|                                         | <u>775,191</u> | <u>1,232,394</u> | <u>707,933</u> | <u>914,339</u> |
| 20 <b>Taxation</b>                      | N'000          | N'000            | N'000          | N'000          |
| (a) <b>Per income statement</b>         |                |                  |                |                |
| Income tax                              | -              | 34,733           | -              | -              |
| Education tax                           | 31,365         | -                | 31,365         | -              |
| Minimum tax                             | 8,113          | 20,588           | 8,113          | 20,588         |
| Information technology development levy | 4,777          | -                | 4,777          | -              |
| Deferred taxation (note (i) below)      | (5,430)        | -                | -              | -              |
|                                         | <u>38,825</u>  | <u>55,321</u>    | <u>44,255</u>  | <u>20,588</u>  |
| (b) <b>Per balance sheet</b>            | N'000          | N'000            | N'000          | N'000          |
| Balance at the beginning of the year    | 52,772         | 267,319          | 16,171         | 261,385        |
| Income tax                              | -              | 34,733           | -              | -              |
| Education tax                           | 31,365         | -                | 31,365         | -              |
| Minimum tax                             | 8,113          | 20,588           | 8,113          | 20,588         |
| Information technology taxation         | 4,777          | -                | 4,777          | -              |
| Payments during the year                | -              | (269,868)        | -              | (265,802)      |
| Foreign exchange reserves               | (13,566)       | -                | -              | -              |
| Balance at the end of the year          | <u>83,461</u>  | <u>52,772</u>    | <u>60,426</u>  | <u>16,171</u>  |
| Current                                 | 83,461         | 52,772           | 60,426         | 16,171         |
| Non-current                             | -              | -                | -              | -              |
|                                         | <u>83,461</u>  | <u>52,772</u>    | <u>60,426</u>  | <u>16,171</u>  |

- (i) The amount provided as income tax on the results for the year has been computed on the basis of minimum tax in accordance with the Companies Income Tax Act, CAP C21, LFN 2004 (as amended).
- (ii) Education tax is computed at 2% of assessable profit in line with Education Tax Act CAP E4, LFN 2004 (as amended).

(iii) Information Technology Development levy

The Nigeria Information Technology Development Agency (NITDA) Act was signed into Law on 24 April 2007, Section 12(12a) of the Act stipulates 'that, specified companies contribute 1% of the their profit before tax to the Nigerian Information Technology Development Agency. In line with the Act, the Group has provided for NITDA levy at the balance sheet date.

|                                         | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|-----------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| (c) <b>Deferred tax</b>                 |                                       |                                       |                                         |                                         |
| (i) <b>Deferred tax liabilities</b>     |                                       |                                       |                                         |                                         |
| Balance at the beginning of the year    | 128,675                               | 95,074                                | 128,675                                 | 95,074                                  |
| Provision for the year (note (i) below) | -                                     | -                                     | -                                       | -                                       |
|                                         | 128,675                               | 95,074                                | 128,675                                 | 95,074                                  |
| Capital gains tax                       | -                                     | 33,601                                | -                                       | 33,601                                  |
|                                         | 128,675                               | 128,675                               | 128,675                                 | 128,675                                 |
| Current                                 | -                                     | -                                     | -                                       | -                                       |
| Non-current                             | 128,675                               | 128,675                               | 128,675                                 | 128,675                                 |
|                                         | 128,675                               | 128,675                               | 128,675                                 | 128,675                                 |
| (ii) <b>Deferred tax assets</b>         | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| Balance as the beginning of the year    | 31,299                                | 31,299                                | -                                       | -                                       |
| Addition during the year                | 5,430                                 | -                                     | -                                       | -                                       |
| Foreign exchange reserves               | (12,836)                              | -                                     | -                                       | -                                       |
| Balance as the end of the year          | 23,893                                | 31,299                                | -                                       | -                                       |

21 **Borrowings**

|                                                     | N'000     | N'000     | N'000     | N'000     |
|-----------------------------------------------------|-----------|-----------|-----------|-----------|
| Term loans/ Book overdraft (see'a' below)           | 415,460   | 1,689,760 | 415,460   | 1,689,760 |
| Daewoo Securities - Bond facilities (see 'b' below) | 3,745,300 | 4,265,009 | 3,745,300 | 4,265,009 |
|                                                     | 4,160,760 | 5,954,769 | 4,160,760 | 5,954,769 |
| (a) <b>Term loans/ Book overdraft</b>               | N'000     | N'000     | N'000     | N'000     |
| Term loans (see i,ii,iii below)                     | 350,000   | 1,645,000 | 350,000   | 1,645,000 |
| Book overdrafts                                     | 65,460    | 44,760    | 65,460    | 44,760    |
|                                                     | 415,460   | 1,689,760 | 415,460   | 1,689,760 |
| Current                                             | 65,460    | 44,760    | 65,460    | 44,760    |
| Non-current                                         | 350,000   | 1,645,000 | 350,000   | 1,645,000 |
|                                                     | 415,460   | 1,689,760 | 415,460   | 1,689,760 |

- (i) The Company was granted a working capital facility of N1 billion by Associated Discount House Limited to finance the recapitalisation of IEI Anchor Pension Managers Limited. The facility has been fully repaid as at 31 December 2013
- (ii) The Company obtained a term loan from Pan African Capital Plc. (formerly Spring Capital Plc.) which was secured by way of a negative pledge over the fixed and floating assets of the Company. The original amount of the term loan which was obtained in July 2008 was N500million. Interest accrued on this loan is at the rate of 15% par annum. The facility has been repaid as at 31 December 2013.

- (iii) During the year, the Company obtained a term loan facility of N350,000,000 from Unity Bank Plc for the purpose of enhancing the Company's working capital. The facility was obtained for a tenor of 365 days at a 25% interest rate.

The facility was secured by the following:

- Legal mortgage over landed property situated at plot 294, Jide Oki street off Ligali Ayorinde Street, Victoria Island, Lagos and valued by Messrs, Obi Nwachukwu & Associates (Estate Surveyors & Valuers) valued at N650m (OMV) and N433m (FSV) and N30.5m(RV)
  - Personal Guarantee of two (2) directors of International Energy Insurance Plc supported with a statement of networth.
  - Lien of N100 million term deposit in favour of International Energy Insurance Plc.
- The facility has been repaid subsequent to the year ended 31 December 2013

|                                                                                                                                                                                                                                                                                                                                                                                                                  | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| (iv) <i>The movement in term loans during the year is as follows:</i>                                                                                                                                                                                                                                                                                                                                            |                                       |                                       |                                         |                                         |
| Balance at the beginning of the year                                                                                                                                                                                                                                                                                                                                                                             | 1,645,000                             | 780,000                               | 1,645,000                               | 780,000                                 |
| Additions during the year                                                                                                                                                                                                                                                                                                                                                                                        | 350,000                               | 1,000,000                             | 350,000                                 | 1,000,000                               |
| Accrued interest                                                                                                                                                                                                                                                                                                                                                                                                 | 113,530                               | 107,500                               | 113,530                                 | 107,500                                 |
| Repayment during the year                                                                                                                                                                                                                                                                                                                                                                                        | (1,758,530)                           | (242,500)                             | (1,758,530)                             | (242,500)                               |
| Balance at the end of the year                                                                                                                                                                                                                                                                                                                                                                                   | 350,000                               | 1,645,000                             | 350,000                                 | 1,645,000                               |
|                                                                                                                                                                                                                                                                                                                                                                                                                  | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| (b) Daewoo Securities - Europe Limited (see 'i' below)                                                                                                                                                                                                                                                                                                                                                           | 3,745,300                             | 4,265,009                             | 3,745,300                               | 4,265,009                               |
| (i) <b>Liability due</b>                                                                                                                                                                                                                                                                                                                                                                                         | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| Opening balance as at 1 January                                                                                                                                                                                                                                                                                                                                                                                  | 4,265,009                             | 3,330,613                             | 4,265,009                               | 3,330,613                               |
| Interest at redemption                                                                                                                                                                                                                                                                                                                                                                                           | -                                     | 513,195                               | -                                       | 513,195                                 |
| Default interest                                                                                                                                                                                                                                                                                                                                                                                                 | 288,430                               | 919,028                               | 288,430                                 | 919,028                                 |
| Payment during the year                                                                                                                                                                                                                                                                                                                                                                                          | (808,139)                             | (497,827)                             | (808,139)                               | (497,827)                               |
|                                                                                                                                                                                                                                                                                                                                                                                                                  | 3,745,300                             | 4,265,009                             | 3,745,300                               | 4,265,009                               |
| Current                                                                                                                                                                                                                                                                                                                                                                                                          | -                                     | -                                     | -                                       | -                                       |
| Non-current                                                                                                                                                                                                                                                                                                                                                                                                      | 3,745,300                             | 4,265,009                             | 3,745,300                               | 4,265,009                               |
|                                                                                                                                                                                                                                                                                                                                                                                                                  | 3,745,300                             | 4,265,009                             | 3,745,300                               | 4,265,009                               |
| (a) International Energy Insurance Plc issued a bond valued at 1,850,000,000 Japanese Yen (JPY) to Daewoo Securities (Europe) Limited who have acted as the foreign agent. The bond has a tenor of 20 years commencing on 24 January 2008 and maturing on 23 January, 2028. The bond was issued at a zero coupon interest rate. A premium of 129% of the face value of the bond is payable on the maturity date. |                                       |                                       |                                         |                                         |
| (b) <b>Options</b>                                                                                                                                                                                                                                                                                                                                                                                               |                                       |                                       |                                         |                                         |
| The bond has options to subscribe to the equity of the Company for the period commencing on 25 January 2009 and closing on 24 January 2028. The option rights under clause 3 of the option agreement states that the Naira equivalent value of the bond held shall form the consideration for the shares for which the option rights are being issued.                                                           |                                       |                                       |                                         |                                         |
| (c) <b>Initial fund received</b>                                                                                                                                                                                                                                                                                                                                                                                 |                                       |                                       |                                         |                                         |
| The following fund were received by the Company net of the professional and agency charges:                                                                                                                                                                                                                                                                                                                      |                                       |                                       |                                         |                                         |
|                                                                                                                                                                                                                                                                                                                                                                                                                  | Group<br>JPY'000                      | Group<br>N'000                        | Company<br>JPY'000                      | Company<br>N'000                        |
| Fair value of the bond facility                                                                                                                                                                                                                                                                                                                                                                                  | 1,850,000                             | 2,025,417                             | 1,850,000                               | 2,025,417                               |
| Foreign agency charges                                                                                                                                                                                                                                                                                                                                                                                           | (101,750)                             | (111,143)                             | (101,750)                               | (111,143)                               |
| Amount received by the issuing house                                                                                                                                                                                                                                                                                                                                                                             | 1,748,250                             | 1,914,274                             | 1,748,250                               | 1,914,274                               |
| Issuing house charges                                                                                                                                                                                                                                                                                                                                                                                            | (19,428)                              | (21,270)                              | (19,428)                                | (21,270)                                |
| Net proceeds received                                                                                                                                                                                                                                                                                                                                                                                            | 1,728,822                             | 1,893,004                             | 1,728,822                               | 1,893,004                               |
| 22 <b>Deposit for shares</b>                                                                                                                                                                                                                                                                                                                                                                                     | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| Balance at the beginning of the year                                                                                                                                                                                                                                                                                                                                                                             | 168,874                               | 124,538                               | 142,837                                 | 102,945                                 |
| Additions during the year                                                                                                                                                                                                                                                                                                                                                                                        | 250,924                               | 44,336                                | 250,924                                 | 39,892                                  |
| Foreign exchange reserves                                                                                                                                                                                                                                                                                                                                                                                        | (9,651)                               | -                                     | -                                       | -                                       |
| Balance at the end of the year                                                                                                                                                                                                                                                                                                                                                                                   | 410,147                               | 168,874                               | 393,761                                 | 142,837                                 |

|                                                      | Group<br>31 December<br>2013 | Group<br>31 December<br>2012 | Company<br>31 December<br>2013 | Company<br>31 December<br>2012 |
|------------------------------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Deposit for shares is made by the following persons: |                              |                              |                                |                                |
|                                                      | N'000                        | N'000                        | N'000                          | N'000                          |
| By directors                                         | 260,000                      | 10,000                       | 260,000                        | 10,000                         |
| By staff                                             | 114,401                      | 113,477                      | 114,401                        | 113,477                        |
| By other creditors                                   | 35,846                       | 45,397                       | 19,360                         | 19,360                         |
|                                                      | 410,247                      | 168,874                      | 393,761                        | 142,837                        |

Deposit for share is recognised at cost, being the amount of deposit received from potential shareholders of the Company. The deposit shall be derecognised when the Company's equity instruments have been issued to the depositors or when refund of the deposit is made to the depositors. The Company however plans to allocate shares to the depositors in the year 2014. During the year the Company called for subscription for its shares under a private placement arrangement. An amount of N250million has been received as at 31 December 2013.

|                                                                  | N'000     | N'000     | N'000     | N'000     |
|------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| <b>23 Share capital</b>                                          |           |           |           |           |
| (a) <b>Authorised:</b>                                           |           |           |           |           |
| 5,136,341,957 ordinary shares<br>of 50 kobo each                 | 2,568,171 | 8,500,000 | 2,568,171 | 8,500,000 |
| 1,600,000,000 redeemable preference shares of N2.50<br>kobo each | 4,000,000 | -         | 4,000,000 | -         |

Details of movement in the authorised share capital of the Company from the date of the share reconstruction exercise in 2007 to date is as stated below:

|                                                                 | Authorised<br>Issued units | Unissued<br>units | Total<br>Units | Value<br>N'000 |
|-----------------------------------------------------------------|----------------------------|-------------------|----------------|----------------|
| <b>Before 2007 reconstruction</b>                               | 16,509,671                 | 490,329           | 17,000,000     | 8,500,000      |
| <b>2007 1 for 3 share reconstruction</b>                        | 5,503,224                  | 490,329           | 5,993,553      | 2,996,776      |
| <b>Bonus issue Allotment of 917,203,921 shares</b>              | 6,420,427                  | (426,875)         | 5,993,553      | 2,996,776      |
| <b>Authorised share capital at the beginning of the year</b>    | 6,420,427                  | (426,875)         | 5,993,553      | 2,996,776      |
| <b>2013 1 for 5 share reconstruction</b>                        | 1,284,085                  | (426,875)         | 857,211        | 428,605        |
| <b>Current issue (ordinary) Creation of ordinary shares</b>     | 1,284,085                  | 3,852,256         | 5,136,342      | 2,568,171      |
| <b>Current issue (Preference) Creation of preference shares</b> | 1,600,000                  |                   | 1,600,000      | 4,000,000      |

After the 1 for 5 share reconstruction exercise during the year (See Note 26), the Company applied for and created additional 3,852,356,467 ordinary shares of 50 kobo each and 1,600,000,000 preference shares of N2.50 each as at 31 December 2013. This application was filed with Corporate Affairs Commission and a certificate of increase in share capital was issued on 17 January 2014. The additional ordinary shares and the preference shares are yet to be issued.

|                                                 | 2013<br>N'000 | 2012<br>N'000 | 2013<br>N'000 | 2012<br>N'000 |
|-------------------------------------------------|---------------|---------------|---------------|---------------|
| <b>(b) Issued and fully paid:</b>               |               |               |               |               |
| 1,284,085,489 ordinary shares of<br>50kobo each | 642,043       | 3,210,214     | 642,043       | 3,210,214     |

|                                                                                                                                                                                                                                         | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| <i>Movement in issued share capital</i>                                                                                                                                                                                                 |                                       |                                       |                                         |                                         |
| Balance at the beginning of the year                                                                                                                                                                                                    | 3,210,214                             | 3,210,214                             | 3,210,214                               | 3,210,214                               |
| Transfer to capital reserves (Note 26a)                                                                                                                                                                                                 | (2,568,171)                           | -                                     | (2,568,171)                             | -                                       |
| Balance at the end of the year                                                                                                                                                                                                          | 642,043                               | 3,210,214                             | 642,043                                 | 3,210,214                               |
| <b>24 <u>Share premium</u></b>                                                                                                                                                                                                          | <b>N'000</b>                          | <b>N'000</b>                          | <b>N'000</b>                            | <b>N'000</b>                            |
| Balance at the beginning and end of the year                                                                                                                                                                                            | 963,097                               | 963,097                               | 963,097                                 | 963,097                                 |
| <b>25 <u>Statutory contingency reserve</u></b>                                                                                                                                                                                          | <b>N'000</b>                          | <b>N'000</b>                          | <b>N'000</b>                            | <b>N'000</b>                            |
| Balance at the beginning of the year                                                                                                                                                                                                    | 1,073,337                             | 872,068                               | 994,084                                 | 813,421                                 |
| Transfer from revenue reserve (note 30)                                                                                                                                                                                                 | 173,238                               | 206,069                               | 150,371                                 | 180,663                                 |
| Non-controlling interest                                                                                                                                                                                                                | (5,945)                               | (4,800)                               | -                                       | -                                       |
| Balance at the end of the year                                                                                                                                                                                                          | 1,240,630                             | 1,073,337                             | 1,144,455                               | 994,084                                 |
| This represents a provision made from reserves being the higher of 3% of gross premium or 20% of profit on ordinary activities after taxation, in accordance with the provisions of section 21 of the Insurance Act, CAP I17, LFN 2004. |                                       |                                       |                                         |                                         |
| <b>26 <u>Capital reserve</u></b>                                                                                                                                                                                                        | <b>N'000</b>                          | <b>N'000</b>                          | <b>N'000</b>                            | <b>N'000</b>                            |
| Balance at the beginning and end of the year                                                                                                                                                                                            | 5,503,223                             | 5,503,223                             | 5,503,223                               | 5,503,223                               |
| Transfer from share capital (Note a)                                                                                                                                                                                                    | 2,568,171                             | -                                     | 2,568,171                               | -                                       |
| Share reconstruction expenses                                                                                                                                                                                                           | (144,996)                             | -                                     | (144,996)                               | -                                       |
|                                                                                                                                                                                                                                         | 7,926,398                             | 5,503,223                             | 7,926,398                               | 5,503,223                               |

- (a) By an Extraordinary General Meeting of the Company held on the 28th of June 2012, the shareholders of the Company passed the following resolutions:
- that the 6,420,427,449 issued shares of 50kobo each in the capital of the Company be consolidated into 1,284,085,489 ordinary shares of 50kobo each by the cancellation of 5,136,341,959 ordinary shares of 50 kobo each
  - that the restructured shares be allotted to shareholders whose names appear in the Register of Members as at 17th day of June 2012 as fully paid in the ratio of 1 ordinary share for every 5 ordinary shares held.
  - that the sum of N2,568,170,979 representing the surplus nominal value arising from the share reconstruction exercise be and is hereby transferred to the capital reserve account to form part of the shareholders fund of the Company.
  - The the restructured 1,284,085,489 ordinary shares of 50 kobo each be revalued to ensure that there is no loss of value to the shareholders as a result of the share reconstruction.

The share reconstruction exercise was sanctioned by the Federal High Court on the 26 April 2013

|                                                                                                                                                                                                                       | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>27 <u>Property, plant and equipment revaluation reserve</u></b>                                                                                                                                                    |                                       |                                       |                                         |                                         |
| Balance at the beginning of the year (see 'a' below)                                                                                                                                                                  | 302,407                               | -                                     | 302,407                                 | -                                       |
| Transfer from fixed assets:                                                                                                                                                                                           |                                       |                                       |                                         |                                         |
| -cost ( Note 15)                                                                                                                                                                                                      | -                                     | (1,563,033)                           | -                                       | (1,563,033)                             |
| -accumulated depreciation ( Note 15)                                                                                                                                                                                  | -                                     | 196,041                               | -                                       | 196,041                                 |
| Revaluation amount (note 15)                                                                                                                                                                                          | -                                     | 1,703,000                             | -                                       | 1,703,000                               |
| Gross revaluation surplus                                                                                                                                                                                             | 302,407                               | 336,008                               | 302,407                                 | 336,008                                 |
| Capital Gain Tax (See note 20(c))                                                                                                                                                                                     | -                                     | (33,601)                              | -                                       | (33,601)                                |
| Net revaluation surplus at the end of the year                                                                                                                                                                        | 302,407                               | 302,407                               | 302,407                                 | 302,407                                 |
| <b>28 <u>Available-for-sale financial assets revaluation reserve</u></b>                                                                                                                                              |                                       |                                       |                                         |                                         |
|                                                                                                                                                                                                                       | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| Balance at the beginning of the year                                                                                                                                                                                  | 9,708                                 | -                                     | 9,708                                   | -                                       |
| Fair value gain on available-for-sale                                                                                                                                                                                 | -                                     | 39,885                                | -                                       | 39,885                                  |
| Fair value loss on available-for-sale (note 7b)                                                                                                                                                                       | (8,476)                               | -                                     | (8,476)                                 | -                                       |
| Fair value gain realised on Available-for-sale financial assets disposed transferred to profit or loss (note 39)                                                                                                      | -                                     | (30,177)                              | -                                       | (30,177)                                |
| Balance at the end of the year                                                                                                                                                                                        | 1,232                                 | 9,708                                 | 1,232                                   | 9,708                                   |
| Equity revaluation reserve includes the net accumulated changes in the fair value of available-for-sale financial asset until the investment is derecognized or impaired.                                             |                                       |                                       |                                         |                                         |
| <b>29 <u>Foreign currency revaluation reserve</u></b>                                                                                                                                                                 |                                       |                                       |                                         |                                         |
|                                                                                                                                                                                                                       | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| Balance at the beginning of the year                                                                                                                                                                                  | (144,749)                             | (134,003)                             | -                                       | -                                       |
| Foreign exchange movement during the year                                                                                                                                                                             | 86,922                                | (10,746)                              | -                                       | -                                       |
| Balance at the end of the year                                                                                                                                                                                        | (57,827)                              | (144,749)                             | -                                       | -                                       |
| This represents the accumulated foreign exchange loss incurred by the group from the conversion of operation of IEI Ghana Limited (a foreign subsidiary) denominated in 'cedis' to 'naira' (the functional currency). |                                       |                                       |                                         |                                         |
| <b>30 <u>Revenue reserve</u></b>                                                                                                                                                                                      |                                       |                                       |                                         |                                         |
|                                                                                                                                                                                                                       | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| Balance at the beginning of the year:                                                                                                                                                                                 | (10,524,082)                          | (9,911,153)                           | (10,584,122)                            | (9,595,813)                             |
| Transfer from statement of comprehensive income                                                                                                                                                                       | 66,384                                | (406,860)                             | 433,490                                 | (807,646)                               |
| Transfer to contingency reserve (Note 25)                                                                                                                                                                             | (173,238)                             | (206,069)                             | (150,371)                               | (180,663)                               |
| Balance at the end of the year                                                                                                                                                                                        | (10,630,935)                          | (10,524,082)                          | (10,301,003)                            | (10,584,122)                            |
| <b>31 <u>Non-controlling interest</u></b>                                                                                                                                                                             |                                       |                                       |                                         |                                         |
|                                                                                                                                                                                                                       | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| Share capital                                                                                                                                                                                                         | 33,112                                | 33,112                                | -                                       | -                                       |
| Contingency reserves                                                                                                                                                                                                  | 12,134                                | 6,189                                 | -                                       | -                                       |
| Foreign exchange reserves                                                                                                                                                                                             | (10,281)                              | (7,237)                               | -                                       | -                                       |
| Retained earnings                                                                                                                                                                                                     | (79,423)                              | (26,607)                              | -                                       | -                                       |
|                                                                                                                                                                                                                       | (44,458)                              | 5,456                                 | -                                       | -                                       |

Non-controlling interests represent 5% holding of IEI Ghana Limited.

Movement in Non-controlling interest is as analysed below

|                           | 31 December<br>2012<br>N'000 | Movement<br>during the year<br>N'000 | 31 December<br>2013<br>N'000 |
|---------------------------|------------------------------|--------------------------------------|------------------------------|
| Share capital             | 33,112                       | -                                    | 33,112                       |
| Contingency reserves      | 6,189                        | 5,945                                | 12,134                       |
| Foreign exchange reserves | (7,237)                      | (3,044)                              | (10,281)                     |
| Retained earnings         | (26,608)                     | (52,815)                             | (79,423)                     |
|                           | 5,456                        | (49,914)                             | (44,458)                     |

|                                                 | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|-------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>32 <u>Gross premium written</u></b>          |                                       |                                       |                                         |                                         |
| Direct Premium                                  | 5,757,714                             | 6,963,224                             | 4,995,489                               | 6,012,986                               |
| Inward Premium                                  | 16,871                                | 9,119                                 | 16,871                                  | 9,119                                   |
| <b>Gross Premium Written</b>                    | <b>5,774,585</b>                      | <b>6,972,343</b>                      | <b>5,012,360</b>                        | <b>6,022,105</b>                        |
| <b><u>Gross premium income</u></b>              | <b>N'000</b>                          | <b>N'000</b>                          | <b>N'000</b>                            | <b>N'000</b>                            |
| Unearned premium brought forward                | 1,299,839                             | 1,869,515                             | 1,042,974                               | 1,583,500                               |
| Premium written during the year                 | 5,774,585                             | 6,972,343                             | 5,012,360                               | 6,022,105                               |
|                                                 | 7,074,424                             | 8,841,858                             | 6,055,334                               | 7,605,605                               |
| Unearned premium carried forward (see note 17a) | (1,602,366)                           | (1,299,839)                           | (1,378,110)                             | (1,042,974)                             |
| Foreign exchange reserves                       | (113,643)                             | -                                     | -                                       | -                                       |
|                                                 | <b>5,358,415</b>                      | <b>7,542,019</b>                      | <b>4,677,224</b>                        | <b>6,562,631</b>                        |

Gross premium income represents the total premium that the Group realised for the year. The portion of the premium related to the unexpired portion of the policy at the end of the fiscal year is reflected in unearned premiums.

|                                             | N'000            | N'000            | N'000          | N'000            |
|---------------------------------------------|------------------|------------------|----------------|------------------|
| <b>33 <u>Reinsurance expenses</u></b>       |                  |                  |                |                  |
| Outward Reinsurance                         | 1,153,636        | 1,190,912        | 996,481        | 1,013,892        |
| Increase/(decrease) in prepaid re-insurance | -                | -                | -              | -                |
|                                             | <b>1,153,636</b> | <b>1,190,912</b> | <b>996,481</b> | <b>1,013,892</b> |

Reinsurance expenses represent outward premium paid to reinsurance companies.

|                                    | N'000   | N'000   | N'000  | N'000   |
|------------------------------------|---------|---------|--------|---------|
| <b>34 <u>Commission income</u></b> |         |         |        |         |
| Commission income                  | 129,210 | 106,780 | 97,082 | 106,780 |

Commission income represents commission received on transactions ceded to reinsurance during the year under review

|                                                  | N'000            | N'000            | N'000            | N'000            |
|--------------------------------------------------|------------------|------------------|------------------|------------------|
| <b>35 <u>Claims expenses</u></b>                 |                  |                  |                  |                  |
| Gross claims paid                                | 1,578,765        | 1,063,215        | 1,416,549        | 923,499          |
| Increase in outstanding claims (see note 17b(i)) | 653,894          | 677,509          | 483,124          | 695,428          |
| Gross claims incurred                            | 2,232,659        | 1,740,724        | 1,899,673        | 1,618,927        |
| Change in re-insurance assets                    | (883,785)        | (84,985)         | (849,990)        | (84,985)         |
| Net claims incurred                              | <b>1,348,874</b> | <b>1,655,739</b> | <b>1,049,683</b> | <b>1,533,942</b> |

Claims expenses incurred consist of claims and claims handling expenses paid by the Group during the financial year together with the movement in the provision for outstanding claims.

|                                             | N'000          | N'000            | N'000          | N'000            |
|---------------------------------------------|----------------|------------------|----------------|------------------|
| <b>36 <u>Acquisition cost</u></b>           |                |                  |                |                  |
| Deferred acquisition cost b/f               | 213,390        | 241,071          | 165,003        | 241,071          |
| Commission for the year                     | 746,493        | 1,087,308        | 629,845        | 997,812          |
| Gross commission                            | 959,883        | 1,328,379        | 794,848        | 1,238,883        |
| Deferred acquisition cost c/f (see note 11) | (199,676)      | (213,390)        | (152,919)      | (165,003)        |
| Foreign exchange reserves                   | (17,935)       | -                | -              | -                |
|                                             | <b>742,272</b> | <b>1,114,989</b> | <b>641,929</b> | <b>1,073,880</b> |

The acquisition expenses are those expenses incurred in obtaining and reviewing insurance contracts. These expenses include commissions or brokerage paid to agents or brokers and indirect expenses such as salaries of underwriting staff.

|                                   | N'000   | N'000   | N'000   | N'000   |
|-----------------------------------|---------|---------|---------|---------|
| <b>37 <u>Maintenance cost</u></b> |         |         |         |         |
| Maintenance expenses              | 336,922 | 398,680 | 336,922 | 398,680 |

These are underwriting expenses incurred in servicing existing policies or contract. The costs include, but are not limited to, supervisory levy, superintending fees and other technical expenses.

|                                                                                    |                  |                  |                  |                  |
|------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| <b>38 Investment income</b>                                                        | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     |
| Short term investment income                                                       | 37,285           | 33,486           | 37,285           | 25,407           |
| Interest on bank and statutory deposit                                             | 53,831           | 37,612           | 47,175           | 37,597           |
| Profit on disposal of Available-for-sale financial assets                          | 2,082            | 135,768          | 2,082            | 135,768          |
| Interest on FGN Treasury bill                                                      | 54,726           | 8,227            | 46,606           | 8,227            |
| Dividend income                                                                    | 273              | 2,308            | 273              | 2,308            |
| Net fair value gain on Held for trading investments (Note 7a)                      | 14,450           | 27,892           | 14,450           | 27,892           |
|                                                                                    | <b>162,647</b>   | <b>245,293</b>   | <b>147,871</b>   | <b>237,199</b>   |
| <b>Allocation</b>                                                                  |                  |                  |                  |                  |
| Attributable to policy holders                                                     | 160,292          | 79,325           | 145,516          | 71,231           |
| Attributable to shareholders                                                       | 2,355            | 138,076          | 2,355            | 138,076          |
|                                                                                    | <b>162,647</b>   | <b>217,401</b>   | <b>147,871</b>   | <b>209,307</b>   |
| <b>39 Other income</b>                                                             | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     | <b>N'000</b>     |
| Provision for MBO debt recovered (note 7b(iv))                                     | 1,000,000        | 240,000          | 1,000,000        | 240,000          |
| Allowance for impairment of staff receivables recovered (Note 9 b(i))              | 114,237          | -                | 114,237          | -                |
| impairment recovered on available-for-sale financial assets disposed (note 7b,xi)  | -                | 6,011            | -                | 6,011            |
| Allowance for impairment of receivables recovered                                  | -                | 280,170          | -                | -                |
| Allowance for impairment on cash and bank recovered (note 6a)                      | 544              | -                | 544              | -                |
| Allowance for impairment on short term investments recovered (note 6b)             | 6,859            | -                | 6,859            | -                |
| Allowance for impairment on other receivables recovered (Note 9a(ii))              | 500,000          | 642,137          | 500,000          | 642,137          |
| Fair value gain on investment properties (see note 13)                             | -                | 91,044           | -                | 91,044           |
| Fair value gain realised on Available-for-sale financial assets disposed (note 28) | -                | 30,177           | -                | 30,177           |
| Interest on current account                                                        | 1                | -                | -                | -                |
| Profit on disposal of property, plant and equipment                                | 3,031            | 41,127           | 3,031            | 41,127           |
| Unrealised exchange gain                                                           | 38,014           | 7,769            | 38,014           | 7,769            |
| Bad debt recovered                                                                 | 104,252          | -                | 69,930           | -                |
| Allowance for impairment on investment property no longer required (note 13)       | 798,389          | -                | 798,389          | -                |
| Profit on disposal of held for trading investments                                 | 33,286           | -                | 33,286           | -                |
| Sundry and other income                                                            | 182,729          | 54,266           | 3,887            | -                |
|                                                                                    | <b>2,781,342</b> | <b>1,392,701</b> | <b>2,568,177</b> | <b>1,058,265</b> |

|                                                             | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|-------------------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>40 Management expenses</b>                               |                                       |                                       |                                         |                                         |
| Personnel cost                                              | 1,436,131                             | 1,320,110                             | 1,251,100                               | 1,048,946                               |
| Directors emoluments                                        | 166,899                               | 108,532                               | 107,967                                 | 63,895                                  |
| Auditors remuneration                                       | 14,650                                | 14,369                                | 10,000                                  | 9,350                                   |
| Depreciation                                                | 219,053                               | 111,967                               | 198,151                                 | 84,989                                  |
| Amortisation                                                | 1,949                                 | 1,346                                 | 1,079                                   | 1,079                                   |
| Bad debts written off                                       | 501,518                               | 101,885                               | -                                       | -                                       |
| Legal and other professional fees                           | 340,155                               | 536,261                               | 340,156                                 | 523,076                                 |
| Motor running expenses                                      | 62,929                                | 76,213                                | 62,929                                  | 54,639                                  |
| Subscription and donations                                  | 36,579                                | 55,063                                | 36,579                                  | 54,839                                  |
| Corporate gift and miscellaneous                            | 88,080                                | 30,628                                | 88,080                                  | 20,404                                  |
| Exchange loss                                               | -                                     | 170,745                               | -                                       | 170,745                                 |
| Repairs and maintenance                                     | 30,848                                | 30,307                                | 30,848                                  | 25,216                                  |
| Rent and rates                                              | 52,138                                | 44,351                                | 52,138                                  | 33,311                                  |
| Postage and telephone                                       | 13,648                                | 16,640                                | 13,648                                  | 11,636                                  |
| Transport and travelling                                    | 67,457                                | 52,722                                | 67,457                                  | 45,278                                  |
| Advertisements                                              | 17,951                                | 41,574                                | 17,951                                  | 23,681                                  |
| AGM Expenses                                                | 9,048                                 | 13,051                                | 9,048                                   | 9,977                                   |
| Printing and stationery                                     | 20,906                                | 25,903                                | 20,906                                  | 23,501                                  |
| Security expenses                                           | 10,574                                | 13,602                                | 10,574                                  | 13,488                                  |
| Oil and Diesel                                              | 32,473                                | 37,912                                | 32,473                                  | 36,594                                  |
| Insurance and license                                       | 19,304                                | 19,826                                | 19,304                                  | 5,908                                   |
| State and local government levy                             | 83,460                                | 14,462                                | 83,460                                  | 14,462                                  |
| NAICOM Levy                                                 | 47,826                                | -                                     | 47,826                                  | -                                       |
| Fair value loss on available for sale investments (Note 7a) | 104,777                               | -                                     | 104,777                                 | -                                       |
| Other operating expenses                                    | 272,852                               | 414,048                               | 153,472                                 | 32,453                                  |
|                                                             | <b>3,651,204</b>                      | <b>3,251,517</b>                      | <b>2,759,923</b>                        | <b>2,307,468</b>                        |

Management expenses are accounted for on accrual basis and recognized in the consolidated income statement upon utilization of the services or at the date of their origin.

|                                                    | N'000          | N'000            | N'000          | N'000            |
|----------------------------------------------------|----------------|------------------|----------------|------------------|
| <b>41 Finance expense</b>                          |                |                  |                |                  |
| Interest on loans and overdraft                    | 120,295        | 152,500          | 120,295        | 152,500          |
| Interest due on redemption (See (a) below)         | -              | 310,063          | -              | 310,063          |
| Default interest on Daewoo facility (see note 21d) | 288,430        | 919,028          | 288,430        | 919,028          |
|                                                    | <b>408,725</b> | <b>1,381,591</b> | <b>408,725</b> | <b>1,381,591</b> |
| Bank charges                                       | -              | 40,610           | -              | 40,610           |
|                                                    | <b>408,725</b> | <b>1,422,201</b> | <b>408,725</b> | <b>1,422,201</b> |

(a) Interest due on redemption represents interest due on bond issued by the Company to Daewoo Securities (Europe) Limited valued at 1,850,000,000 Japanese Yen (JPY).

(b) Default interest on Daewoo facility represents the additional interest charge booked on the loan liability during the year.

|                                                       | N'000          | N'000          | N'000          | N'000            |
|-------------------------------------------------------|----------------|----------------|----------------|------------------|
| <b>42 Allowances for impairment of other assets</b>   |                |                |                |                  |
| Impairment allowance of short term deposits (note 6e) | 214,878        | 13,932         | 214,878        | 13,932           |
| Provision for premium debtors (note 8a)               | 396,070        | 274,979        | 396,070        | 274,979          |
| impairment of due from related parties (Note 9a(iii)) | -              | 59,500         | -              | 59,500           |
| impairment of receivable from staff (Note 9b(i))      | 123,281        | 123,366        | 123,281        | 123,366          |
| impairment of other receivable (Note 9c(iii))         | 3,357          | 129,632        | 3,357          | 129,632          |
| impairment of investments in subsidiary (Note 12a)    | -              | -              | 81,360         | 400,461          |
|                                                       | <b>737,586</b> | <b>601,409</b> | <b>818,946</b> | <b>1,001,870</b> |

|                                                                                                                                                                                                   | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>43 Profit before taxation</b>                                                                                                                                                                  |                                       |                                       |                                         |                                         |
| (i) Profit before taxation is arrived at after charging:                                                                                                                                          |                                       |                                       |                                         |                                         |
| Depreciation of property, plant and equipment                                                                                                                                                     | 219,053                               | 111,967                               | 198,151                                 | 84,989                                  |
| Amortisation of intangible asset                                                                                                                                                                  | 1,949                                 | 1,346                                 | 1,079                                   | 1,079                                   |
| Directors' remuneration                                                                                                                                                                           | 166,899                               | 108,532                               | 107,967                                 | 63,895                                  |
| Auditors' fees                                                                                                                                                                                    | 14,650                                | 14,369                                | 10,000                                  | 9,350                                   |
| <b>and after crediting:</b>                                                                                                                                                                       |                                       |                                       |                                         |                                         |
| Profit on disposal of property, plant and equipment                                                                                                                                               | 3,031                                 | 41,127                                | 3,031                                   | 41,127                                  |
| Unrealised exchange gain                                                                                                                                                                          | 38,014                                | 7,769                                 | 38,014                                  | 7,769                                   |
| (ii) <b>Emoluments of Directors and employees</b>                                                                                                                                                 |                                       |                                       |                                         |                                         |
| The aggregate emoluments of the directors were:                                                                                                                                                   | N'000                                 | N'000                                 | N'000                                   | N'000                                   |
| (a) Fees                                                                                                                                                                                          | 36,000                                | 36,000                                | 36,000                                  | 36,000                                  |
| Other emoluments                                                                                                                                                                                  | -                                     | -                                     | -                                       | -                                       |
|                                                                                                                                                                                                   | 36,000                                | 36,000                                | 36,000                                  | 36,000                                  |
| (b) The emoluments of the Chairman                                                                                                                                                                |                                       |                                       |                                         |                                         |
| Chairman's fees                                                                                                                                                                                   | 6,000                                 | -                                     | 6,000                                   | -                                       |
| (c) The emoluments (excluding pension contributions) of the Chairman                                                                                                                              | -                                     | -                                     | -                                       | -                                       |
| (d) The table below shows the numbers of directors of the Company whose remunerations excluding pension contributions (in respect of services to the Company) fell within the ranges shown below: |                                       |                                       |                                         |                                         |
|                                                                                                                                                                                                   | Number                                | Number                                | Number                                  | Number                                  |
| 1,000,000 - 5,000,000                                                                                                                                                                             | -                                     | -                                     | -                                       | -                                       |
| 5,000,001 - 10,000,000                                                                                                                                                                            | 6                                     | 6                                     | 6                                       | 6                                       |
| 10,000,001 - 15,000,000                                                                                                                                                                           | 1                                     | 1                                     | 1                                       | 1                                       |
| 15,000,001 - 25,000,000                                                                                                                                                                           | -                                     | -                                     | -                                       | -                                       |
| 25,000,001 - 35,000,000                                                                                                                                                                           | -                                     | -                                     | -                                       | -                                       |
| (e) <b>Staff number and costs</b>                                                                                                                                                                 |                                       |                                       |                                         |                                         |
| The average number of persons employed (excluding directors) in the Company during the year was as follows:                                                                                       |                                       |                                       |                                         |                                         |
|                                                                                                                                                                                                   | Number                                | Number                                | Number                                  | Number                                  |
| Administration                                                                                                                                                                                    | 81                                    | 86                                    | 74                                      | 79                                      |
| Technical                                                                                                                                                                                         | 148                                   | 151                                   | 138                                     | 141                                     |
| General services                                                                                                                                                                                  | 224                                   | 226                                   | 86                                      | 88                                      |
|                                                                                                                                                                                                   | 453                                   | 463                                   | 298                                     | 308                                     |

|                                                               | Group<br>2013<br>N'000 | Group<br>2012<br>N'000 | Company<br>2013<br>N'000 | Company<br>2012<br>N'000 |
|---------------------------------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| The aggregate payroll costs of these persons were as follows: |                        |                        |                          |                          |
| Staff costs (see 'g' below)                                   | 1,436,131              | 1,320,110              | 1,251,100                | 1,048,946                |

- (f) The table below shows the number of employees of the Company who earned over N60,000 in the year and which fell within the bands stated:

| N                      | N                      | Number | Number | Number | Number |
|------------------------|------------------------|--------|--------|--------|--------|
| 500,001 - 600,000      | 600,001 - 1,000,000    | 57     | 102    | 35     | 80     |
| 600,001 - 1,000,000    | 1,000,001 - 2,000,000  | 56     | 26     | 54     | 24     |
| 1,000,001 - 2,000,000  | 2,000,001 - 3,000,000  | 76     | 95     | 23     | 42     |
| 2,000,001 - 3,000,000  | 3,000,001 - 4,000,000  | 70     | 64     | 51     | 45     |
| 3,000,001 - 4,000,000  | 4,000,001 - 5,000,000  | 68     | 91     | 35     | 58     |
| 4,000,001 - 5,000,000  | 5,000,001 - 8,000,000  | 41     | 55     | 30     | 44     |
| 5,000,001 - 8,000,000  | 8,000,001 - 10,000,000 | 60     | 10     | 60     | 10     |
| 8,000,001 - 10,000,000 | and above              | 6      | 3      | 4      | 1      |
| 10,000,001 - and above |                        | 19     | 17     | 6      | 4      |
|                        |                        | 453    | 463    | 298    | 308    |

| (g) Staff costs         | N'000     | N'000     | N'000     | N'000     |
|-------------------------|-----------|-----------|-----------|-----------|
| Wages and salaries      | 1,134,751 | 1,190,683 | 949,720   | 926,519   |
| Medical                 | 37,485    | 38,301    | 37,485    | 31,301    |
| Staff training          | 37,294    | 22,285    | 37,294    | 22,285    |
| Pension (see 'h' below) | 226,601   | 68,841    | 226,601   | 68,841    |
|                         | 1,436,131 | 1,320,110 | 1,251,100 | 1,048,946 |

| (h) Pension                          | N'000     | N'000    | N'000     | N'000    |
|--------------------------------------|-----------|----------|-----------|----------|
| Balance at the beginning of the year | 216,478   | 210,557  | 216,502   | 210,581  |
| Provision during the year            | 226,601   | 68,841   | 226,601   | 68,841   |
| Payment during the year              | (149,660) | (62,920) | (149,684) | (62,920) |
| Balance at the end of the year       | 293,419   | 216,478  | 293,419   | 216,502  |

#### 44 Basic earnings/(loss) per ordinary share

- (a) Basic earnings/(loss) per share is calculated by dividing the results attributable to shareholders by the weighted average number of ordinary shares in issue and ranking for dividend.

|                                                                            | N'000     | N'000     | N'000     | N'000     |
|----------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| Earnings/(loss) for the year attributable to shareholders                  | 66,384    | (406,860) | 433,490   | (807,646) |
|                                                                            | Unit      | Unit      | Unit      | Unit      |
| Weighted average number of ordinary shares of 50 kobo each in issue ('000) | 1,284,085 | 6,420,427 | 1,284,085 | 6,420,427 |
| Basic earnings/(loss) per share (kobo)                                     | 5.17      | (6.34)    | 33.76     | (12.58)   |

#### (b) Adjusted earnings/(loss) per share

|                                                                            |           |           |           |           |
|----------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| Earnings/(Loss) for the year attributable to shareholders                  | 66,384    | (406,860) | 433,490   | (807,646) |
|                                                                            | Unit      | Unit      | Unit      | Unit      |
| Weighted average number of ordinary shares of 50 kobo each in issue ('000) | 1,284,085 | 1,284,085 | 1,284,085 | 1,284,085 |
|                                                                            | 5.17      | (31.68)   | 33.76     | (62.90)   |

45 **Reconciliation of loss after tax to net cash provided by operating activities**

|                                                                                        | Group<br>31 December<br>2013<br>N'000 | Group<br>31 December<br>2012<br>N'000 | Company<br>31 December<br>2013<br>N'000 | Company<br>31 December<br>2012<br>N'000 |
|----------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| Profit/(loss) after tax                                                                | 66,384                                | (406,860)                             | 433,490                                 | (807,646)                               |
| <b>Adjustments to reconcile net loss to net cash provided by operating activities:</b> |                                       |                                       |                                         |                                         |
| Depreciation                                                                           | 219,053                               | 111,967                               | 198,151                                 | 84,989                                  |
| Amortisation of intangible assets                                                      | 1,949                                 | 1,346                                 | 1,079                                   | 1,079                                   |
| Interest on loan                                                                       | 401,960                               | -                                     | 401,960                                 | -                                       |
| Profit on disposal of Available-for-sale financial assets                              | (2,082)                               | (135,768)                             | (2,082)                                 | (135,768)                               |
| Profit on disposal of property, plant and equipment                                    | (3,031)                               | (41,127)                              | (3,031)                                 | (41,127)                                |
| Profit on disposal of held for trading financial assets                                | (33,286)                              | -                                     | (33,286)                                | -                                       |
| Held for trading financial assets written off                                          | 49,606                                |                                       | 49,606                                  |                                         |
| Provision for trade receivables                                                        | -                                     | (5,191)                               | -                                       | 274,979                                 |
| Revaluation surplus on Investment Properties                                           | -                                     | (91,044)                              | -                                       | (91,044)                                |
| Fair value gain on Held-for-trading financial assets                                   | (14,450)                              | (27,892)                              | (14,450)                                | (27,892)                                |
| Fair value loss on Available-for-sale financial assets                                 | 255,263                               | -                                     | 255,263                                 | -                                       |
| Impairment on investment in subsidiaries                                               | -                                     | -                                     | 81,360                                  | 400,461                                 |
| Impairment of Available-for-sale financial assets                                      | -                                     | (45,896)                              | -                                       | (45,896)                                |
| Revaluation surplus on Property, plant and equipment                                   | -                                     | (336,008)                             | -                                       | (336,008)                               |
| Property revaluation reserve                                                           | -                                     | 302,407                               | -                                       | 302,407                                 |
| Available-for-sale financial assets revaluation reserve                                | -                                     | 9,708                                 | -                                       | 9,708                                   |
| Foreign currency revaluation reserve                                                   | 145,821                               | (10,746)                              | -                                       | -                                       |
| Share reconstruction expenses                                                          | (144,996)                             | -                                     | (144,996)                               | -                                       |
| Allowance for impairment on investment property no longer required                     | (798,389)                             | -                                     | (798,389)                               | -                                       |
| Loss on investment property swap                                                       | 104,777                               | -                                     | 104,777                                 | -                                       |
| Impairment allowance no longer required on MBO receivables                             | (1,000,000)                           | -                                     | (1,000,000)                             | -                                       |
| Non-controlling interest                                                               | (52,815)                              | (35,426)                              | -                                       | -                                       |
| <b>Net cashflow from operating activities before changes in working capital</b>        | <b>(804,236)</b>                      | <b>(710,530)</b>                      | <b>(470,548)</b>                        | <b>(411,758)</b>                        |
| <b>changes in working capital</b>                                                      |                                       |                                       |                                         |                                         |
| Decrease/(increase) in other receivables and prepayments                               | 604,987                               | (368,042)                             | 550,428                                 | (501,491)                               |
| Decrease in deferred acquisition costs                                                 | 13,714                                | 27,681                                | 12,084                                  | 76,068                                  |
| Decrease/(Increase) in deferred tax assets                                             | 7,406                                 | (13,236)                              | -                                       | -                                       |
| Increase in re-insurance assets                                                        | (551,226)                             | (84,985)                              | (551,226)                               | (84,985)                                |
| Decrease/(increase) in trade receivables                                               | 889,115                               | (333,261)                             | 610,544                                 | (507,431)                               |
| Increase in borrowings                                                                 | -                                     | 1,003,288                             | -                                       | 1,003,288                               |
| Increase/(decrease) in trade payables                                                  | 159,795                               | 151,169                               | 40,953                                  | (16,691)                                |
| Increase in insurance contract liabilities                                             | 880,572                               | 107,833                               | 818,260                                 | 154,902                                 |
| Decrease/(increase) in statutory deposit                                               | 9,833                                 | (6,225)                               | -                                       | -                                       |
| Increase/(decrease) in tax payable                                                     | 30,689                                | (180,946)                             | 44,255                                  | (211,613)                               |
| (Decrease)/ increase in provisions and other payables                                  | (457,203)                             | 455,601                               | (206,406)                               | 387,367                                 |
| <b>Cashflow from operating activities</b>                                              | <b>783,446</b>                        | <b>48,348</b>                         | <b>848,344</b>                          | <b>(112,344)</b>                        |

#### 46 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to related items on the statement of financial position as follows:

|                          | 31 December<br>2013<br>N'000 | 31 December<br>2012<br>N'000 | 31 December<br>2013<br>N'000 | 31 December<br>2012<br>N'000 |
|--------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Cash at bank and in hand | 1,021,691                    | 293,602                      | 1,009,028                    | 236,961                      |
| Short term deposit       | 380,031                      | 712,216                      | 310,462                      | 602,281                      |
| Treasury bill            | 38,756                       | 33,455                       | -                            | -                            |
| Bank overdraft           | (65,460)                     | (44,760)                     | (65,460)                     | (44,760)                     |
|                          | <u>1,375,018</u>             | <u>994,513</u>               | <u>1,254,030</u>             | <u>794,482</u>               |

#### 47 Contingency and commitments

There were no commitments to capital expenditure at the statement of financial position date (2012 : Nil).

#### 48 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year in accordance with the International Accounting Standard (IAS) Number 1.

#### 49 Event after reporting period

There were no events after the reporting period which could have a material effect on the financial position of the Company as at 31 December 2013 and profit attributable to equity holders.

#### 50 Related party transactions

##### Transactions with the subsidiary

Transactions between International Energy Insurance Plc and the subsidiary (IEI Ghana Limited) meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

##### Transactions with key management personnel

The Group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with International Energy Insurance plc.

- (a) Related parties include the Board of Directors, the Group Managing Director, Group Finance Director, Management, Director, close family members and companies which are controlled by these individuals.

- (b) Total remuneration of related parties recognised in the profit or loss and other comprehensive income statement are as disclosed in Note 43 (ii) a-d to the financial statements.
- (c) During the year, the Company advanced the sum of N100 million as loan to its related party - IEI Anchor Pension Limited.
- (d) The Company contracted Vine Capital Limited, a related Company to act as an agent for the purchase of motor vehicles. The Motor vehicles are included as part of the Company's property , plant and equipment. Amount due to Vine Capital Limited as at 31 December 2013 is N3,167,698
- (e) During the year, the IEI Plc. conducted transactions with its related companies, IEI Assets Limited/Anchor Pension and also International Energy Company Limited Ghana. The transactions were conducted at arm's length.

#### 51 Guarantees and other financial commitments

- a) The Company has a bank guarantee with Keystone Bank Limited in respect of a loan facility of N747 million obtained by IEI Assets Limited to finance the acquisition of Akpajo Estate in Port Harcourt.
- b) The Company also has a bank guarantee with Fidelity Bank for a loan facility of N250 million obtained by IEI Assets Limited to complete the construction of a 32 unit luxury estate in Ibadan.
- c) The bank guarantees were totally assigned and transferred to Asset Management Corporation of Nigeria (AMCON) by Keystone and Fidelity Banks.
- d) Presently all guarantees have been returned to IEI Plc by AMCON as the indebtedness to the banks have been settled by IEI Assets Limited.

#### 52 Contravention of laws and regulations

- (a) The Company contravened the following sections of 2011 operational guidelines of National Insurance Commission and the Insurance Act 2003:

| Section                                                                                                                                                        | Number of times | Penalty (N'000) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Violation of Section 36 of Insurance Act 2003- Use of unregistered brokers                                                                                     | 1               | 500,000         |
| Violation of investments limits                                                                                                                                | 1               | 500,000         |
| Restatement of 2011 financial statements                                                                                                                       | 1               | 100,000         |
| Non remittance Of 2013 second quarter premium                                                                                                                  | 1               | 500,000         |
| Penalty for late submission of 2012 financial statements                                                                                                       | 1               | 885,000         |
| Exemplary Penalty for connivance with Law Union & Rock to contravene code of ethics and professional misconduct in respect of 2012 Insurance Accounts of NIMET | 1               | 100,000         |



## **APPENDIX TO THE FINANCIAL STATEMENTS**

International Energy Insurance Plc  
Consolidated and Separate Financial Statements, 31 December 2013  
Statement of Value Added - (Group)

|                                                                      | 2013<br>N'000      | %          | 2012<br>N'000      | %           |
|----------------------------------------------------------------------|--------------------|------------|--------------------|-------------|
| Gross premium earned                                                 | 5,358,415          |            | 7,542,019          |             |
| Investment, commission and other income                              | 3,073,199          |            | 1,744,774          |             |
| Re-insurance, claims, commission and services - local                | <u>(6,087,309)</u> |            | <u>(6,576,639)</u> |             |
| Value added                                                          | <u>2,344,305</u>   | <u>100</u> | <u>2,710,154</u>   | <u>100</u>  |
| <b>Applied as follows:</b>                                           |                    |            |                    |             |
| <b>To pay employees:</b>                                             |                    |            |                    |             |
| Salaries, wages and other benefits                                   | 1,436,131          | 61         | 1,320,110          | 49          |
| <b>To pay providers of capital:</b>                                  |                    |            |                    |             |
| Interest expense                                                     | 408,725            | 17         | 1,422,201          | 52          |
| <b>To pay government:</b>                                            |                    |            |                    |             |
| Taxation                                                             | 38,825             | 2          | 55,321             | 2           |
| <b>Retained for replacement of assets and expansion of business:</b> |                    |            |                    |             |
| Depreciation of property, plant and equipment                        | 219,053            | 9          | 111,967            | 4           |
| Amortisation of intangible asset                                     | 1,949              | -          | 1,346              | -           |
| Contingency reserve                                                  | 173,238            | 7          | 206,069            | 8           |
| Profit for the year                                                  | <u>66,384</u>      | <u>3</u>   | <u>(406,860)</u>   | <u>(15)</u> |
|                                                                      | <u>2,344,305</u>   | <u>100</u> | <u>2,710,154</u>   | <u>100</u>  |

Value added represents the additional wealth which the Group has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth between employees, shareholders, government and that retained for the future creation of wealth.

**International Energy Insurance Plc**  
**Consolidated and Separate Financial Statements, 31 December 2013**  
**Statement of Value Added - (Company)**

|                                                                      | <b>2013</b>        |            | <b>2012</b>        |             |
|----------------------------------------------------------------------|--------------------|------------|--------------------|-------------|
|                                                                      | <b>N'000</b>       | <b>%</b>   | <b>N'000</b>       | <b>%</b>    |
| Gross premium earned                                                 | 4,677,224          |            | 6,562,631          |             |
| Investment, commission and other income                              | 2,813,130          |            | 1,402,244          |             |
| Re-insurance, claims, commission and services - local                | <u>(5,003,183)</u> |            | <u>(6,014,055)</u> |             |
| Value added                                                          | <u>2,487,171</u>   | <u>100</u> | <u>1,950,820</u>   | <u>100</u>  |
| <b>Applied as follows:</b>                                           |                    |            |                    |             |
| <b>To pay employees:</b>                                             |                    |            |                    |             |
| Salaries, wages and other benefits                                   | 1,251,100          | 50         | 1,048,946          | 54          |
| <b>To pay providers of capital:</b>                                  |                    |            |                    |             |
| Interest expense                                                     | 408,725            | 16         | 1,422,201          | 73          |
| <b>To pay government:</b>                                            |                    |            |                    |             |
| Taxation                                                             | 44,255             | 2          | 20,588             | 1           |
| <b>Retained for replacement of assets and expansion of business:</b> |                    |            |                    |             |
| Depreciation of property, plant and equipment                        | 198,151            | 8          | 84,989             | 4           |
| Amortisation of intangible asset                                     | 1,079              | -          | 1,079              | -           |
| Contingency reserve                                                  | 150,371            | 6          | 180,663            | 9           |
| Profit for the year                                                  | <u>433,490</u>     | <u>17</u>  | <u>(807,646)</u>   | <u>(41)</u> |
|                                                                      | <u>2,487,171</u>   | <u>100</u> | <u>1,950,820</u>   | <u>100</u>  |

**International Energy Insurance Plc**  
**Consolidated and Separate Financial Statements, 31 December 2013**  
**5-Year Financial Summary (Company)**

|                                                   | IFRS             |                   |                  | NGAAP            |                    |
|---------------------------------------------------|------------------|-------------------|------------------|------------------|--------------------|
|                                                   | 2013             | 2012              | 2011             | 2010             | 2009               |
|                                                   | N'000            | N'000             | N'000            | N'000            | N'000              |
| <b>ASSETS</b>                                     |                  |                   |                  |                  |                    |
| Cash and cash equivalents                         | 1,319,490        | 839,242           | 739,145          | 647,918          | 1,692,268          |
| Held-for-trading financial assets                 | 61,576           | 179,627           | 151,735          | 381,639          | 514,189            |
| Available-for-sale financial assets               | 1,424,281        | 2,780,674         | 2,813,167        | 1,887,635        | 1,989,302          |
| Held-to-maturity financial assets                 | 13,964           | 269,227           | -                | -                | -                  |
| Trade receivables                                 | 19,774           | 630,318           | 397,866          | 361,860          | 3,486,666          |
| Other receivables and prepayments                 | 886,984          | 817,412           | 315,921          | 377,528          | 559,532            |
| Reinsurance assets                                | 744,621          | 193,395           | 108,410          | 112,325          | -                  |
| Deferred Acquisition Cost                         | 152,919          | 165,003           | 241,071          | 224,241          | -                  |
| Investment in subsidiaries                        | -                | 81,360            | 481,821          | 537,951          | 3,895,938          |
| Investment properties                             | 2,719,001        | 2,025,389         | 1,135,956        | 1,135,956        | 1,135,956          |
| Deferred tax asset                                | -                | -                 | -                | -                | -                  |
| Intangible Asset                                  | 3,237            | 4,316             | 5,395            | 6,474            | -                  |
| Property, plant and equipment                     | 1,884,402        | 1,810,291         | 1,741,893        | 1,926,030        | 2,032,753          |
| Statutory deposit                                 | 322,500          | 322,500           | 322,500          | 322,500          | 322,500            |
| <b>Total assets</b>                               | <b>9,552,749</b> | <b>10,118,754</b> | <b>8,454,880</b> | <b>7,922,057</b> | <b>15,629,104</b>  |
| <b>Liabilities</b>                                |                  |                   |                  |                  |                    |
| Insurance contract liabilities                    | 3,371,721        | 2,553,461         | 2,398,559        | 2,155,999        | 1,644,412          |
| Trade payables                                    | 50,844           | 9,891             | 26,582           | 579,424          | -                  |
| Provisions and other payables                     | 707,933          | 914,339           | 526,972          | 566,556          | 478,259            |
| Current income tax liabilities                    | 60,426           | 16,171            | 261,385          | 211,803          | 309,626            |
| Deferred tax Liability                            | 128,675          | 128,675           | 95,074           | 95,074           | 40,303             |
| Borrowings                                        | 4,160,760        | 5,954,769         | 4,149,221        | 3,687,853        | 3,834,867          |
| Deposit for share                                 | 393,761          | 142,837           | 102,945          | 30,237           | -                  |
| <b>Total liabilities</b>                          | <b>8,874,120</b> | <b>9,720,143</b>  | <b>7,560,738</b> | <b>7,326,946</b> | <b>6,307,467</b>   |
| <b>Net Assets</b>                                 | <b>678,629</b>   | <b>398,611</b>    | <b>894,142</b>   | <b>595,111</b>   | <b>9,321,637</b>   |
| Share capital                                     | 642,043          | 3,210,214         | 3,210,214        | 3,210,214        | 3,210,214          |
| Share premium                                     | 963,097          | 963,097           | 963,097          | 963,097          | 963,097            |
| Statutory Contingency reserve                     | 1,144,455        | 994,084           | 813,421          | 674,832          | 537,686            |
| Capital reserve                                   | 7,926,398        | 5,503,223         | 5,503,223        | 5,503,223        | 5,503,223          |
| Property, plant and equipment revaluation reserve | 302,407          | 302,407           | -                | -                | -                  |
| Equity revaluation reserve                        | 1,232            | 9,708             | -                | -                | 234,933            |
| Revenue reserve                                   | (10,301,003)     | (10,584,122)      | (9,595,813)      | (9,756,255)      | (1,127,516)        |
|                                                   | 678,629          | 398,611           | 894,142          | 595,111          | 9,321,637          |
| Non-controlling interest                          | -                | -                 | -                | -                | -                  |
| <b>Total Equity</b>                               | <b>678,629</b>   | <b>398,611</b>    | <b>894,142</b>   | <b>595,111</b>   | <b>9,321,637</b>   |
|                                                   |                  |                   |                  |                  |                    |
|                                                   | IFRS             |                   |                  | NGAAP            |                    |
|                                                   | N'000            | N'000             | N'000            | N'000            | N'000              |
| <b>PROFIT AND LOSS ACCOUNT</b>                    |                  |                   |                  |                  |                    |
| Gross premium earned                              | 4,677,224        | 6,562,631         | 4,369,412        | 4,652,379        | 4,007,984          |
| Profit/(loss) before taxation                     | 477,745          | (787,058)         | 333,350          | (225,860)        | (1,600,620)        |
| Taxation                                          | (44,255)         | (20,588)          | (34,319)         | (74,230)         | 24,009             |
| Profit/(loss) after taxation                      | 433,490          | (807,646)         | 299,031          | (300,090)        | (1,576,611)        |
| Contingency reserve                               | -                | -                 | -                | (137,146)        | (141,350)          |
| <b>Result for the year</b>                        | <b>433,490</b>   | <b>(807,646)</b>  | <b>299,031</b>   | <b>(437,236)</b> | <b>(1,717,961)</b> |
| Basic earnings/(loss) per share (kobo)            | 33.76            | (12.58)           | 4.66             | (4.67)           | (24.56)            |
| Net asset per share (kobo)                        | 52.85            | 6.21              | 13.93            | 9.27             | 145.19             |