

GUINEA INSURANCE PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 =N=000	2011 =N=000
Gross premium written	1.1	1,138,741	1,105,890
Changes in unearned income	1.1	99,179	(217,372)
Gross premium income	1.1	1,237,920	888,518
Reinsurance expenses	1.2	(108,347)	(53,303)
Net premium income		1,129,573	835,215
Fees and commission income	2	31,611	20,457
Net underwriting Income		1,161,184	855,672
Claims expenses	3	(281,270)	(183,339)
Underwriting expenses	4	(301,347)	(145,643)
Underwriting result		578,567	526,690
Investment Income	5	172,535	68,046
Net realized gains and losses	6	105	-
Net fair value gains	7	60,000	60,000
Other operating income	8	104,141	357
Impairment loss	9	(6,969)	(311,024)
Management expenses	10	(732,445)	(536,390)
Profit/(loss) before taxation		175,933	(192,321)
Income tax expenses	11	(125,843)	(246,271)
Profit/(loss) after taxation		50,090	(438,592)
Other comprehensive income			
Net gain/(loss) on available-for-sale financial assets	14	19,683	(2,687)
Other comprehensive income/(loss) for the year, net of tax		19,683	(2,687)
Total comprehensive income/(loss) for the year, net of tax		69,773	(441,279)
Earning/(oss) per share			
Basic(kobo)	13	0.9	(8.1)

GUINEA INSURANCE PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012 =N=000	2011 =N=000	1 January 2011 =N=000
Assets				
Cash and cash equivalents	15	1,288,245	698,206	530,668
Financial assets:				
Available-for-sale financial assets	16	129,947	70,340	63,334
Trade receivables	17	215,304	200,071	74,864
Reinsurance assets	18	127,589	82,191	46,362
Deferred acquisition costs	19	25,384	45,293	34,953
Other receivables and prepayments	20	774,617	1,302,755	1,821,413
Investment properties	21	1,030,000	970,000	860,000
Deferred tax assets	22.2	-	-	18,204
Property, plant and equipment	23	52,068	54,831	77,115
Statutory deposit	24	315,000	315,000	300,000
Total assets		<u>3,958,154</u>	<u>3,738,687</u>	<u>3,826,913</u>
Liabilities and Equity				
Liabilities				
Insurance contract liabilities	25	555,434	488,755	179,185
Trade payables	26	86,301	68,338	47,986
Other payables and accruals	27	247,342	267,345	328,569
Employee benefit obligations	28	18,096	25,694	65,145
Current tax payable	22.1	104,964	25,471	72,074
Deferred tax liabilities	22.2	14,005	845	-
Deposits for shares	29	370,000	370,000	370,000
Total liabilities		<u>1,396,142</u>	<u>1,246,448</u>	<u>1,062,959</u>
Equity				
Issued share capital	30	2,700,000	2,700,000	2,550,000
Share premium	31	337,545	337,545	317,981
Contingency reserve	32	273,739	239,577	206,401
Retained losses		(778,062)	(793,990)	(322,222)
Available-for-sale reserve		28,790	9,107	11,794
Total equity		<u>2,562,012</u>	<u>2,492,239</u>	<u>2,763,954</u>
Total liabilities and equity		<u>3,958,154</u>	<u>3,738,687</u>	<u>3,826,913</u>

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GUINEA INSURANCE PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Issued share capital	Retained earnings	Share premium	Contingency reserve	Available-for- sale financial assets	Total equity
For the year ended 31 December 2012	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
As at 1 January 2012	2,700,000	(793,990)	337,545	239,577	9,107	2,492,239
Profit for the year	-	50,090	-	-	-	50,090
Transfer to contingency reserve	-	(34,162)	-	34,162	-	-
Other comprehensive income	-	-	-	-	19,683	19,683
As at 31 December 2012	2,700,000	(778,062)	337,545	273,739	28,790	2,562,012

For the year ended 31 December 2011

As at 1 January 2011	2,550,000	(322,222)	317,981	206,401	11,794	2,763,954
Loss for the year	-	(438,592)	-	-	-	(438,592)
Transfer to contingency reserve	-	(33,176)	-	33,176	-	-
Life share capital absorbed by Non life	150,000	-	19,564	-	-	169,564
Other comprehensive income	-	-	-	-	(2,687)	(2,687)
As at 31 December 2011	2,700,000	(793,990)	337,545	239,577	9,107	2,492,239

GUINEA INSURANCE PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	<u>Note</u>	<u>2012</u> <u>=N=000</u>	<u>2011</u> <u>=N=000</u>
Operating activities:			
Premium received		1,116,943	945,815
Commission received		31,611	20,457
Commission paid		(281,438)	(155,983)
Reinsurance premium paid		(130,394)	(88,119)
Gross claim paid net of recoveries		(138,763)	(92,153)
Payments to employees		(284,885)	(268,536)
Other operating cash receipts		93,851	6,307
Other income received		104,141	357
Tax paid		(33,190)	(279,085)
Net cash flow from operating activities	34	<u>477,875</u>	<u>89,059</u>
Investing activities:			
Investment income received		172,535	68,046
Purchase of property and equipment		(28,988)	(9,805)
Proceed from sale of property and equipment		9,591	-
Purchase of investments	16	(40,974)	(3,202)
Cash and cash equivalents absorbed from life business		-	23,440
Additions to investment properties		-	-
Net cash flows from investing activities		<u>112,164</u>	<u>78,479</u>
Net increase in cash and cash equivalents		590,039	167,538
Cash and cash equivalents at 1 January	33	<u>698,206</u>	<u>530,668</u>
Cash and cash equivalents at 31 December	33	<u>1,288,245</u>	<u>698,206</u>

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

Gross Premium Written And Gross Premium Income 1.1 per class of insurance business	Gross premium written 2012 =N=000	Decrease in Unearned premium 2012 =N=000	Gross premium Income 2012 =N=000
Motor	269,945	36,037	305,982
Fire	214,435	9,578	224,013
Marine & Aviation	136,444	6,827	143,271
Miscellaneous General Accident	517,917	46,737	564,654
	1,138,741	99,179	1,237,920

Changes In Unearned Premium per class of insurance business (Note 25)	Unearned Premium 2011 =N=000	Decrease in Unearned premium in 2012 =N=000	Unearned Premium 2012 =N=000
Motor	94,164	(36,037)	58,127
Fire	47,280	(9,578)	37,702
Marine & Aviation	73,458	(6,827)	66,631
Miscellaneous General Accident	71,709	(46,737)	24,972
	286,611	(99,179)	187,432

Gross Premium Written And Gross Premium Income per class of insurance business	Gross premium written 2011 =N=000	Increase in Unearned premium 2011 =N=000	Gross premium Income 2011 =N=000
Motor	321,891	75,534	246,357
Fire	106,032	30,112	75,920
Marine & Aviation	118,183	67,301	50,882
Miscellaneous General Accident	559,784	44,425	515,359
	1,105,890	217,372	888,518

Changes In Unearned Premium per class of insurance business (Note 25)	Unearned Premium 2010 =N=000	Increase in Unearned premium in 2011 =N=000	Unearned Premium 2011 =N=000
Motor	18,630	75,534	94,164
Fire	17,168	30,112	47,280
Marine & Aviation	6,157	67,301	73,458
Miscellaneous General Accident	27,284	44,425	71,709
	69,239	217,372	286,610

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

1.2 Net insurance premium revenue	2012 =N=000	2011 =N=000
1.2.1 Gross premium income on insurance contracts		
Gross premium written in the year	1,138,741	1,105,890
Change in unearned premiums provision	99,179	(217,372)
Total gross premium income	1,237,920	888,518
1.2.2 Re-insurance expenses		
Premiums ceded to reinsurers	(115,084)	(88,119)
Change in unearned premiums provision - reinsurers	6,737	34,816
Total reinsurance expenses	(108,347)	(53,303)
Total net insurance premium revenue	1,129,573	835,215
2 Fees and commission income		
Reinsurance commission income	31,611	20,457
Total fees and commission income	31,611	20,457
3 Claims expenses		
Gross claims paid	151,498	106,162
Claims ceded to reinsurers	(12,735)	(14,009)
Gross change in outstanding claims	165,858	92,199
Change in outstanding claims ceded to reinsurers	(23,351)	(1,013)
	281,270	183,339
4 Underwriting expenses		
Amortized Acquisition cost (Note 19)	213,073	128,516
Maintenance expenses	88,275	17,127
	301,347	145,643
5 Investment income		
Rental income from investment properties	8,700	8,050
Available-for-sale financial assets:		
Dividend income	15,925	10,550
Others:		
Interest income on statutory deposit	57,403	19,554
Cash and cash equivalents interest income (Note 5.1)	90,507	29,892
Total investment income	172,535	68,046
5.1 Cash and cash equivalents interest income:		
Due to Policy holders	51,244	29,892
Due to shareholders	39,263	-
	90,507	29,892

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

6 Net realised gains and losses	2012 =N=000	2011 =N=000
Property, plant and equipment:		
Realised gains on disposal	105	-
Total net realised gains and losses	105	-
7 Fair value gains		
Fair value gains on investment properties (Note 21)	60,000	60,000
8 Other operating income		
Recoveries from trade receivable	37,286	-
Recoveries from deposit on computerization (other receivables and prepayment)	60,428	
Sundry income	6,427	357
	104,141	357
9 Impairment loss		
Impairment loss on trade receivable	6,566	34,868
Impairment loss on available for sale financial assets (Note 16b)	403	800
Impairment loss on other receivables (Note 20)	-	275,356
	6,969	311,024
10 Management expenses		
Depreciation on property, plant and equipment	30,402	32,089
Auditors' remuneration	8,000	8,500
Employee benefits expense (Note 10.1)	277,287	229,085
Exchange losses	1,800	-
Legal and professional fees	40,278	20,227
Provision for litigation	33,753	-
Write-off of trade and other receivables	161,893	-
Rent and rates	27,367	26,232
Administrative	151,664	220,257
Total other operating and administrative expenses	732,445	536,390
10.1 Employee benefits expense		
Wages and salaries	268,736	217,007
Defined contribution pension costs	8,551	12,078
Total employee benefits expense	277,287	229,085

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

11 Income tax expenses

2012	2011
=N=000	=N=000

The major components of income tax expense for the year ended 31 December 2012 and 31 December 2011 are:

(a) Current tax year charge

Current tax

Company income tax	90,643	19,762
Education tax	8,386	448
Back duty charge on prior years	13,654	207,011
Total current tax	112,683	227,222

Deferred tax

Fair value gains/losses on investment properties	-	15,913
Origination of temporary difference	13,160	3,136
Total deferred tax	13,160	19,049

Total income tax expense

125,843	246,271
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(b) Reconciliation of tax charge

	N'000	N'000
Profit/(Loss) before taxation	175,933	(192,321)
Tax at Nigerian's statutory income tax rate of 30%	52,780	-
Income not subject to tax	(7,896)	-
Non-deductible expenses	80,913	-
Minimum tax	-	20,210
Tax effect of capital allowance	(16,873)	19,049
Education tax @ 2% of assessable profit	8,386	-
Unused tax losses	(5,121)	-
Adjustment in respect of current income tax of prior years	13,654	207,011
Total tax charge for the year	125,843	246,271

The Company was assessed based on minimum tax in 2011: In line with Section 33, of Companies Income Tax Act 2004 of Federation of Republic of Nigeria, where in any year of assessment, the ascertainment of total assessable profits from all sources of a company results in a loss or where a company's ascertained total profits results in no tax payable or tax payable which is less than the minimum tax there shall be levied and paid by the company the minimum tax as prescribed in subsection (2) of this sections. The minimum tax was assessed as the 0.5% of net assets (N3,738,687,000) and 0.125 per cent of turnover above 500,000 (N855,172,000) being the higher of the four options. There is no education tax for the year due to assessable loss position of the company.

12 Dividends paid and proposed

No dividend was proposed or paid by the Company for the year ended 31 December 2012 (2011: Nil) as the company has retained losses as at date.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

13 Gain/(Loss) per share

Basic loss per share amounts is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the reporting date.

The following reflects the income and share data used in the basic earnings per share computations:

	2012 =N=000	2011 =N=000
Net gain/(loss) attributable to ordinary shareholders for basic gains/(losses)	50,090	(438,592)
Weighted average number of ordinary shares for basic gains/(losses) per share	5,400,000	5,400,000
Net assets	0.47	0.46
Basic earning/(loss) per ordinary share (kobo)	0.9	(8.1)

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

14 Components of other comprehensive income

	2012 =N=000	2011 =N=000
Available-for-sale financial assets:		
Gains/loss arising during the year	19,683	(2,687)
	19,683	(2,687)
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income for the year, net of tax	19,683	(2,687)

NOTES TO THE FINANCIAL STATEMENTS - Continued

15 Cash and cash equivalents	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Cash at hand	187,354	191,933	309,487
Short-term deposits (including demand and time deposits)	1,100,891	506,273	221,181
Total cash and cash equivalents	1,288,245	698,206	530,668
Representing:			
Policyholder's fund	623,315	506,273	221,181
Shareholder's fund	664,930	191,933	309,487
	1,288,245	698,206	530,668

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company. All deposits are subject to an average variable interest rate of 8.00% (2011: 9.08%) (1 January, 2011: 5.02%)

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

The cash and cash equivalents position for cash flow purposes, as per note 33, is N1,288,245,000 for 2012 (2011: N698,206,000, 1 January 2011: N530,668,000)

16 Financial assets

The Company's financial assets are summarised by categories as follows:

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Available-for-sale financial assets	129,947	70,340	63,334
Total financial instruments	129,947	70,340	63,334

a) Available-for-sale financial assets comprises:

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Listed equity securities at fair value	92,143	51,353	50,241
Unlisted equity securities at cost	37,804	18,987	13,093
Total available-for-sale financial assets	129,947	70,340	63,334

NOTES TO THE FINANCIAL STATEMENTS - Continued

16 Financial assets - continued

b) Carrying values of financial instruments

	Available- for-sale =N=000	Total =N=000
At 1 January 2011	63,334	63,334
Purchases	3,202	3,202
Disposals	-	-
Additions arising from absorption of Life business	7,290	7,290
Fair value (losses) recorded in other comprehensive income	(2,687)	(2,687)
Movement in impairment allowance (Note 9)	(800)	(800)
Amortisation adjustment	-	-
At 31 December 2011	70,340	70,340
Purchases	40,974	40,974
Maturities	-	-
Disposals	(647)	(647)
Fair value gains recorded in other comprehensive income	19,683	19,683
Movement in impairment allowance (Note 9)	(403)	(403)
Amortisation adjustment	-	-
At 31 December 2012	129,947	129,947

Assets for which fair value approximates carrying value

For financial assets that have a short-term maturity (less than three months), demand deposits and savings accounts without a specific maturity, the carrying amounts approximate to their fair value.

(c) Determination of fair value and fair values hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

16 Financial assets - continued

(d) 31 December 2012	Level 1 =N=000	Level 2 =N=000	Level 3 =N=000	Total =N=000
Available-for-sale financial assets:				
Equity securities	92,143	-	-	92,143
Total financial assets	92,143	-	-	92,143
31 December 2011	Level 1 =N=000	Level 2 =N=000	Level 3 =N=000	Total =N=000
Available-for-sale financial assets:				
Equity securities	51,353	-	-	51,353
Total financial assets	51,353	-	-	51,353
1 January 2011	Level 1 =N=000	Level 2 =N=000	Level 3 =N=000	Total =N=000
Available-for-sale financial assets:				
Equity securities	50,241	-	-	50,241
Total financial assets	50,241	-	-	50,241

17 Trade receivables	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Gross trade receivables	221,870	234,939	297,735
Impairment allowance	(6,566)	(34,868)	(222,871)
Total net trade receivables	215,304	200,071	74,864
Impairment allowance:			
At beginning	34,868	222,871	-
Additions	6,566	34,868	222,871
Write-back	(34,868)	-	-
Write-off	-	(222,871)	-
At ending	6,566	34,868	222,871

The carrying amounts disclosed above approximate fair value at the reporting date and are net of impairment charges of N6,566,000 (2011: N34,868,000)(2010: N222,871,000) charged during the year. N221m of the current receivables was collected after the year end.

18 Reinsurance assets	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Reinsurance share of outstanding claims	59,264	33,403	32,390
Prepaid re-insurance	68,325	48,788	13,972
Total reinsurance asset	127,589	82,191	46,362

i) At 31 December 2012, the Company conducted an impairment review of the reinsurance assets but no impairment loss resulted from this exercise. The carrying amounts disclosed above approximate fair value at the reporting date.

ii) Re-insurance assets are not impaired as balance are set-off against payables from retrocession at the end of every quarter.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

19 Deferred acquisition costs

This represents commission on unearned premium relating to the unexpired tenure of risk.

	Note	Fire	Motor	General accident	Workmen Compensatio n	Marine and aviation	Total
		=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
At 1 January 2011		6,184	9,866	15,935	1,033	1,935	34,953
Expenses deferred		15,022	30,340	70,493	1,381	21,620	138,856
Amortisation (Note 4)		(16,324)	(28,490)	(73,291)	(1,523)	(8,888)	(128,516)
At 31 December 2011		4,882	11,716	13,137	891	14,667	45,293
Expenses deferred		44,616	35,805	81,436	1,847	29,461	193,164
Amortisation (Note 4)		(46,794)	(41,265)	(91,559)	(1,743)	(31,712)	(213,073)
At 31 December 2012		2,704	6,257	3,013	994	12,416	25,384

NOTES TO THE FINANCIAL STATEMENTS - Continued

	2012	2011	As at 1
	=N=000	=N=000	January 2011
20 Other receivables and prepayments			=N=000
Due from starcrest	482,254	922,254	1,222,254
Deposit for computerization	264,451	264,451	264,451
Accrued interest	19,641	-	-
Due from chrome group	189,232	358,232	308,232
Prepayments	15,761	21,401	21,987
Others	7,301	20,955	14,533
	978,640	1,587,293	1,831,457
Impairment loss on other receivables	(204,023)	(284,538)	(10,044)
	774,617	1,302,755	1,821,413
Impairment on other receivables:			
At beginnning	284,538	10,044	-
Additions (Note 9)	-	275,356	10,044
Write-back of recovery from deposit on computerization	(60,428)	(862)	-
Write-off of DVCF investment	(20,087)	-	-
At ending	204,023	284,538	10,044

The carrying amounts disclosed above reasonable approximate the fair value at the reporting date. All other receivable amounts are collectible within one year and the prepayment utilisable within one year. Of the current N775m outstanding, N482m receivable from Starcrest was received on 3 Dec 2013 and N189m receivable from Chrome Group was received on 21 May 2013

	2012	2011	As at 1
	=N=000	=N=000	January 2011
21 Investment properties			=N=000
At the beginning of the year	970,000	860,000	860,000
Additions	-	50,000	-
Fair value gains and losses (Note 7)	60,000	60,000	-
At the end of the year	1,030,000	970,000	860,000

Investment properties are stated at fair value, which has been determined based on valuations performed by Yemi Olugbile & Co (FRC/2013/NIESV/00000001814 & FRC/2013/0000000000/1227) who is the accredited independent valuers, as at 31 December 2012, 31 December 2011 and 1 January 2011. These valuers are specialists in valuing these types of investment properties. The fair value of the properties have not been determined on transactions observable in the market because of the nature of the property and the lack of comparable data. Instead, a valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the income statement.

The Company enters into operating leases for one of its investment properties. The rental income arising during the period amounted to N8,700,000 (Year ended 31 December, 2011: N8,050,000) and (Year ended 31 December, 2010: N5,700,000), which is included in investment income.

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal. The Company has no contractual obligations to purchase, construct or develop investment property or for repairs or enhancement.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

			As at 1 January 2011
22 Taxation	2012 =N=000	2011 =N=000	=N=000
22.1 Current tax payable			
At the beginning of the year	25,471	72,074	55,292
Amounts recorded in the income statements	112,683	227,222	16,781
Tax on extra-ordinary item	-	5,260	-
Payments made on-account during the year	(33,190)	(279,085)	-
At the end of the year	104,964	25,471	72,074
	Income Statement		
Deferred tax expense/(credit)			
Fair value gains/(losses) on investment properties	-	15,913	(9,913)
Origination of temporary difference	13,160	3,136	(24,052)
Total deferred tax expense/(credit)	13,160	19,049	(33,965)
	Statement of financial position		
22.2 Deferred tax liabilities/(assets)			
Fair value gains/(losses) on investment properties	6,000	6,000	(9,913)
Origination of temporary difference	8,005	(5,155)	(8,291)
Deferred tax liabilities/(assets)	14,005	845	(18,204)
Reconciliation of deferred tax liabilities is as shown below:			
At the beginning of the year	845	-	15,761
Amounts recorded in the income statement	13,160	-	(33,965)
Reclassified to/from deferred tax asset	-	845	18,204
At the end of the year	14,005	845	-
Reconciliation of deferred tax asset is as shown below:			
At the beginning of the year	-	18,204	-
Amounts recorded in the income statement	-	(19,049)	-
Reclassified from/to deferred tax asset	-	845	18,204
At the end of the year	-	-	18,204

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

23 Property, plant and equipment Note

		Motor Vehicles =N=000	Computer Equipment =N=000	Household Equipment, Office Furniture and Fittings =N=000	Total =N=000
Cost					
At 1 January 2011		149,473	22,875	26,123	198,471
Additions		352	5,374	4,079	9,805
At 31 December 2011		149,825	28,249	30,202	208,276
Additions		20,934	2,278	5,776	28,988
Disposals		(9,386)	(100)	-	(9,486)
At 31 December 2012		161,373	30,427	35,978	227,778
Accumulated depreciation					
At 1 January 2011		83,730	18,355	19,271	121,356
Depreciation for the year	10	25,733	3,465	2,891	32,089
At 31 December 2011		109,463	21,820	22,162	153,445
Depreciation for the period	10	23,261	3,481	3,660	30,402
Disposals		(8,063)	(74)	-	(8,137)
At 31 December 2012		124,661	25,227	25,822	175,710
Carrying amount					
At 31 December 2012		36,712	5,200	10,156	52,068
At 31 December 2011		40,362	6,429	8,040	54,831
At 1 January 2011		65,743	4,520	6,852	77,115

NOTES TO THE FINANCIAL STATEMENTS - Continued

24 Statutory deposit

This represents the ammount deposited with the Central Bank of Nigeria as at 31 December, 2012 (31 December, 2011: N315,000,000; 1 January, 2011: N300,000,000.00) in accordance with Section 10 (3) of Insurance Act 2003. Interest income was earned at an average rate of 15.01% (2011: 6.03%) and this has been included within investment income.

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
25 Insurance contract liabilities			
Insurance contract liabilities consist of the following:			
Provision for reported claims by policyholders	277,235	116,806	49,318
Provisions for claims incurred but not reported (IBNR)	#REF!	#REF!	#REF!
Outstanding claims provisions (Note 25.1)	#REF!	#REF!	#REF!
Provision for unearned premiums (Note 25.2)	#REF!	#REF!	#REF!
Total insurance contract liabilities	#REF!	#REF!	#REF!

The cash and cash equivalents as described in Note 14 serves as a cash cover for the insurance contract liabilities.

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
25.1 Outstanding claims provision			
At 1 January	202,145	109,946	76,181
Claims incurred in the current accident period year	317,355	198,361	175,923
Claims paid during the year	(151,498)	(106,162)	(142,158)
At the end of the year	368,002	202,145	109,946

25.2 Provision for unearned premiums

At 1 January	286,610	69,239	336,757
Premiums written in the year (Note 1)	1,138,741	1,105,890	1,012,624
Premums earned during the year (Note 1)	(1,237,920)	(888,518)	(1,418,620)
At the end of the year	187,432	286,610	69,239

26 Trade payables	86,301	68,338	47,986
This represents the amount payable to insurance and reinsurance companies on facultative and treaty placements.			

27 Other payables and accruals

Accrued expenses	67,453	16,343	-
Rent Received in advance (Note 27.1)	20,300	29,000	37,050
Other payables	159,589	222,002	291,519
	247,342	267,345	328,569

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. All amounts are payable within one year (with the exception of deferred revenue).

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

27.1 Rent received in advance	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
At the beginning	29,000	37,050	-
Amount deferred	-	-	42,750
Amount released to the income statement	(8,700)	(8,050)	(5,700)
Total deferred revenue	20,300	29,000	37,050

28 Employee benefit obligations

The company operates a defined benefit pension scheme as well as a defined pension contribution scheme for its employees. The company operates a non-contributory lump sum defined benefit gratuity scheme. Employees are entitled to gratuity payments on exit after full years of service with the company. The gratuity benefits of each employee was calculated and crystallized as at 30th April 2011. In particular, future company service after this date does not attract gratuity benefits. Employees upon exit from the company shall receive the value of their crystallized gratuity benefit without interest credit. The scheme was closed to new entrants beginning from 30th April 2011. There are no plan assets explicitly segregated to meet gratuity benefits. The company meets benefits on a pay-as-you-go-basis. An actuarial valuation is conducted by a qualified independent actuary. The last actuarial valuation was carried out by Messrs HR Nigeria Limited (Consultants and Actuaries - FRC/NAS/00000000738) as at 31 December 2012. New employees joining the company from 1 April 2011 will only be entitled to the defined pension contribution scheme. The gratuity balance is disclosed on the face of the statement of financial position. The company ensures that adequate provisions are made to meet its obligations under the scheme.

In accordance with the Pension Reform Act of 2004, the company introduced defined contributory scheme to complement the funded defined benefit scheme. Under the contributory scheme, the employee contributes 7.5% of basic salary, housing and transport allowances and the employer contributes 7.5% on the same basis. Pension remittances are made to various PFAs on behalf of the company's staff on a monthly basis.

The amounts recognised in the income statement are as follows:

	2012 =N=000	2011 =N=000
Interest cost	2,157	1,594

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

28 Employee benefit obligations - continued

The amounts recognised in the statement of financial position at the reporting date are, as follows:

	2012	2011	As at 1
	=N=000	=N=000	January 2011
			=N=000
Defined Pension Obligation	3,339	7,749	2,302
Present Value of the defined benefit	14,757	17,945	62,843
	<u>18,096</u>	<u>25,694</u>	<u>65,145</u>

The movement in the defined benefit obligation is, as follows:

At 1 January	17,945	62,843
Service Cost	-	16,904
Interest Cost	2,157	7,441
Actuarial (Gains)/Losses - Assumption	630	(852)
Actuarial (Gains)/Losses - Experience	3,189	8,713
Curtailment (Gains)/Losses	-	(43,020)
Benefit Paid by the fund	(9,164)	(34,084)
At 31 December	<u>14,757</u>	<u>17,945</u>

The movement in the plan assets is as

At 1 January	-	-
Employer Contributions made in the financial year	9,164	34,084
Benefit paid by the employer	(9,164)	(34,084)
At 31 December	<u>-</u>	<u>-</u>

The principal actuarial assumptions used in determining the pension benefit obligation for the Group's plan are, as follows:

	2012	2011	As at 1
			January 2011
	%	%	%
Discount rate per annum	13	12	12
Average per increase per annum	-	-	12
Average rate of inflation per annum	10	10	10

In order to measure the liability, the projected benefit must be discounted to a net present value as at the current balance sheet date, using the interest assumption (called the discount rate under IAS 19). The discount rate was determined on the company's balance sheet date by reference to market yields on high quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate should be based on market yields on government bonds). The discount rate reflects the duration of the liabilities of the benefit programme.

The weighted average liability duration for the Plan is 5.53 years (At 1 January 2011: 6.13 years). The average weighted duration of the closest Nigerian Government bond as at the valuation date, 31st December 2011 and 2012, is about 6.74 years and 4.96 years respectively with a gross redemption yield of about 13.46% and 11.87% respectively.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

29 Deposit for shares

On 24 May 2010, a major shareholder made deposit for share capital in the sum of N370 million (Three hundred and Seventy million naira only) with Guinea Insurance Plc in order to remedy the deficiency in solvency margin and share capital of the Company. In 2011, the Company obtained the approval of the Board of Directors to increase the authorised share capital to N3.2billion (Three billion, two hundred million naira only) and Corporate Affairs Commission (CAC) has subsequently given approval. It was fully allotted after the Securities Exchange Commission's approval on 21 February 2013 and has been listed on the Nigerian Stock Exchange as at date.

30 Issued share capital

Authorised and issued share capital	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
Authorised share capital 6.4 billion Ordinary shares of N0.50k each	<u>3,200,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
Ordinary shares issued and fully paid			
At 1 January	2,700,000	2,550,000	2,550,000
Issued during the year (Note 31.1)	<u>-</u>	<u>150,000</u>	<u>-</u>
At 31 December	<u><u>2,700,000</u></u>	<u><u>2,700,000</u></u>	<u><u>2,550,000</u></u>

31 Share premium

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
At 1 January	337,545	317,981	317,981
Absorption of Life Business (Note 31.1)	<u>-</u>	<u>19,564</u>	<u>-</u>
At 31 December	<u><u>337,545</u></u>	<u><u>337,545</u></u>	<u><u>317,981</u></u>

31.1 **This represents the net gain on the absorption of the life assets and extinguishing of its liabilities during 2011 financial year.**

	=N=000
Net assets of Life business absorbed	<u>159,624</u>
Due to Life business no longer required	<u>114,370</u>
Due to from Non-Life business no longer required	<u>(99,069)</u>
	<u>174,925</u>
Less:	
Consideration - Market value of share issued	<u>(150,000)</u>
Cost of disposal of Life business	<u>(100)</u>
	<u><u>24,825</u></u>
Pre-tax gain on absorption	<u>(5,261)</u>
Tax payable	<u>19,564</u>
Net gain on absorption	<u><u>19,564</u></u>

DRAFT FOR DISCUSSION PURPOSES ONLY

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

32 Contingency reserve

Contingency reserve in respect of non-life business is the higher of 20% of net profit and 3% of premium as specified in Section 21(2) of the Insurance Act 2003.

statements of cash flows consist of the		2012	2011	As at 1
33 following:		=N=000	=N=000	January 2011
				=N=000
Cash and cash equivalents per statement of financial position (Note 15)		1,288,245	698,206	530,668
		2012	2011	
		=N=000	=N=000	
34 Reconciliation of profit/(loss) before taxation to cash flows provided by operating activities				
Profit/(loss) before taxation		175,933	(192,321)	
Adjustments for non-cash items:				
Depreciation of property, plant and equipment	9	30,402	32,089	
Profit from sale of property, plant and equipment	6	(105)	-	
Exchange losses on transactions		1,800	-	
Investment income	5	(172,535)	(68,046)	
Fair value gains	7	(60,000)	(60,000)	
Impairment loss on insurance receivables	9	6,566	34,868	
Impairment loss on other receivables		-	275,356	
Impairment loss on available-for-sale financial asset	9	403	800	
Write-off of impaired receivables		161,893	-	
(Decrease)/increase in provision for unearned premium		(99,179)	217,372	
Decrease in employee benefit obligation		(7,598)	(39,451)	
Decrease in other receivables and prepayment		356,955	342,570	
Increase/(decrease) in deferred expenses		19,909	(10,340)	
Increase in other payables and accruals		17,963	177	
Increase in trade receivables		(21,799)	(160,075)	
Increase in reinsurance assets		(45,398)	(35,829)	
Decrease in trade payables		(20,003)	(61,224)	
Increase in provision for outstanding claim		165,857	92,199	
Tax paid		(33,190)	(279,085)	
Net cash flows from operating activities		477,875	89,059	

NOTES TO THE FINANCIAL STATEMENTS - Continued

35 Related party disclosures

(a) Transactions with related parties

The Company entered into transactions with parent company (Chrome Group) and other affiliates and key management personnel during the year in the normal course of business. The sales to and purchases from related parties are made at normal market prices.

	2012 =N=000	2011 =N=000
Sale of		
Insurance contracts to fellow subsidiaries and other key management personnel:		
- Chrome Oil Services Limited	15,192	50
- Chrome Insurance Brokers	453,267	378,688
- Kaztech Engineering Nigeria Limited	48,694	78,007
- Kaztech Marine Services Limited	28,483	-
- Sir Emeka Offor Foundation	5	210
- Sir Emeka Offor	110	70
- Mr Soji Emiola	129	207
- Mr Fred Udechukwu	15	20
- Prof E.C.L Nnabuike	20	25
- Mr Emeka Onuselogu	43	50
- Mr Nasiru Isyaku	129	-
Purchase of		
Financial services from affiliates:		
- Chrome Insurance Brokers	84,181	21,653

(b) Balances with related parties

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
i) Receivables from and payables to related parties are as follows:			
Receivables from related parties			
- Chrome Oil Services Limited	50	-	-
- Chrome Group	189,232	358,232	308,232
- Ethanig Nigeria Limited	204,024	204,024	264,451
- Chrome Insurance Brokers	30,421	326,081	-
- Kaztech Marine Services Limited	26,597	-	-
- Starcrest Nigeria Limited	482,254	922,254	
Payables to related parties			
- Chrome Insurance Brokers	6,927	-	-

Outstanding balances at the reporting date are unsecured. Settlement will take place in cash. A total of N671m was received after the year end. However, some of the receivable from related parties are impaired. The impaired receivables are as follows:

	2012 =N=000	2011 =N=000	As at 1 January 2011 =N=000
- Ethanig Nigeria Limited	204,024	264,451	-

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

35 Related party disclosures - continued

(c) Compensation of key management personnel:

	2012 =N=000	2011 =N=000
Salaries	66,215	66,259
Post employment pension benefits	2,977	2,362
Total compensation of key management personnel	69,192	68,621

36 Contravention of the NAICOM and other guidelines:

Nature of contravention	Number of Infractions	Penalty =N=000
Late submission of audited financial statements to National Insurance Commission	1	355
Delay/ Non filing of quarterly, half yearly and annual returns with the Securities Exchange Commission	1	17,730
Late filling of assessment of the statement of shares capital with the Corporate Affairs Commission	1	16
Staff Retrenchment with ASSIBIFI	1	1,000
Late filling of the Company's return with the Nigerian Stock Exchange	1	2,700

37 Events after the reporting date

No significant events has occurred since the reporting date which requires adjustment of, or further disclosure in, the financial statement.

38 Going Concern

The Company's shareholders funds as at 31 December 2012 is 2.6 billion (2011: N2.5 billion, 2010: N2.8 billion), which is less than the minimum regulatory capital requirement. These conditions indicate the existence of an uncertainty on the Company's ability to continue as a going concern. However, with the absorption of deposit for shares of N370m and expected recovery from deposit from computerization in 2013, the gap in solvency is remedied.