

PRESTIGE ASSURANCE PLC
FINANCIAL STATEMENTS
31 DECEMBER 2013

Introduction

Prestige Assurance 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.

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OUR VISION

To be in the forefront of risk carrying in the recapitalized Nigerian Insurance Market with penchant for quality products and efficient service delivery to our esteemed Customers and to position 'Prestige' amongst the top three (3) Insurance Companies in Nigeria and help in building larger capacities for the Nigerian Insurance Market and create value and wealth for Shareholders' Funds.

OUR MISSION

To provide an excellent Personalized Insurance and Professional Risk Management to our Individuals and Corporate Clients using the most modern state of the art Information Communication Technology (ICT) by our very rich and highly skilled human capital.

Corporate information

Chairman	Chief (Dr.) C.S.Sankey
Directors	Dr.A.P.Mittal (Managing Director) Mr.G.Srinivasan Mr. Jethro Olukayode Adewole Mr. Muftau Olakunle Oyegunle Mr.G.Raghu Mr.Ramesh Hathiramani Mr.A.R.Sekar Mr.K.Sanath Kumar Mr.Hassan T.M.Usman
Registered Number	6753
NAICOM Reg Number	033
FRC Number	(FRC/2013/0000000000595)
Registered Office	19, Ligali Ayorinde Street, Victoria Island, Lagos. P.O.Box 650 Marina, Lagos. info@prestigeassuranceplc.com www.prestigeassuranceplc.com
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
Company Seceretary	Abayomi Odulana FRC/2013/ICSAN/00000003201
Bankers	Access Bank Plc Citi Bank Plc First Bank of Nigeria Limited Stanbic IBTC Sterling Bank Plc
Re-insurers	African Reinsurance Corporation Continental Reinsurance Plc. Zep Reinsurer Aveni Reinsurer NCA Reinsurer
Actuaries	Alexander Forbes Nigeria Limited FRC/2012/0000000000504 HR Nigeria Limited FRC/NAS/0000000738
Registrars	First Registrars Nigeria Limited Plot 2, Abebe Village Road Iganmu, Lagos. FRC/2013/00000000001946

Results at a glance

	2013 N'000	2012 N'000	Increase/ (Decrease) N'000	Increase/ (Decrease) %
Gross premium written	<u>4,222,338</u>	<u>4,790,054</u>	<u>(567,716)</u>	<u>(11.85)</u>
Net premium income	1,748,737	1,846,156	(97,419)	(5)
Underwriting expenses	2,518,143	2,808,030	(289,887)	(10.32)
Investment income	396,524	528,894	(132,370)	(25.03)
Other operating income	313,087	909,085	(595,998)	(65.56)
Result from operating activities	156,854	879,759	(722,905)	(82.17)
(Loss)/profit after taxation	(90,836)	613,056	(703,892)	(114.82)
Net assets	4,413,343	3,888,930	524,413	13.48
Total assets	10,134,493	9,720,864	413,629	4.26
(Loss)/earning per Share (kobo)	(3.62)	24.44	(28)	(114.57)

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

- i The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view of the statement of financial position of the 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:
 - ii keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004 and the Insurance Act, CAP I17, 2004.
 - iii establishes 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.
 - The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in compliance with:
 - International Financial Reporting Standards (IFRS) 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); and the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004

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 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 control.

In the opinion of the Directors, 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), 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 Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the years ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

.....
DR. A. P. MITTAL
 Managing Director
 FRC/2013/CIIN/00000003042

.....
Mr. Jethro O. Adewole
 Director
 FRC/2013/ICAN/00000003202

PRESTIGE ASSURANCE PLC

RC 6753

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors hereby submit their report together with the financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company continue to be insurance Business. There were no changes in the activities of the Company during the year under review. The activities include insurance underwriting, claims administration and management of liquidity by investing the surplus in fixed deposit, bond and treasury bills.

STATE OF AFFAIRS

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

RESULTS FOR THE YEAR

	N
Profit before tax	127,484
Information Technology Development Levy	(1,275)
Taxation	<u>(217,045)</u>
Transferred to Retained earnings	<u>(90,836)</u>

DIRECTORS

The names of the Directors as at the date of this report and those whose held office during the year are as follows:

Chief (Dr.) C. S. Sankey	Chairman (Nigerian) Non Executive
Dr. A. P. Mittal	MD/CEO (Indian)
Mr. Gopalan Srinivasan	(Indian) Non Executive
Mr. A. R. Sekar	(Indian) Non Executive
Mr. J. O. Adewole	(Nigerian) Non Executive
Mr. Ramesh Hathiramani	(Nigerian) Non Executive
Mr. Hassan T. M. Usman	(Nigerian) Independent Non Executive
Mr. Kochunni Sanath kumar	(Indian) Non Executive
Mr. G. Raghu	(Indian) Non Executive
Mr. M.O. Oyegunle	(Nigerian) Non Executive

In accordance with Article 96 of the Company's Articles of Association Mr. Ramesh Hathiramani, Mr. Hassan T.M Usman and Mr. A.R. Sekar, retire by rotation and being eligible, all the retiring Directors have offered themselves for re-election.

DIRECTORS' INTERESTS

The interests of Directors in the issued share capital of the Company as recorded in the Register of Members are as follows:

S/N	NAME OF DIRECTORS	2013			2012		
		INDIRECT HOLDING	DIRECT HOLDING	TOTAL	INDIRECT HOLDING	DIRECT HOLDING	TOTAL
1.	Chief (Dr.) C. S. Sankey	-	14,762,272	14,762,272	-	-	-
2.	Mr. Gopalan Srinivasan	1,279,429,480	-	1,279,429,480	1,279,429,480	-	1,279,429,480
3.	Mr. J. O. Adewole	-	133,369	133,369	133,369	-	133,369
4.	Mr. A. R. Sekar	-	-	-	-	-	-
5.	Mr. K. SanathKumar	-	-	-	-	-	-
6.	Mr. R. Hathiramani	102,896,437	-	102,896,437	102,896,437	-	102,896,437
7.	Mr. G. Raghu	-	-	-	-	-	-
8.	Mr. M.O. Oyegunle	280,048,823	49,840	280,098,663	280,048,823	49,840	280,098,663
9.	Mr. H. T. M. Usman	-	-	-	-	-	-
10.	Dr. A. P. Mittal	-	-	-	-	-	-

Mr. Ramesh Hathiramani has a total of 102,896,437 indirect shareholding through Dana Holdings Limited, Dana Group of Companies Limited, Dana Motors Limited and S. B. Chemicals Limited.

DIRECTORS' INTERESTS IN CONTRACTS

No Director has given notice for the purpose of Section 277 of the Companies and Allied Matters Act CAP C20, Laws of the Federation of Nigeria 2004, to the effect that he is a member of a Company which could be regarded as interested in a contract with the Company.

MAJOR SHAREHOLDERS

As at the date of this report, no person or Company held more than 5% of the Issued Capital except:

	50k Share	%
The New India Assurance Company Ltd., Mumbai	1,279,429,480	51.01
Leadway Assurance Company Limited	280,048,823	11.16

EMPLOYMENT OF DISABLED PERSONS

The Company has no employee recorded as disabled. It is however, the Company's policy to consider persons for employment bearing in mind the aptitudes and abilities of the applicants concerned and facilities available to them.

HEALTH AND WELFARE OF EMPLOYEES

The Company subsidizes the medical and transportation expenses of staff and grants them Housing and Lunch allowances. There is a Group Life Insurance Policy for all categories of staff and gratuity and pension scheme.

In addition, the Company offers Scholarship in Higher Institutions to the very brilliant children of employees.

AUDITORS

The Auditors BDO Professional Services, have indicated their willingness to continue in office under section 357 (2) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004. The Shareholders will be requested to authorize the Directors to fix the remuneration of the Auditors.

BY ORDER OF THE BOARD

ABAYOMI ODULANA
Company Secretary
FRC/2013/ICSAN/00000003201

Dated: 26th day of May 2014

Corporate Governance Report

Prestige Assurance Plc (“Prestige”) has always since inception adopted structures that engender best practices, sound corporate structures and transparent operational framework to maximally foster the interest of all stakeholders whilst promoting ethical business practices. These ideals chronicle our antecedent, values and orientation as a Company.

As a foremost publicly quoted Company, we carry out corporate objectives on the principles of integrity, ethics and professionalism. We are always geared to surpass local regulatory standards as well as international best procedures in corporate governance, service delivery and value creation for all. We have since aligned with the various applicable Codes of Corporate Governance - SEC, NAICOM etc.

Meanwhile, an annual board appraisal is also conducted by an Independent Consultant appointed by the Company whose report is normally open for inspection by all Stakeholders.

Corporate Management Structure

Board of Directors - The ultimate responsibility for Corporate Management and Governance of the Company resides with the Board of Directors who is primarily accountable to shareholders to ensure that the Company fully discharges its legal, financial and regulatory responsibilities. The Board also reviews corporate performance, monitors the implementation of corporate strategy and sets the Company’s strategic objectives. The Board monitors the effectiveness of its governance and provides general direction to Management on all aspects of operations through its various Committees. At the moment, the Board is composed of ten members comprising of a Non-Executive Chairman, MD/CEO and nine Independent Non-Executive Directors. The Directors are experienced stakeholders with diverse professional backgrounds in Insurance, Accounting, Commerce, Management, Information Technology, etc. The Directors are men of impeccable character and high integrity.

The Company is indeed delighted to have a versatile Board with deep understanding of its responsibilities to Shareholders, Regulatory Authorities, Government and other Stakeholders. The meetings of the Board are scheduled well in advance and highlights from the sub-committees of the Board are circulated to all the Directors. The Board met on 4th June, 29th of July, 28th October and 17th December, 2013 as follows:

DIRECTORS	CATEGORY OF DIRECTORSHIP	NO OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
Chief (Dr.) C. S. Sankey	Chairman/NED	4	1
Mr. G. Srinivasan	Director	4	1
Mr. A.R. Sekar	NED	4	2
Mr. K. Sanatkumar	NED	4	2
Mr. J. O. Adewole	NED	4	4
Mr. Ramesh Hathiramani	NED	4	3
Mr.G.Raghu	NED	4	3
Mr. Hassan T. M. Usman	NED	4	3
Mr. M.O Oyegunle	NED	4	3
Mr. A.P. Mittal	NED	4	4

Board Committees - The Board performed its functions through a total of four Standing Committees during the period under review. The Committees have clearly defined responsibilities, scope of authority and procedures for reporting to the Board. Membership of the Committees is structured to take optimum advantage of the skills and experience of the Independent Non-Executive Directors. The following are the standing Committees of the Board during the year under review:

- i) **AUDIT COMMITTEE** - The Company established an Audit Committee in compliance with Section 359(6) of the Companies and Allied Matters Act, CAP C20 LFN 2004, which comprises of three representatives of Shareholders (elected annually at the AGM), Two Independent Non-Executive Directors and the MD/CEO. Engr. M. O. T. Olayiwola Tobun chaired the Committee during the year under review.

The Audit Committee met three times during the year under review - 31st May, 29th July and 18th October, 2013. Membership and attendance at the meetings are as follows:

MEMBERS	NUMBER OF MEETINGS HELD	NO OF MEETINGS ATTENDED
Engr. M. O. T. Olayiwola Tobun	3	3
Mr. Hassan Usman	3	2
Mr. Ramesh Hathiramani	3	2
Mr. J. O. Atolagbe	3	3
Mr. A. P. Mittal	3	3
Mr. S. B. Odusote	3	3

- ii) **FINANCE AND GENERAL PURPOSES COMMITTEE** - The Finance and General purposes Committee comprises of the MD/CEO and 4 Non Executive Directors. The Committee meets to review the investment guidelines of the Company, ensure that investments embarked upon by the Management are in line with Regulatory and Board Guidelines and also considers other miscellaneous issues. Mr. J.O. Adewole Chaired the Committee during the year under review. The Committee met thrice in the year under review as follows: 25th April, 19th July, and 25th October 2013.

MEMBERS	NUMBER OF MEETINGS	NUMBER OF MEETINGS ATTENDED
Mr. J.O. Adewole	3	2
Mr. G. Raghu	3	2
Mr. Ramesh Hathiramani	3	2
Mr. M.O. Oyegunle	3	2
Dr. A.P. Mittal	3	3

- iii) **ESTABLISHMENT COMMITTEE** - The Establishment Committee comprises the MD/CEO and three Non-Executive Directors. Mr. J. O. Adewole chairs the Committee which primarily considers general staff matters. The Committee met on 8th of March, 19th of July, 17th October and 26th of November, 2013 as reflected below:

MEMBERS	NUMBER OF MEETINGS	NUMBER OF MEETINGS ATTENDED
Mr. J. O. Adewole	4	4
Mr. M.O. Oyegunle	4	4
Mr. A. P. Mittal	4	4
Mr. T. M. Usman	4	1

RISK MANAGEMENT COMMITTEE - The Risk Management Committee comprises of MD/CEO and 3 Non Executive Directors, namely Mr. Ramesh Hathiramani (Chairman), Mr M.O. Oyegunle and Mr. G. Raghu. The Committee's term of reference is to fundamentally ensure that the Company's operations comply with the Enterprise Risk Policy as approved by the Board in line with regulatory requirement. The Committee met on 1th March, 12th August and 5th December, 2013.

MEMBERS	NUMBER OF MEETINGS	NUMBER OF MEETINGS ATTENDED
Mr. Ramesh Hathiramani	3	2
Mr. A. P. Mittal	3	3
Mr. M.O. Oyegunle	3	2
Mr. G. Raghu	3	3

Roles of Key Members of the Board

The positions of the Chairman of the Board and the Chief Executive Officer are separate and held by different persons. The Chairman and the Chief Executive Officer are not members of the same extended family.

The Chairman: - The main responsibility of the Chairman is to lead and manage the Board to ensure that it is administered effectively and fully discharges its legal and regulatory responsibilities. The Chairman is responsible for ensuring that Directors receive accurate, timely and clear information to enable the Board take informed decisions, monitor effectively and provide advice to promote the success of the Company.

The Chairman also manages the input of Non-executive Directors to promote effective relationships and open communications, both inside and outside the Boardroom, between Executive and Independent Non-executive Directors. The Chairman strives to ensure that any differences on the Board are resolved amicably.

The Chief Executive Officer - The Board has delegated the responsibility for the day-to-day management of the Company to the Chief Executive Officer(CEO), who is responsible for leading management, making and implementing operational decisions. The CEO is responsible to the Board of Directors and ensures that the Company complies strictly with regulations and policies of both the Board and Regulatory Authorities. The CEO ensures that optimization of the Company's resources is achieved at all times and has the overall responsibility for the Company's financial performance.

The Company Secretary - The Company Secretary is a point of reference and support for all Directors. He is responsible to update the Directors with all requisite information promptly and regularly. The Board may through the Company Secretary obtain information from external sources, such as consultants and other advisers, if there is a need for outside expertise, via the Company Secretary or directly. The Company Secretary is further responsible to assist the Chairman and Chief Executive Officer to formulate an annual Board Plan with the administration of other strategic issues at the Board level; organize Board meetings and ensure that the minutes of Board meetings clearly and properly capture Board's discussions and decisions.

Director Nomination Process - The Board agrees upon the criteria for the desired experience and competencies of new Directors. The Board has power under the Articles of Association to appoint a Director to fill a casual vacancy or as an additional Director. The criteria for the desired experience and competencies of new Non-executive Directors are agreed upon by the Board. The balance and mix of appropriate skills and experience of Non-executive Directors is taken into account when considering a proposed appointment. In reviewing the Board composition, the Board ensures a mix with representatives from diverse background. The Shareholding of an individual in the Company is not considered a criterion for the nomination or appointment of a Director. The appointment of Directors is subject to the approval of NAICOM. The following core values are considered critical in nominating a new director; (i) Integrity (ii) Professionalism (iii) Career Success (iv) Goodwill (v) Ability to add value to the Organization Induction and Continuous Training of Board Members.

Training of Board Member - On appointment to the Board and to Board Committees, all Directors receive a formal induction tailored to meet their individual requirements. The New Directors are oriented about the Company and its operations through the Company Secretary via the provision of the Company's Articles of Association, relevant statutory books and regulations and adequate information on operations. The Directors are also given a mandate and terms of reference to aid in performance of their functions. Management further strives to acquaint the new Directors with the operations of the Company via trainings/seminars to the extent desired by new Directors to enable them function in their position. The training and education of Directors on issues pertaining to their oversight functions is a continuous process, in order to update their knowledge and skills and keep them informed of new developments in the insurance industry and operating environment.

Annual Board Appraisal - The Code of Corporate Governance for the Insurance Industry recognizes the fact that good corporate governance framework must be anchored on an effective and accountable Board of Directors whose performance is assessed periodically. The annual appraisal covered all aspects of the Board's structure, composition, responsibilities, processes, relationships, individual members' competencies and respective roles in Board performance, as well as the Company's compliance status with the provisions of NAICOM.

The General Meeting of the Company - This is the highest decision making body of the Company. The Company is driven by its desire to deliver significant returns on its shareholders investment. The shareholders have an opportunity to express their concerns (if any) and opinions on the Company's financial results and all other issues at the Annual General Meeting of the Company. The Meetings are conducted in a fair and transparent manner where the regulators are invited such as The National Insurance Commission, the Securities and Exchange Commission, Corporate Affairs Commission, the Auditors as well as other Shareholder's Associations. The Company also dispatches its annual reports, providing highlights of all the Company's activities to its shareholders.

Protection of Shareholders Rights - The Board ensures the protection of the statutory and general rights of shareholders at all times, particularly their right to attend and vote at general meetings. All shareholders are treated equally, regardless of volume of shareholding or social status.

Communication Policy

It is the responsibility of Executive Management under the direction of the Board, to ensure that the Board receives adequate information on a timely basis, about the Company's businesses and operations at appropriate intervals and in an appropriate manner, to enable the Board to carry out its responsibilities. Furthermore, the Board and Management of the Company ensures that communication and dissemination of information regarding the operations and management of the company to shareholders, stakeholders and the general public is timely, accurate and continuous, to give a balanced and fair view of the Company's financial and non-financial matters. Such information, which is in plain language, readable and understandable, is available on the Company's website, www.prestigeassuranceplc.com. In order to reach its overall goal on information dissemination, the Company is guided by the following Principles, legislation and codes of corporate governance of the jurisdictions within which it operates. These include the Insurance Act, the NAICOM Operational Guidelines, the Companies and Allied Matters Act (CAMA) and the codes of Corporate Governance issued by NAICOM and SEC. The Company operates in a multicultural environment and accordingly recognizes the need to be sensitive to the cultural peculiarities of its operating environment.

Feedback: The Company actively and regularly seeks feedback on its image and communication activities both from the media as well as from its key target groups. This feedback is used in future activities.

Independent Advice - The Board of Directors are at their own discretion and at the Company's expense required to seek Independent professional advice when required to enable a Member of the Board effectively perform certain responsibilities.

Insider Trading and Price Sensitive Information

The Company is clear in its prohibition of insider trading by its Board, management, Officers and related persons who are privy to confidential price sensitive information. Such persons are further prohibited from trading in the Company's securities where such transactions would amount to insider trading. Directors, insiders and related parties are prohibited from disposing, selling, buying or transferring their shares in the Company for a period commencing from the date of receipt of such insider information until such a period when the information is released to the public or any other period as defined by the Company from time to time.

Code of Professional Conduct for Employees - The Company has an internal Code of Professional Conduct, which all members of staff are expected to subscribe to upon assumption of duties. All members of staff are expected to strive to maintain the highest standards of ethical conduct and integrity in all aspects of their professional life as contained in the Code of Professional Conduct which prescribes the common ethical standards, culture and policies of the Group relating to employee values.

A. O. ODULANA

SECRETARY

FRC/2013/ICSAN/00000003201

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

We the undersigned hereby certify the following with regards to our audited report for the year ended 31st 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 company 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 is made known to such officers by others within those entries 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 present 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.

.....
Mrs. K. O. Kola-Fasanu
Chief Financial Officer
FRC/2013/ICAN/00000001184

.....
Dr. A. P. Mittal
Managing Director
FRC/2013/CIIN/00000003042

REPORT OF THE AUDIT COMMITTEE

TO THE SHAREHOLDERS OF PRESTIGE ASSURANCE 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 31st 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 26 Day of May 2014.

ENGR. M. O. T. OLAYIWOLA TOBUN
CHAIRMAN - AUDIT COMMITTEE
 FRC/2013/COREN/00000003231

MEMBERS OF THE AUDIT COMMITTEE

- | | | | |
|----|--------------------------------|---|------------------------------------|
| 1. | Engr. M. O. T. Olayiwola Tobun | - | Shareholder/Chairman |
| 2. | Mr. J. O. Atolagbe | - | Shareholder |
| 3. | Mrs. Olatunbosun Odusote | - | Shareholder |
| 4. | Mr. H. T. Musa Usman | - | Independent Non-Executive Director |
| 5. | Mr. Ramesh Hathiramani | - | Non-Executive Director |
| 6. | Dr. A. P. Mittal | - | Managing Director |

A. O. ODULANA
COMPANY SECRETARY
 FRC/2013/ICSAN/00000003201

CORPORATE SOCIAL RESPONSIBILITY REPORT

At Prestige Assurance, we care for the environment and the society in which we operate. In appreciation of the gesture towards the upliftment of our Company during the year 2013 particularly, donations were made to various organisations in order to bring relieve to the society especially the less privilege ones.

We also made donations to various charitable and non-profit organisations across the Country. The following are the causes we supported in the year under review.

1. **Living Fountain Orphanage:** On 3rd January, 2013, Prestige made a cheque donation of N100,000.00 in addition to food stuffs. This is meant to improve their well being and their academic performance.
2. **The Arrows of God Orphanage:** On 31st December, 2013, the Company made a cheque donation of N250,000.00 in addition with food stuffs and kitchen utensils.

MANAGEMENT DISCUSSION AND ANALYSIS.

THE NATURE OF THE BUSINESS

Prestige Assurance Plc is a non -life insurance business with over sixty years experience in Nigeria. The company's core areas of business include motor, marine, bond, engineering, fire, aviation, oil and gas and general accident.

The company is known for providing expertise knowledge especially in high risk businesses such as aviation, marine, oil and gas.

Our company is known by populace for prompt settlement of claims and other support as it may be necessary.

The major bulk of our business comes from brokers market and support from the parent company in form of referral.

MANAGEMENT'S OBJECTIVES.

- i) To be in the forefront of risk carrying in Nigerian insurance market, with a penchant for quality products and efficient service delivery to our esteemed customers.
- ii) To position the company amongst the top 3 insurance companies in Nigeria.
- iii) To ensure that values are created for the stakeholders.
- iv) To be an ethical company among the listed institution in Nigeria and the world at large.

OUR STRATEGIES

In order to meet the above objectives, the management of the Company have put the following strategies in place.

- i) The Company has instituted sound corporate governance in order to drive both the internal process and the business environment.
- ii) Adequate reinsurance has been put in place to absorb the impact of high risk which may likely occur due to the area of specialisation of the company.
- iii) Aside from the normal business, the Company also provides add on services such as customer education, policy audit and lease financing.
- iv) The Company engages in training and empowerment of her workforce to meet up with the challenges of modern business.
- v) It is also in the current agenda of the Company to recruit more hands with specialised skills to compete favourably in the industry.
- vi) The Company has also met up with her civil responsibility and promised to do more to better the interest of stakeholders at large.

OUR RESOURCES, RISKS AND RELATIONSHIP

Our most valuable resources are our human capital. The staff welfare is paramount to the Company. Non-human resources are of small relevance without appropriate personnel to drive the system.

Insurance business is a kind of business that is full of risk known as insurable risks.

This is a known risk but which the likelihood and magnitude of the occurrence is not certain.

The Company has put in place a balanced re-insurance policy to absorb the impact of such risks at any time in future.

Aside from this, the Company is also faced with diverse risks which are financial and non-financial in nature.

Several strategies are already in place to mitigate their negative impact on the business and the Company itself.

Prestige Assurance Plc is a subsidiary of The New India Assurance Company Limited, Mumbai, India. Our parent company is one of the largest insurance business undertakers across the Afro-Asia continent (except Japan). The parent company provides support to us in all ramifications which had impact positively in term of skills and financial status to underwrite high risk businesses rarely underwritten by the local companies.

FINANCIAL RESULTS AND PROSPECTS

For the year ended 31 December 2013, the gross premium written by the company declined by N568 million compared with previous year as result of the policy of 'No Premium No Cover in implementation and decline in acceptance of aviation business for strategy purpose.

Underwriting profit for the period went up by N289 million when compared with the previous year.

The total assets of the company also grew by N413 million when compared with December 2012 In view of the recent upheavals, we have adopted a more proactive approach to the management of our capital, liquidity and investments towards endowing our company with needed financial strength to withstand any market-related shocks and building an enduring platform for world class products and services.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF PRESTIGE ASSURANCE PLC**

We have audited the accompanying financial statements of Prestige Assurance Plc for the financial year ended 31 December 2013, which comprises the statement of financial position, profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and other explanatory notes to the financial statements.

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 Company'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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company's 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 Company; and
- iii) the Company's statement of financial position and profit or loss account and other comprehensive income statement are in agreement with the books of account.

**Lagos, Nigeria
25 June 2014**

Ebenezer O. Olabisi
FRC/2012/ICAN/00000000104
For: BDO Professional Services
Chartered Accountants

Summary of Significant Accounting Policies

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

1) Going concern

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

2) Basis of preparation and compliance with IFRS

The financial statements of Prestige Assurance 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, 2012 to the extent that they are not in conflict with IFRS.

The financial statements were authorised for issue by the Board of Directors on 26 May 2014

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4

(b) Basis of measurement

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

3) Foreign currency translation

(a) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Nigerian Naira (N) which is the Company's functional and presentation currency.

(b) Transactions and balances in foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Differences are taken to the income statement.

4) 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.

5) New standards, interpretations and amendments effective from 1 January 2013

A number of new standards, interpretations and amendments effective for the first time for periods beginning on (or after) 1 January 2013, have been adopted in these financial statements. The nature and effect of each new standard, interpretation and amendment adopted by the company is detailed below. not all new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2013 affect the company's financial statements.

(a) Standards likely to have a financial impact

IFRS Reference	Title and Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IFRS 9 (issued November 2009 and amended October 2010)	Financial instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in IAS 39 have been eliminated. Under IFRS 9, there are three categories of financial assets: Amortised cost, Fair value through profit or loss, Fair value through other comprehensive income. The following requirements have generally been carried forward unchanged from IAS 39 Financial Instruments: Recognition and Measurement into IFRS 9: - Classification and measurement of financial liabilities - Derecognition requirements for financial assets and liabilities. However, IFRS 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the fair value of a financial liability that is designated at fair value through profit or loss (using the fair value option) that relate to changes in the reporting entity's own credit risk are normally recognised in other comprehensive income. The changes are to be applied prospectively from the date of adoption.	To be determined	The effective date of IFRS 9 is still to be determined. The effect of this standard will change how the company has classified its financial instruments under IAS 39. The company has financial assets classified as available for sale and held to maturity in line with IAS 39. Adoption of IFRS 9 will cause the company to reclassify its financial instruments as either fair value through profit or loss or held to maturity.

IFRS Reference	Title and Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IFRS 9 (Amended December 2011)	Amendments to IFRS 9 Financial Instruments Mandatory Effective Date of IFRS 9 and Transition Disclosures	Defers the effective date of IFRS 9 to 1 January 2015. Entities are no longer required (but are still permitted) to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015.	As comparatives are no longer required to be restated, if an entity takes advantage of the relief there will be no impact on comparative information that is presented in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.
IFRS 9 (issued November 2013)	Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS. 39)	Makes three amendments to IFRS 9: - Adds New hedge accounting requirements into IFRS 9 - Defers the effective date of IFRS - Makes available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities that are accounted for using the fair value option without the need to apply the other requirements of IFRS 9. Under the new hedge accounting requirements: - The 80-125% highly effective threshold has been removed - Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable. - An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure - When entities designate the intrinsic value of options, the initial value is deferred in OCI and subsequent changes in time value are recognised in OCI - When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI - Net foreign exchange cash flow positions can qualify for hedge accounting.		The effective date of IFRS 9, of periods beginning on or after 1 January 2015, has been deleted with the effective date now being left open until all other outstanding phases of IFRS 9 have been completed. The entity has not yet made an assessment of the impact of these amendments.

IFRS Reference	Title and Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IFRS 10 (amended October 2012)	Amendment to IFRS 10 Consolidated Financial Statements: Investment Entities	The amendment defines an investment entity and requires a parent that is an investment entity to measure its investment in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The amendment prescribes three criteria that must be met in order for an entity to be defined as an Investment Entity, as well as four 'typical characteristics' to consider in assessing the criteria. The amendment also introduces disclosure requirements for investment entities into IFRS 12 Disclosure of Interest in Other Entities and amends IAS 27 Separate Financial Statements.	Annual reporting periods commencing on or after 1 January 2014	The Company does not have any Subsidiaries or Associates or Joint ventures IFRS will not have any impact on the financial statements.
IAS 19 (amended November 2013)	Amendment to IAS 19 Employee Benefits: Defined Benefit Plans: Employee Contributions.	The amendment introduces a narrow scope amendments that: - Provides a practical expedient to 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. - clarify 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).	Annual reporting periods commencing on or after 1 January 2014	When this amendment is first adopted for 31 December 2014 year end, there will be no impact in respect of the accounting treatment for employee contributions because payments are independent of the number of years of service and the company already account for this in accordance with IAS 19.93 {(a) (b)} and will elect to do so again once the amendment is effective. When this amendment is first adopted for 31 December 2014 year end, there will be no impact in respect of the accounting treatment for offsetting the entity's financial assets and financial liabilities.
IAS 32 (amended November 2011)	Amendment to IAS 32 Financial instruments: Presentation Offsetting financial assets and financial liabilities.	The amendments has clarified and expanded the application guidance in relation to the offsetting of financial assets and financial liabilities in respect of: - The meaning of currently has a legally enforceable right of setoff - The application of simultaneous realisation and settlement - The offsetting of collateral amounts - The unit of account for applying the offsetting requirements.		When this amendment is first adopted for 31 December 2014 year end, there will be no impact in respect of the accounting treatment for offsetting the entity's financial assets and financial liabilities.
IFRIC 21 (issued May 2013)	Levies	The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.	Periods commencing on or after 1 January 2014	There will be no impact relating to the timing or recognition of the entities levies on the financial statements when this interpretation is first adopted.

(b) Standards likely to have a disclosure impact only

IFRS Reference	Title and Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IFRS 12 (issued May 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	At this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities. The company however has no subsidiaries or associates.
IFRS 7 (amended December 2011)	Amendment to IFRS 7 Financial Instruments: Disclosure Disclosures - Offsetting financial assets and financial liabilities	Additional disclosure requirements in relation to information about rights of offset and related arrangements for financial instruments under an enforceable master netting arrangement (or similar arrangement). Minimum disclosure requirements, in a tabular format that splits financial assets and financial liabilities, are: (a) Gross financial assets and liabilities under a master netting (or similar) agreement. (b) The amounts offset under IAS 32. (c) The net amount presented in the statement of financial position (i.e. (a) - (b)) (d) The amounts subject to an enforceable master netting agreement (or similar) not included in the amount offset under IAS 32 i.e (b), being those that fail to meet the offsetting criteria as well as those related to financial collateral (e) The net of (d) less (c) (d). Also required is the description of the nature of the right of set-off, in relation to amount presented under (d) above.		As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. Currently, the entity does not have (and is unlikely to have) any enforceable master netting (or similar) arrangements in place, and therefore the amendment will not add any additional quantitative and qualitative disclosures.

IFRS Reference	Title and Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IAS 36 (amended May 2013)	Amendment to IAS 36 Impairment of Assets Recoverable amount disclosures for non-financial assets	- Require the disclosure of the recoverable amount of an asset (or CGU) only in periods in which impairment has been recorded or reversed in respect of that asset (or CGU) - Expand and clarify the disclosure requirements when an assets (CGUs) recoverable amount has been determined on the basis of fair value less disposal. - Specifically require the disclosure the discount rate when an asset (or CGU) has been impaired (or impairment reversed) where the recoverable amount has been determined based on fair value less costs of disposal using a present value technique.	1 January 2014	As this is a disclosure standard only, there will be no impact on amounts recognised in the primary financial statements. However, the amount of information disclosed regarding impairment may be reduced.

(c) Standards not likely to have any impact

IAS 27 (issued May 2011)	Separate Financial Statements	Requirements for consolidation removed and inserted into IFRS 10 Consolidated Financial Statements (mentioned in Standards likely to have a Financial Impact above) Disclosures removed and inserted into IFRS 12 Disclosure of Interests in Other Entities.	Annual periods commencing on or after 1 January 2013	Company does not prepare consolidated financial statements.
IAS 28 (issued May 2011)	Investments in Associates and Joint Ventures	Disclosures removed and inserted into IFRS 12 Disclosure of Interests in Other Entities	Annual periods commencing on or after 1 January 2013	The Company has no investment in Associates or Joint Ventures.
IFRS 10, IFRS 11, and IFRS 12 (amended June 2012)	Transition guidance - Consolidated financial statements, Joint arrangements, and Disclosure of Interests in other entities.	The amendments clarify certain aspects when an entity transactions from IAS 27 Consolidated and Separate Financial Statements/ SIC-12 Consolidation - Special Purpose Entities to the new consolidated standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other entities.	Annual periods commencing on or after 1 January 2013	The Company does not prepare consolidated financial statements.

Significant accounting policies

6) Cash and cash equivalents

For the purposes of the statement of cash flows, cash comprises cash balances and deposits with banks. Cash equivalents comprise highly liquid investments (including money market funds) that are readily convertible to 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 Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

7) Financial Assets

The Company classifies its financial assets into the following categories: Held 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)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. The investments are carried at fair value, with gains or losses arising from changes in this value recognized in the income statement in the period in which they arise. Such investments are investments in quoted equity.

ii Held-to-maturity investments

The Company classifies financial assets as Held to maturity when the company has positive intent and ability to hold the securities to maturity. Held-to-maturity investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years. Quoted equities and debt securities e.g. bonds that are initially classified as held-to-maturity may, subsequently, be 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 income statement and are reported as 'Interest income'.

iii Available -for-sale financial assets

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 preceeding categories which may be sold in response to the 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 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 profit or loss

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

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are mainly receivables arising from insurance contracts. Trade receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade receivables are measured at amortized cost less any impairment losses. They include receivables from Direct insured, Agents and Brokers, Co-insurance and Reinsurance companies.

(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

v Impairment of financial assets

(a) Financial assets carried at amortised cost

The Company 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 that have occurred after the initial recognition of the asset (a 'loss event') 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 Company from the following events:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Company on terms that the Company would not consider favourable;
- Indications that a debtor or issuer will enter bankruptcy;
- The disappearance of an active market for the security because of financial difficulties; and
- 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 Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments 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 investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As is practically expedient, the Company 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 issuer'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.

(b) 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) Assets classified as available-for-sale

The Company 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 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. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

vi Derecognition of financial instruments

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.

vii Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

viii Impairment of non-financial assets

The carrying amounts of the Company'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, then the asset's recoverable amount is estimated.

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 is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. 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 pro rata 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 profit or loss.

8) **Reinsurance assets or receivables**

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 each reinsurance contract. The reinsurers' share of unearned premiums (i.e. the reinsurance assets) are recognised as an asset using principles consistent with the Company'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 Company 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 Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost.

9) **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 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 asset is tested for impairment annually and written down when it is not expected to be fully recovered.

10) **Intangible Assets**

Intangible assets comprise computer software purchased from third parties. They are measured at cost less accumulated amortisation and accumulated impairment losses. Purchased computer software are capitalised on the basis of the 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, which enhances and extends the benefits of computer software beyond their original specifications and lives, is recognised as a capital improvement and added to the original cost of the software. All other expenditure is expensed as incurred.

Amortisation is recognised in 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 10 years. 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 are as follows:

Computer software	10%
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11) **Investment in Finance Lease**

Investments in finance lease are recognised when the company transfers substantially all the risks and rewards of ownership of the leased assets to the leasee. Investment in finance lease is initially measured at cost, being the purchase price of the assets and other incidental costs of acquiring and transferring the asset to the leasee and is subsequently measured at amortised cost less accumulated repayment (of principal sum) and accumulated impairment loss.

Interest income on investment in finance lease is recognised in the income statement as investment income in the period the interest is due receivable. An investment in finance lease is impaired if the carrying amount of the investment exceeds its recoverable or net realisable amount.

12) Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

(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 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 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 not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or re-valued amounts over their estimated useful lives.

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

Plant and Machinery	12½%
Leasehold, Land and buildings	2% of cost/valuation
Furniture, fittings and office equipment	10%
Computer equipment	33⅓ %
Motor vehicles	25%
Asset under lease	Over period of lease

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 immediately 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 benefits are 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 proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

13) Statutory deposit

Statutory deposit represents a 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 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 income statement in the period the interest is earned.

14) Insurance contracts and Insurance contract liabilities

In accordance with IFRS 4 insurance contracts, the Company has continued to apply the accounting policies it applied in accordance with Nigerian GAAP. These contracts are accident, workmens compensation, motor, marine and aviation and fire insurance.

Insurance contracts protect the Company'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 Company'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 as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs arising from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company i.e. Claims incurred but not reported (IBNR) which is actuarial valuation. The Company 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 Company and analysis for the claims incurred but not reported (IBNR).

Reinsurance contracts held

The Company holds the under-noted reinsurance contracts:

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

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

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

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance 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. Amounts recoverable from or due to reinsurers are measured consistently with the amount associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The company's Insurance liabilities or balances arising from insurance contracts primarily include those insurance contract liabilities that were valued by the Actuary. 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.

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus claims incurred but not reported ("IBNR") as at the balance sheet date. The IBNR is based on the liability adequacy test 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 DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests.

The provisions of the Insurance Act, CAP I17 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 I17 LFN 2004, it supports the company's prudential concerns.

(iv) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company 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 an 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.

15) **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.

16) Provisions and other payables

A provision is recognised if, as a result of a past event, the Company 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.

Provision are measured at the Director's best of 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 subsequently measured at amortised cost using effective interest method. They comprise of other short-term monetary liabilities such as Audit fees payable, Insurance levy payable, Dividend Tax liability.

17) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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

18) Retirement obligations and Employee benefits

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

(i) Defined benefit gratuity scheme

The company has a defined benefit gratuity scheme for management and non-management staff. Under this scheme, a specified amount as determined by actuarial valuation is contributed by the company and charged to the income statement over the service life of each employee.

Employees are entitled to gratuity after completing a minimum of five continuous full years of service. The gratuity obligation is calculated annually by Independent Actuaries using the projected unit credit method. The present value of the gratuity obligation is determined by discounting the estimated future cash outflows using market yields on high quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate is based on market yields on Government bonds). The liability recognised in the statement of financial position in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the date of the statement of the financial position less the fair value of plan assets. Actuarial gains or losses arising from the valuation are credited or charged to income statement (Other comprehensive statement) in the financial year in which they arise.

(ii) Defined contribution pension scheme

The Company operates a defined contributory pension scheme for eligible employees. Company contribute 15% of the employees' Basic, Housing and Transport allowances in line with the provisions of the Pension Reform Act 2004. The Company pays the contributions to a pension fund administrator. The Company 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.

(iii) 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 Company.

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 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 company's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability differs from its tax base. Deferred taxes are recognized 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

20) 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.

21) Dividend on ordinary shares

Dividends on the Company's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Company'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.

22) Contingency reserves

In compliance with Section 21 (2) of Insurance Act, CAP 117 LFN 2004, the contingency reserve is credited with the greater of 3% of total premiums, 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.

23) Revenue reserve

Revenue reserve represents amount set aside out of the profits of the Company 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 Company, for equalising dividends, for special dividend or bonus, or such other purposes for which the profits of the Company may lawfully be applied.

24) 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 company.

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 company or the company 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 financial statements when they arise.

25) Premium and Unearned Premium

Premiums written comprise the premium 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 Company 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 premium.

26) Reinsurance expenses

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

27) 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, then they are deferred and recognised over those future periods.

28) Claims expenses

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. (See policy for reserve for outstanding claims above) The gross provision for claims represents the estimated liability arising from claims in 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 material.

29) 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.

30) Investment income

This includes interest income and dividend income. Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Dividend income for available-for-sale equities is recognised when the right to receive payment is established, this is the ex-dividend date for equity securities.

31) Management expenses

Other 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. Other Operating expenses are accounted for on accrual basis and recognized in the income statement upon utilization of the service or at the date of their origin.

32) 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.

33) Income tax expenses

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

34) Earnings per share

The Company 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.



PRESTIGE ASSURANCE PLC

THE FINANCIAL STATEMENTS

Prestige Assurance Plc
Statement of Financial Position, 31 December 2013

		31 December 2013 N'000	(Restated) 31 December 2012 N'000
Assets	Notes		
Cash and cash equivalents	10	2,449,694	1,670,851
Financial assets:			
-Held-for-trading	11(a)	586,924	458,698
-Held-to-maturity	11(b)	355,998	426,796
-Available-for-sale	11(c)	538,713	448,655
Trade receivables	12	222	695,644
Other receivables and prepayments	13	123,152	65,836
Reinsurance assets	14	3,168,227	3,674,016
Deferred acquisition cost	15	120,121	188,783
Intangible assets	16	6,300	7,200
Investment in finance lease	17	130,366	68,044
Property, plant and equipment	18	2,354,776	1,716,341
Statutory deposit	19	300,000	300,000
Total Assets		10,134,493	9,720,864
Liabilities			
Insurance contract liabilities	20	3,877,074	4,596,879
Trade payables	21	383,526	482,170
Provisions and other payables	22	183,612	170,773
Borrowings	23	500,000	-
Retirement benefits obligation	24	116,958	89,313
Current income tax liabilities	25	391,091	319,565
Deferred tax liability	26	268,889	173,234
Total Liabilities		5,721,150	5,831,934
Share capital	27	1,254,157	1,254,157
Share premium	28	1,155,540	1,155,540
Statutory contingency reserve	29	1,522,696	1,396,026
Revenue reserve	30	(742,695)	(525,190)
Reserve on actuarial valuation of gratuity	31	(29,058)	(20,028)
Reserve on available-for-sale financial assets	32	247,986	157,928
Property revaluation reserve	33	1,004,717	470,497
Total equity		4,413,343	3,888,930
Total liabilities and equity		10,134,493	9,720,864

Signed on behalf of the Board by:

Mrs. K. O. Kola-Fasanu
Chief Financial Officer
FRC/2013/ICAN/00000001184

Dr. A. P. Mittal
Managing Director
FRC/2013/CIIN/00000003042

Mr. Adewole Jethro Olukayode
Director
FRC/2013/ICAN/00000003202

The accounting policies on pages 19 to 36 and notes on pages 42 to 80 form part of these financial statements

Auditors' report, pages 17 and 18

Prestige Assurance Plc

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

		31 December 2013 N'000	(Restated) 31 December 2012 N'000
	Notes		
Gross premium written	34	4,222,338	4,790,054
Gross premium income	35	4,728,913	4,595,868
Reinsurance expenses	36	(2,980,176)	(2,749,712)
Net premium income		1,748,737	1,846,156
Fees and commission income		666,685	685,717
Net underwriting income		2,415,422	2,531,873
Claims expenses	37	(1,146,571)	(1,569,158)
Acquisition expenses	38	(812,981)	(650,088)
Maintenance expenses	39	(558,591)	(588,784)
Underwriting Profit/(Loss)		(102,721)	(276,157)
Investment income attributable to policy holders & shareholders	40	396,524	528,894
		293,803	252,737
Other operating income	41	313,087	909,085
		606,890	1,161,822
Management expenses	42	(450,036)	(282,063)
Results from operating activities		156,854	879,759
Finance cost	43	(29,370)	-
Profit before taxation		127,484	879,759
Information Technology Development Levy	25	(1,275)	(8,798)
		126,209	870,961
Taxation	25	(217,045)	(257,905)
(Loss)/profit after taxation		(90,836)	613,056
Retained earnings for the year	30	(90,836)	613,056
Other comprehensive income:			
Items within OCI that may be reclassified to the Profit or loss:			
Actuarial gain - change in assumption	31	-	12,690
Actuarial loss - experience adjustment	31	(9,030)	-
Gain on valuation of Available-for-sale financial assets	32	90,058	91,441
Items within OCI that will not be reclassified to the Profit or loss:			
Gain on revaluation of land and building (net of tax)	33	534,220	470,497
Total other comprehensive income for the year		615,248	574,628
Total comprehensive income for the year		524,412	1,187,684
Basic (loss)/earnings per share (Kobo)	45	(3.62)	24.44
Diluted (loss)/earnings per shares (Kobo)	45	(3.62)	24.44

The accounting policies on pages 19 to 36 and notes on pages 42 to 80 form part of these financial statements

Auditors' report, pages 17 and 18

Prestige Assurance Plc
Statement of Changes in Equity
for the year ended 31 December, 2013

	Issued Share capital N'000	Share premium N'000	Contingency reserve N'000	Equity revaluation reserves N'000	Gratuity valuation reserve N'000	Property Revaluation reserve N'000	General reserve N'000	Total N'000
Balance 1 January, 2013	1,254,157	1,155,540	1,396,026	157,928	(20,028)	470,497	(525,190)	3,888,930
Total comprehensive income for the period:								
Loss for the year	-	-	-	-	-	-	(90,836)	(90,836)
Transfer to contingency reserve	-	-	126,670	-	-	-	(126,670)	-
Other comprehensive income:								-
Changes in Available-for-sale financial assets	-	-	-	90,058	-	-	-	90,058
Changes in valuation of land and building	-	-	-	-	-	534,220	-	534,220
Changes in valuation of gratuity	-	-	-	-	(9,030)	-	-	(9,030)
	-	-	126,670	90,058	(9,030)	534,220	(217,506)	524,412
Transactions with owners recorded directly in Equity:	-	-	-	-	-	-	-	-
Balance 31 December, 2013	1,254,157	1,155,540	1,522,696	247,986	(29,058)	1,004,717	(742,695)	4,413,343

The accounting policies on pages 19 to 36 and notes on pages 42 to 80 form part of these financial statements

Prestige Assurance Plc
Statement of Changes in Equity
for the year ended 31 December, 2013

	Issued Share capital N'000	Share premium N'000	Contingency reserve N'000	Equity revaluation reserves N'000	Gratuity valuation reserve N'000	Property Revaluation reserve N'000	General reserve N'000	Total N'000
Balance 1 January, 2012	1,254,157	1,170,820	1,252,324	66,487	(32,718)	-	(944,378)	2,766,692
Total comprehensive income for the period:								
Profit for the year (restated)	-	-	-	-	-	-	613,056	613,056
Transfer to contingency reserve			143,702				(143,702)	-
Right issue expenses	-	(15,280)		-	-	-	-	(15,280)
Other comprehensive income:								
Changes in Available-for-sale financial assets	-	-	-	91,441	-	-	-	91,441
Changes in valuation of land and building	-	-	-	-	-	470,497	-	470,497
Changes in valuation of gratuity	-	-	-	-	12,690	-	-	12,690
	-	(15,280)	143,702	91,441	12,690	470,497	469,354	1,172,404
Transactions with owners recorded directly in Equity:								
Dividend declared	-	-	-	-	-	-	(50,166)	(50,166)
Balance 31 December, 2012	1,254,157	1,155,540	1,396,026	157,928	(20,028)	470,497	(525,190)	3,888,930

The accounting policies on pages 19 to 36 and notes on pages 42 to 80 form part of these financial statements

Prestige Assurance Plc
Statement of cash flows
for the year ended 31 December, 2013

		2013	2012
	Notes	N'000	N'000
Cash flows from operating activities:			
Premium received from policy holders		4,917,760	4,119,484
Commission received		666,685	685,717
Operating costs and payments to employees		(4,678,818)	(4,023,741)
Claims paid	37	(2,965,599)	(3,283,825)
Claims recovered from re-insurers	37	1,814,985	1,658,078
Other operating income	41	313,087	909,085
Company income tax paid	25	<u>(110,496)</u>	<u>(191,587)</u>
Net cash consumed by operating activities	47(a)	<u>(42,396)</u>	<u>(126,789)</u>
Cash flows from investing activities			
Purchase of property, plant & equipment	18	(134,071)	(433,514)
Redemption of bonds	11(b)	70,798	43,204
Purchase of bond	11(b)	-	(40,000)
Purchase of held for trading financial assets	11(a)	(70,480)	-
Investment income and other receipts	40	389,797	426,548
Proceeds on disposal of property, plant & equipment		57	8
Proceeds on disposal of leased assets		789	2,138
Proceeds from disposal of held for trading financial assets	11(a)	<u>64,349</u>	<u>142,520</u>
Net cash inflow from investing activities		<u>321,239</u>	<u>140,904</u>
Cash flows from financing activities			
Dividend paid	30	-	(50,166)
Share issue expenses	28	-	(15,280)
Borrowings	23	<u>500,000</u>	<u>-</u>
Net cash inflow/(outflow) from financing activities		<u>500,000</u>	<u>(65,446)</u>
Net increase/(decrease) in cash and cash equivalents		778,843	(51,331)
Cash and cash equivalents at the beginning of the year		<u>1,670,851</u>	<u>1,722,182</u>
Cash and cash equivalents at the end of the year	47(b)	<u><u>2,449,694</u></u>	<u><u>1,670,851</u></u>

The accounting policies on pages 19 to 36 and notes on pages 42 to 80 form part of these financial statements

Auditors' report, pages 17 and 18

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

Prestige Assurance Plc (The Company) was incorporated under the laws of the Federal Republic of Nigeria and is subject to the Nigerian Insurance Act, CAP I17 LFN 2004. It is licensed to underwrite all Non-Life insurance business in Nigeria. Its head office and registered office is at 19, Ligali Ayorinde Street, Victoria Island, Lagos.

Prestige Assurance Plc is a subsidiary of The New India Assurance Co. Ltd., Mumbai, India, a 95 year old wholly owned by the Government of India undertaking with an asset base of over US\$8 billion and rated 'A' EXCELLENT by A. M. Best of the U.S.A

Prestige Assurance Plc is a Public Liability Company quoted on the Nigerian Stock Exchange. Established in 1952 as a branch office of The New India Assurance Co. Ltd., Mumbai. Converted as New India's 100% subsidiary company in 1970 - The New India Assurance Company (Nig.) Limited. By the Nigerian Enterprises Promotion Act of 1977, The New India's holding was reduced to 40%, and the name changed to 'Prestige Assurance Plc in September, 1992.

The New India Assurance's Shareholding increased to 47.87% in 2004 (with a change in regulation) and increased to 51.01% in March, 2007.

Principal activities

The Company is licensed to write all classes of Non-life Insurance in Nigeria and positioned to give excellent services through its Total Quality Management Practices. The activities include insurance underwriting, claims administration and management of liquidity by investing the surplus in fixed deposit, bond 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 19-36. These policies have been consistently applied to all the years presented, unless otherwise stated.

3 Critical accounting estimates and judgments

The Company 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 comprehensive income 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 Company 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 Company 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 Company 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 Insurance contracts

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

iii 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 Company 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.

iv Sensitivity

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

v 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.

vi Reinsurance

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

vii Held-to-maturity Investments

The Company 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 Company evaluates its intention and ability to hold such investments to maturity.

If the Company 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.

viii Impairment of available-for-sale financial assets

The Company 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 Company 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.

ix Impairment of other assets

At each statement of financial position 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.

x 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 Company uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date.

xi 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 Company's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's views of possible near-term market changes that cannot be predicted with any certainty.

4 Premium and Reinsurance Receivables

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as a primary insurer. If a reinsurer fails to pay a claim for any reason, the Company 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 Company 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 company'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 Company's risk department.

The Company 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.

5 Management of insurance and financial risk

The Company issues contracts that transfers 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 Company faces under its insurance contracts is that the actual claims and indemnity payments exceed the carrying amount of the insurance liabilities.

The Company 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 if the perceived level of risk is very high.

The reinsurance arrangements for proportional and non-proportional treaties are such that the Company 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 gross and net of reinsurance.

Class of Business	Outstanding claims					
	2013			2012		
	No. of claims	Gross N'000	Net N'000	No. of claims	Gross N'000	Net N'000
Accident	227	365,746	100,984	141	289,693	54,782
Fire	236	1,128,928	180,109	70	1,049,174	225,329
Workmen's compensation	141	67,162	67,162	165	39,526	39,526
Motor	224	68,711	68,594	165	61,271	61,038
Marine and Aviation	107	995,483	5,444	239	1,172,565	17,598
Engineering	26	61,883	19,557	6	38,979	3,662
Oil and Gas	15	372,302	221,740	10	622,237	138,487
Bonds	0	46	46	-	46	46
	976	3,060,261	663,636	796	3,273,491	540,468

The Company 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 Company 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 Company claims are short tail 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 Company 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 Company has ensured that liabilities on the balance sheet at year end for existing claims whether reported or not, are adequate.

The Company 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 Company 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 Company'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 Company 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.

vi 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 Company 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 Company monitors adherence to this market risk policy through the Company's Investment Committee. The Company'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 Company'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.

vii Currency risk

The Company purchases reinsurance contracts internationally, thereby being exposed to foreign currency fluctuations.

The Company's primary exposures are with respect to the US Dollar.

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

The Company financial assets and financial liabilities by currency is detailed below:

At December 31, 2013	N'000	Equivalent in N'000			Total
		£'000	€'000	\$'000	
Assets:					
Non-current assets	6,079,790	-	-	-	6,079,790
Current assets	1,605,009	-	-	-	1,605,009
Cash and cash equivalents	1,748,643	82,074	7,705	611,272	2,449,694
TOTAL ASSETS	9,433,442	82,074	7,705	611,272	10,134,493
Liabilities:					
Current liabilities	5,335,303	-	-	-	5,335,303
Non-current liabilities	385,847	-	-	-	385,847
TOTAL LIABILITIES	5,721,150	-	-	-	5,721,150
At December 31, 2012	N'000	Equivalent in N'000			Total
		£'000	€'000	\$'000	
Assets:					
Non-currents assets	5,954,384	-	-	-	5,954,384
Current assets	2,095,629	-	-	-	2,095,629
Bank balances, deposits and cash	1,079,116	9,663	53,036	529,036	1,670,851
TOTAL ASSETS	9,129,129	9,663	53,036	529,036	9,720,864
Liabilities:					
Current liabilities	5,569,387	-	-	-	5,569,387
Non-current liabilities	262,547	-	-	-	262,547
TOTAL LIABILITIES	5,831,934	-	-	-	5,831,934

viii 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:

	GBP		USD		EURO	
	+ 5% N'000	- 5% N'000	+ 5% N'000	- 5% N'000	+ 5% N'000	- 5% N'000
Impact on Results :						
At December 31, 2013						
- Financial assets	-	-	-	-	-	-
- Bank balances and deposits	86,178	77,970	641,836	580,708	8,090	7,320
At December 31, 2012						
- Financial assets	-	-	-	-	-	-
- Bank balances and deposits	10,146	9,180	555,488	502,584	55,688	50,384

ix Interest rate risk

Interest rate risk arises from the Company'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.

Sensitivity

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

	Impact on results	
	+ 1%	- 1%
	N'000	N'000
At December 31, 2013		
- Held-to-maturity financial assets	359,558	352,438
- Loans and receivables	124,608	122,140
- Bank balances and deposits	2,474,191	2,425,197
	+ 1%	- 1%
	N'000	N'000
At December 31, 2012		
- Held-to-maturity financial assets	431,064	422,528
- Loans and receivables	769,095	753,865
- Bank balances and deposits	1,687,560	1,654,142

x Equity price risk

The Company 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 Company as well as concentrations of specific equity holdings. Equity price risk is also mitigated as the Company 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 Company's shareholders' equity, had the equity market values increased/decreased by 10% with other assumptions left unchanged, would have been as follows:

- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries.

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 Company 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 Company has policies in place to ensure that sales or services are made to clients, agents and brokers with sound credit history.

xi Reinsurance credit exposures

The Company 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 Company 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 Company 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 Company 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.

xii 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 Company 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.

xiii Sensitivity

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

xiv 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.

xv Reinsurance

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

6. Financial assets and liabilities

Categorisation of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

(a) Financial assets	Held for Trading (carried at fair value)	Available for sale (fair value)	Held to maturity (carried at amortised cost)	Loans and receivables (carried at amortised cost)	Total
	N'000	N'000	N'000	N'000	N'000
31 December 2013					
Cash and cash equivalents	-	-	-	2,449,694	2,449,694
Quoted investments	586,924	-	-	-	586,924
Unquoted investments	-	538,713	-	-	538,713
Bonds	-	-	355,998	-	355,998
Trade receivables	-	-	-	222	222
Other receivables and prepayments	-	-	-	123,152	123,152
	586,924	538,713	355,998	2,573,068	4,054,703
Financial liabilities	Derivatives used for hedging(fair value)	Designated at FVTPL	Other liabilities (carried at FVTPL)	Other liabilities (carried at amortised cost)	Total
	N'000	N'000	N'000	N'000	N'000
31 December 2013					
Trade payables	-	-	-	383,526	383,526
Provision and other payables	-	-	-	183,612	183,612
Borrowings	-	-	-	500,000	500,000
	-	-	-	1,067,138	1,067,138
(b) Financial assets	Held for trading (FVTPL)	Held to maturity (carried at amortised cost)	Available for sale (fair value)	Loans and receivables (carried at amortised cost)	Total
	N'000	N'000	N'000	N'000	N'000
31 December 2012					
Cash and cash equivalents	-	-	-	1,670,851	1,670,851
Quoted investments	458,698	-	-	-	458,698
Unquoted investments	-	-	448,655	-	448,655
Bonds	-	426,796	-	-	426,796
Trade receivables	-	-	-	695,644	695,644
Other receivables and prepayments	-	-	-	65,836	65,836
	458,698	426,796	448,655	2,432,331	3,766,480
Financial liabilities	Derivatives used for hedging(fair value)	Designated at FVTPL	Other liabilities (carried at FVTPL)	Other liabilities (carried at amortised cost)	Total
	N'000	N'000	N'000	N'000	N'000
31 December 2012					
Trade payables	-	-	-	482,170	482,170
Provision and other payables	-	-	-	170,773	170,773
	-	-	-	652,943	652,943

The Held-for-trading financial assets are denominated in Naira and are publicly traded in Nigeria

7. 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:

31 December 2013

	Level 1	Level 2	Level 3	Total
	N'000	N'000	N'000	N'000
Assets				
Held-for-trading financial assets	586,924	-	-	586,924
Available-for-sale financial assets	-	-	538,713	538,713
Total	586,924	-	538,713	1,125,637

31 December 2012

	Level 1	Level 2	Level 3	Total
	N'000	N'000	N'000	N'000
Assets				
Held for trading financial assets	458,698	-	-	458,698
Available-for-sale financial assets	-	-	448,655	448,655
Total	458,698	-	448,655	907,353

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

8 ENTERPRISE RISK MANAGEMENT

Introduction and Overview

Prestige Assurance 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 company. The company is exposed to financial risk and business risk. Financial Risks 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 prestige, we try as much as possible to balance our portfolio while maximizing our value to stakeholders through an approach that mitigate the inherent risk.

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 General 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 Prestige Assurance, 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 company.

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 company.

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 auditor
- Ensure regulatory compliance
- Monitoring the effectiveness of internal control processes within the company.

Board Risk Committee

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

- Reviewing of company's risk appetite
Oversee management's process for the identification of significant risk across the company 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 company'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 company. This comprises of Managing Director and the management staff of the company.

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 company'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, Prestige Assurance 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

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. Liquidity risk includes liquidation value risk, affiliated investment risk and capital funding risk. Credit risk includes default risk, downgrade or mitigation risk, indirect credit or spread risk and concentration risk.

Business 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 company. 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. Our company has a pragmatic approach in identifying, assessing and mitigating risk of such approaches as stated above.

The risk categorization are presented in the table below:

FINANCIAL RISK REGISTER

TABLE I

S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT	INHERENT RISK	RISK DRIVER	DESCRIPTION OF EXISTING
			DESCRIPTION	RATING	DESCRIPTIONS	CONTROLS
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	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
		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	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
		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	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
		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	where the naira fluctuates in response to limited intervention from CBN and majors oil companies.	set appropriate limits for foreign currency holding
ii	Credit	a) Default risk	a) non- receival or delayed receival of cash flows or assets to which it is entitled due to default in one or more obligations by the other party	extreme	where premiums 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 limited structure is established. Transactions and exposures involving affiliated entities must receive special approval and portfolio diversification
		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	where insurance premium owed overtime is to be rediscounted for payment	set appropriate premium credit limit structure
		c) Indirect credit or spread risk	c) Risk as a result of market perception of increased risk on either a macro or micro basis	low	where the insured and insurance intermediaries increasingly request for premium credit or staggered premium payment	set appropriate premium credit limit structure
		d) Concentration risk	d) losses due to concentration of investments in a geographical area, economic sector, counterparty, or connected parties	extreme	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

		e) 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	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
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STRATEGIC RISK REGISTER						TABLE II
S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK RATING	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
i	Business	customer risk, innovations risk & brand reputation risk	losses resulting from any incident or circumstance which dramatically alters customer preference, or deployment of new innovative products by competitors which induces a heavy reduction in company's customer base or renders company's product obsolete	medium	where extensive market rumours arise, where severe regulatory sanction arises, where competitors introduce a revolutionary innovative product, and where economic shift results in severe changes in customers taste & preferences	customer relationship management, monitoring of industry and market changes, continuous product innovations & development
ii	Reputational	corporate governance breaches, reputational risk management process and event	losses resulting from any incidence or circumstance which ultimately results in reputation risk- the risk that the company's reputation may be damaged through negative publicity of its business practices, conduct or financial conditions	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
iii	Compliance	proposed regulatory changes, corporate positioning	losses resulting from forced merger and acquisition bid or the inability to anticipate fundamental changes in operative legislation	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 liability.	medium	where company is located near the source of a fundamental peril	insurance
ii	Health safety & Environmental risk	Pollution, Contagious diseases, Hazardous materials / Substances	losses arising out of any one event or series of event caused by pollution, contagious disease and use of hazardous material which may result in health risk to employees.	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 disease to specified areas
iii	Employee injury & illness	Workplace accident, Hazardous Processes, Suffocation, Electrical shocks & burns	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

TABLE IV

S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK RATING	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
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	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
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	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
		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	medium	where the reinsurers are not regularly appraised and evaluated	annual pre-qualifications for reinsurers, standard parameters established for reinsurers participation in companies' accounts
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	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 off internal SLAs, functional reporting & supervision system
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	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
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	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
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	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

TABLE V

S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK RATING	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
i	People	a) Discrimination	a)Gender discrimination, Tribe discrimination+ Qualification discrimination(B.Sc/ HND).	High	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) Demotivated & Disgruntled workforce	b)Poor conditions of service, Bad Management, Delayed gratuity payment, poor work environment	Medium	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) Employee Health & safety	c)Unconducive work environment, staff constant exposure to hazardous pollutants	Medium	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) Misappropriation of assets	d)Conversion of company's asset for personal use, theft.	High	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) Internal fraud	e)Ghost workers, forgery, Aiding and Abating, financial collusions, over invoicing, delayed retirement of advances & IOU	High	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) High Staff attrition	f) High turn-over of Staff, forced & Voluntary resignations, Abandonment	Medium	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) Sudden Resignation of Key employee	g) Efficient employees leaving, key employees leaving	High	g) where employees productivity is not matched with reward, where there is poor Management-Staff relationship, where Management integrity is absent, where Management & Board is wasteful	g) regular management-key employees dialogue, comprehensive training & development program, adequate motivation
ii	Process	a)Clientele Service/ Interaction	a)Poor customer relations management, Unable to meet customers promised deadlines	High	where there is delayed response to customers enquiries and requests arising out of process breakdown and poor interpersonal relations and abridged communication	matching employees skills with roles, comprehensive Human Capital Learning & Development programs, Customer Relationship Management training, Service Level Agreements
		b) Documentation Errors	b) flaws in documentation, flaws in marketing & promotion literature, errors in policy documentation, failure to maintain proper records.	High	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
		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	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
		d) Transaction & Payment processing error	d)Manual data entry errors, design & specification errors, casting errors, omissions	High	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
		e) Sales advise / practice errors	e) Mis-selling & negligent sales advisory services	High	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

S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK RATING	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
iii.	System	Hardware failure, software failure, utility disruptions	system hang, system hacking, electricity disruption, software design failure, data corruption, viruses, theft of information, security breaches	extreme	where disruption is caused to service delivery for internal & external customers because of system failure, telecommunication failure, security breaches and frequent down-time	standardised propriety 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
iv	External events	a) legislative & regulatory risk	a) non compliance, delayed compliance & inability to fully comply with regulatory & legislative procedures	extreme	where penalties are paid for non-compliance or delayed compliance of regulatory procedures	establishment of compliance unit, enforcement of compliance requirement
		b) damage to company's assets	b) loss of company assets due to terrorism, riots and civil commotion and other fundamental perils	extreme	where the company loses one of its assets due to the occurrence of a fundamental peril	asset insurance, authorised movement of assets
		c) external fraud	c) Theft of information, financial collusion & forgery, impersonation, fraudulent claims, fraudulent billing by suppliers	extreme	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
		d) Third party liabilities.	d) outsourcing delivery failure, actions by third party against the company	medium	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
v	Legal/ Litigation	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	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

Aside from this, the company trains and re-trains the personnel in risk handling techniques which has put the company as one of the leading underwriters with proven track records over the years.

9. 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.

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.

The Company's capital requirement ratio and Solvency margin exceed the requirement of the Insurance Act CAP I17, LFN 2004.

	31 December 2013 N'000	31 December 2012 N'000
10 Cash and cash equivalents		
Balances with local banks	760,275	779,039
Balances with foreign banks	67,871	8,565
Deposits and placements with local banks	94,926	270,025
Bankers acceptances	1,036,622	183,222
Treasury bills	490,000	430,000
	<u>2,449,694</u>	<u>1,670,851</u>
Current	2,449,694	1,670,851
Non-current	-	-

Deposits with banks earn interest at floating rates based on daily bank deposit rates. Cash and deposits are available for use in the company's day- to- day operations.

	N'000	N'000
11 Financial assets		
Held for trading (Note 11(a))	586,924	458,698
Held-to-maturity (Note 11(b))	355,998	426,796
Available -for-sale (Note 11(c))	538,713	448,655
	<u>1,481,635</u>	<u>1,334,149</u>
Current	586,924	458,698
Non-current	<u>894,711</u>	<u>875,451</u>
	<u>1,481,635</u>	<u>1,334,149</u>

a) The following table presents a reconciliation of the

	N'000	N'000
Held-for-trading financial assets		
Balance, beginning of the year	458,698	483,586
Gains recognised in net income	129,288	129,360
Loss recognised in net income	(7,193)	(11,728)
Additions during the year	70,480	-
Disposals during the year	<u>(64,349)</u>	<u>(142,520)</u>
Balance, end of the year	<u>586,924</u>	<u>458,698</u>

a(i) *Analysis of the fair value of the Company's investments in listed entities is shown below:*

	N'000	N'000
UNIPETROL NIGERIA PLC	2,329	1,186
ZENITH BANK PLC	56,376	40,101
BERGER PAINT NIGERIA PLC	34	38
MOBIL OIL NIGERIA	35,580	42,328
NIGERIA BREWERIES PLC	67,160	58,800
GUINNESS NIGERIA plc	42,480	55,000
UNILEVER NIGERIA PLC	18,479	13,647
GLAXO SMITHKLINE NIGERIA	55	37
INTERNATIONAL BREWERIES PLC	1,725	574
FLOUR MILLS OF NIGERIA PLC	3,480	3,105
FIRST BANK NIGERIA LIMITED	26,889	60,383
NESTLE NIGERIA PLC	30,000	17,500
UNITED AFRICAN COMPANY OF NIGERIA PLC	53,600	7,375
DUNLOP NIGERIA PLC	1,116	1,116
UNITED BANK FOR AFRICA	9,705	4,973
TRIPPLE GEE & COMPANY PLC	456	505
MAY & BAKER NIGERIA PLC	617	391
CORNERSTONE INSURANCE LIMITED	5,143	5,143
WEMA BANK PLC	46	20
NIGERIAN WIRE AND CABLE PLC	5	5
UNION BANK PLC	1,419	1,083
GUARANTY TRUST BANK PLC	35,501	30,220
ACCESS BANK PLC	36,483	34,393
NAL	-	911
UACN PROPERTIES	11,875	32,813
OCEANIC BANK PLC	30	21
DIAMOND BANK PLC	10,406	6,994
AIICO INSURANCE PLC	692	511
NIGERIAN BAG MANUFACTURING COMPANY PLC (BAGCO)	-	120
CONTINENTAL RE INSURANCE PLC	7,995	4,940
UNION HOMES SAVINGS & LOANS PLC	625	625
C & I LEASING	250	250
STANBIC IBTC	27,191	14,010
SKYE BANK PLC	15,544	8,600
TRANSCORP	13,058	2,100
CUSTODIAN AND ALLIED INSURANCE	3,016	1,885
STANDARD ALLIANCE	500	500
DAAR COMMUNICATION PLC	500	500
DANGOTE SUGAR PLC	24,035	6,000
JULIUS BERGER NIGERIA PLC	7,229	-
PRESCO PLC	3,364	-
NASCON PLC	4,497	-
OKOMU OIL PALM COMPANY PLC	4,543	-
PZ CUSONS NIGERIA PLC	19,136	-
WAPIC INSURANCE PLC	876	-
STERLING BANK PLC	2,500	-
UBA CAPITAL PLC	274	-
AFRICA PRUDENTIAL REGISTRARS PLC	110	-
	<u>586,924</u>	<u>458,698</u>

Held for trading financial assets represent the Company's Investments in listed securities on the Nigerian Stock Exchange. The Investment is carried at fair value based on the current bid price on the Nigerian Stock Exchange.

- b) The following table presents a reconciliation of the Held-to-maturity financial assets

	N'000	N'000
Balance, beginning of the year	426,796	430,000
Additions during the year	-	40,000
	<u>426,796</u>	<u>470,000</u>
Redemption during the year	(70,798)	(43,204)
Balance at the end of the year	<u>355,998</u>	<u>426,796</u>

Held to maturity financial assets represent the Company's investment in bonds issued by Chellarams Plc and Dana Group. The Company has positive intent and ability to hold the financial assets to maturity and the financial assets are carried at amortised cost.

- c) The following table presents a reconciliation of the

	N'000	N'000
Available -for-sale financial assets		
Balance at the beginning of the year	448,655	357,214
Additions during the year	-	-
	<u>448,655</u>	<u>357,214</u>
Net fair value of available for sale financial assets (note c(i))	<u>90,058</u>	<u>91,441</u>
	<u>538,713</u>	<u>448,655</u>

Available-for-sale financial assets represent the Company's investments in unlisted securities in other corporate entities. The investment is carried at fair value based on the net asset value of the Company's investments in the entities.

- i) The movement in net fair value of

Available -for-sale financial assets is as follows:

	N'000	N'000
Fair value gain	103,588	91,441
fair value (loss)	(13,530)	-
	<u>90,058</u>	<u>91,441</u>
Net fair value at the end of the year	<u>90,058</u>	<u>91,441</u>

- ii) There were no impairment provisions required on held-for-trading financial assets as at 31 December 2013, 2012 (Nil)
- iii) The fair value of Held-for-trading financial assets is based on published market prices, by the Nigerian Stock Exchange
- iv) The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets classified as available for sale.

12	Trade receivables	31 December	31 December
		N'000	N'000
	Amount due from Agents	-	643,254
	Amount due from Insurance Brokers	108,124	-
	Amount due from Insurance Companies	-	1,020,631
	Amount due from direct Insured.	53,490	793,980
		<u>161,614</u>	<u>2,457,865</u>
	Write off of trade receivables	(161,392)	(1,762,221)
		<u>222</u>	<u>695,644</u>
	Current	222	695,644
	Non-current	-	-
i)	<u>Detail of net trade receivables</u>		
	Amount due from Insurance Brokers	222	233,273
	Amount due from Insurance Companies	-	214,778
	Amount due from direct Insured.	-	247,593
		<u>222</u>	<u>695,644</u>
ii)	<u>Movement in impairment loss on trade receivables</u>		
	Balance, beginning of year	-	2,544,585
	Write off of trade receivables	(161,392)	(1,762,221)
	Recoveries on impairment loss (note 41)	-	(782,364)
	Balance at the end of the year	<u>(161,392)</u>	<u>-</u>
iii)	<u>The age analysis of amounts due on trade receivables is</u>	N'000	N'000
	Under 90 days	222	1,292,891
	91 - 180 days	-	187,223
	Above 180 days	161,392	977,751
		<u>161,614</u>	<u>2,457,865</u>
iv)	<u>The following trade receivables were received subsequent to the year end:</u>	N'000	N'000
	Insurance Brokers/Agents	222	41,091
	Co-insurance Companies	-	19,062
	Direct insured	-	59,570
		<u>222</u>	<u>119,723</u>
v)	<u>The following trade receivables were confirmed subsequent to the year end:</u>	N'000	N'000
	Insurance Brokers/Agents	-	192,182
	Co-insurance Companies	-	195,717
	Direct insured	-	188,022
		<u>-</u>	<u>575,921</u>
vi)	<u>Summary of confirmed and collected trade receivables subsequent to the year end:</u>	N'000	N'000
	Trade receivables collected subsequent to the year end	222	119,723
	Trade receivables confirmed subsequent to the year end	-	575,921
		<u>222</u>	<u>695,644</u>
vii)	An amount of N229,062,000 which relates to claims recoverable from reinsurance Companies in 2012 was reclassified to reinsurance assets (Note 14).		
13	Other receivables and prepayments	N'000	N'000
	Prepayments	15,715	11,192
	Staff loans	81,246	33,773
	Other debtors	36,820	20,871
	Balance, end of the year	<u>133,781</u>	<u>65,836</u>
	Staff cooperative loan written off (Note 13(i))	(10,629)	-
		<u>123,152</u>	<u>65,836</u>
	Current	123,152	65,836
	Non-current	-	-

At 31 December 2013, other receivables of N10,629,000 representing amount advanced to the Company's staff cooperative for purchase of land (2012: Nil) was written off. Amount written off has been recorded accordingly in profit or loss.

14	Reinsurance assets	N'000	N'000
	Outstanding claims recoverable (note 14a)	2,724,204	2,952,086
	Prepaid reinsurance	444,023	721,930
	Balance, end of the year	<u>3,168,227</u>	<u>3,674,016</u>
	Current	3,168,227	3,674,016
	Non-current	-	-
(a)	Outstanding claims recoverable:		
	Balance at beginning	2,952,086	910,211
	(Decrease)/Increase during the year	<u>(209,187)</u>	<u>2,041,875</u>
	Balance at end of the year	2,742,899	2,952,086
	Impairment loss (Note 14a(i))	(18,695)	-
		<u>2,724,204</u>	<u>2,952,086</u>

At 31 December 2013, reinsurance asset of N18,695,000 representing recovery expected from Universal Insurance Plc. (2012: Nil) were impaired, and an impairment loss of the same amount has been recorded accordingly in profit or loss. Reinsurance assets is considered impaired when there is objective evidence that the cedant may not receive all amounts due under the terms of the contract due to reinsurers default.

(i)	Movement in Impairment loss	N'000	N'000
	Balance at the beginning of the year	-	-
	allowance for impairment during the year	18,695	-
	Balance at the end of the year	<u>18,695</u>	<u>-</u>

15	Deferred acquisition cost		
	Deferred acquisition costs represent commissions on unearned premium relating to the unexpired risk. The movement in the deferred acquisition costs during the year is shown below:		
	Balance at the beginning of the year	188,783	133,400
	(Decrease)/increase during the year	<u>(68,662)</u>	<u>55,383</u>
	Balance at the end of the year (Note 38)	<u>120,121</u>	<u>188,783</u>
	Current	120,121	188,783
	Non-current	-	-
16	Intangible Assets	2013	2012
	Cost:	N'000	N'000
	Balance at beginning of the year	9,000	9,000
	Balance at end of the year	<u>9,000</u>	<u>9,000</u>
	Amortisation:		
	Balance at beginning of the year	1,800	900
	Charge during the year	900	900
	Disposal	-	-
	Balance at end of the year	<u>2,700</u>	<u>1,800</u>
	Carrying amounts	<u>6,300</u>	<u>7,200</u>

Intangible assets relate to purchased computer software used by the Company.

17	Investment in finance leases	N'000	N'000
	Gross investment in finance leases	199,305	279,409
	Unearned finance income	<u>(68,939)</u>	<u>(211,365)</u>
		<u>130,366</u>	<u>68,044</u>
	Current	130,366	68,044
	Non-current	-	-

18	Property, plant and equipment	Plant & Machinery	Leasehold land & building	Building under construction	Furniture and fittings	Computer equipment	Motor vehicles	Assets on lease	Total
		N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
	<u>Cost/valuation</u>								
	At 1 January, 2012	24,058	165,376	635,819	40,223	70,642	92,022	972,298	2,000,438
	Additions	-	-	324,292	1,518	5,577	2,537	99,590	433,514
	Transfer to property revaluation reserve (note 33)	-	(94,130)	-	-	-	-	-	(94,130)
	Revaluation (note 33)	-	600,000	-	-	-	-	-	600,000
	Disposals	-	-	-	-	-	(4,500)	(213,747)	(218,247)
	At 31 December, 2012	24,058	671,246	960,111	41,741	76,219	90,059	858,141	2,721,575
	At 1 January, 2013	24,058	671,246	960,111	41,741	76,219	90,059	858,141	2,721,575
	Additions	119	-	93,348	3,217	3,827	33,560	-	134,071
	Transfer to property revaluation reserve (note 33)	-	(671,246)	-	-	-	-	-	(671,246)
	Revaluation (note 33)	-	1,240,000	-	-	-	-	-	1,240,000
	Disposals	-	-	-	-	-	(3,798)	(74,255)	(78,053)
	At 31 December, 2013	24,177	1,240,000	1,053,459	44,958	80,046	119,821	783,886	3,346,347
	<u>Accumulated depreciation</u>								
	At 1 January, 2012	14,929	25,370	-	24,735	64,350	80,415	895,222	1,105,021
	Charge for the year	2,381	2,933	-	2,704	9,563	6,094	134,516	158,191
	Transfer to property revaluation reserve (note 33)	-	(16,904)	-	-	-	-	-	(16,904)
	On disposals	-	-	-	-	-	(4,500)	(213,745)	(218,245)
	At 31 December, 2012 (Previously reported)	17,310	11,399	-	27,439	73,913	82,009	815,993	1,028,063
	Correction of prior period error (Note 49)	-	-	-	-	-	-	(22,829)	(22,829)
	At 31 December, 2012 (As restated)	17,310	11,399	-	27,439	73,913	82,009	793,164	1,005,234
	At 1 January, 2013	17,310	11,399	-	27,439	73,913	82,009	793,164	1,005,234
	Charge for the year	1,886	13,425	-	2,870	5,924	13,835	51,274	89,214
	Transfer to property revaluation reserve (note 33)	-	(24,824)	-	-	-	-	-	(24,824)
	On disposals	-	-	-	-	-	(3,798)	(74,255)	(78,053)
	At 31 December, 2013	19,196	-	-	30,309	79,837	92,046	770,183	991,571
	<u>Net book values at:</u>								
	31 December, 2013	4,981	1,240,000	1,053,459	14,649	209	27,775	13,703	2,354,776
	31 December, 2012	6,748	659,847	960,111	14,302	2,306	8,050	64,977	1,716,341

Land and building were professionally valued by Messrs J.C. Obasi & Co. FRC/2013/NIESV/00000002148 (Estate Surveyors and Valuers) as at 30th December, 2013 on the basis of their open market values. The revised value of the properties was N1,240,000,000 resulting in a surplus on revaluation of N593,578,000 which has been credited to the property, plant and equipment revaluation account.

The re-valued property is the company's Head Office building located at 19, Ligali Ayorinde Street, Victoria Island Lagos and the company's property located in flat c, Niger towers, 51/55 Glover Road, Ikoyi Lagos.

The head office building was constructed at a cost of N94,130,000 and the property in nature is a freehold property. In 2009, the property was re valued to N600,000,000 and a further revaluation on the property was carried out on 31 December 2013 in an open market by reference to the investment method of valuation and used the market comparison method as a check

The company's property located at flat c, Niger towers, 51/55 Glover Road Ikoyi Lagos was acquired under a lease agreement with UACN Property Development Company in 2005. the lease period is 42 years and Prestige Assurance Plc is allowed to sub-lease it for another term after expiration of the current term. The cost of this building at the date of revaluation was N71,246,000 and has been valued in an open market as at 31 December 2013.

The total cost of N671,246,000 and the accumulated depreciation N24,824,000 of the revalued properties as at 31 December, 2013 have been transferred to revaluation account and were used to determine the surplus on the revaluation of the property.

	31 December 2013 N'000	31 December 2012 N'000
19 Statutory deposit		
Balance at the beginning and end of year	300,000	300,000
This represents amount deposited with the Central Bank of Nigeria at the financial year end in accordance with the provisions of section 9(i) and 10(3) of the Insurance Act, CAP I17, LFN 2004.		
20 Insurance contract liabilities	N'000	N'000
Outstanding claims reserve(Note 20(a))	3,060,261	3,273,491
Unearned Premium reserve (Note 20(d))	816,813	1,323,388
	3,877,074	4,596,879
Current	3,877,074	4,596,879
Non-current	-	-
(a) <u>Outstanding claims reserve</u>	N'000	N'000
Accident	331,284	967,940
Fire	644,792	450,658
Workmen's compensation	49,104	9,750
Motor	51,916	13,400
Marine and Aviation	880,294	1,042,729
Engineering	52,330	9,764
Oil and Gas	360,649	13,750
	2,370,369	2,507,991
IBNR	689,892	765,500
Total	3,060,261	3,273,491
	N'000	N'000
(b) Outstanding claims reserve at the beginning	3,273,491	1,288,205
(Decrease)/Increase in provision during the year	(213,230)	1,985,286
Outstanding claims reserve at the end	3,060,261	3,273,491
(c) The age analysis of outstanding claims was as follows:		
	N'000	N'000
i 0 - 90 days	1,174,297	2,054,145
91 - 180 days	290,746	500,202
181 - 270 days	162,147	498,108
271 - 360 days	299,222	166,036
361 days and above	1,133,849	55,000
	3,060,261	3,273,491

ii Claims paid triangulations as at 31 December 2013

In addition to scenario testing, the development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of claims. The table explained how claims outstanding has changed at each successive year end and the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

Fire

Accident Period	Development								
	0	1	2	3	4	5	6	7	8
2005	-	68,741,444	69,560,639	75,947,680	75,947,680	75,947,680	75,947,680	75,947,680	75,947,680
2006	93,298,025	114,677,342	125,388,796	127,553,909	127,553,909	127,553,909	127,553,909	127,553,909	
2007	15,857,485	329,970,945	388,421,348	401,264,105	412,299,981	412,299,981	412,323,550		
2008	194,210,614	431,070,852	456,082,942	527,681,310	527,752,889	527,752,889			
2009	248,103,542	674,224,104	823,582,646	832,854,119	842,218,696				
2010	102,014,543	407,615,191	470,121,541	503,774,503					
2011	102,197,720	1,310,119,363	1,664,915,473						
2012	323,603,205	1,311,548,727							
2013	186,359,956								

General Accident

Accident Period	Development								
	0	1	2	3	4	5	6	7	8
2005	-	35,729,040	42,214,130	42,214,130	42,214,130	42,257,780	42,257,780	42,257,780	42,257,780
2006	17,466,651	36,178,031	44,386,189	44,570,703	45,665,298	57,037,099	57,037,099	57,037,099	
2007	46,041,611	115,224,104	123,744,886	124,743,256	124,750,456	124,759,593	124,759,593		
2008	20,573,453	59,705,885	60,635,660	73,932,233	74,242,145	74,696,183			
2009	23,800,787	106,703,740	126,487,126	145,902,785	147,001,222				
2010	60,210,608	84,523,201	110,579,002	121,418,039					
2011	3,459,443	489,015,902	627,671,602						
2012	162,032,881	286,945,093							
2013	145,048,816								

Motor

Accident Period	Development								
	0	1	2	3	4	5	6	7	8
2005	-	8,454,997	8,976,549	8,976,549	8,976,549	8,976,549	8,976,549	8,976,549	8,976,549
2006	21,536,496	42,518,157	42,613,237	42,613,237	42,613,237	42,613,237	42,613,237	42,613,237	
2007	29,463,763	60,740,094	67,194,401	68,684,401	72,079,801	72,079,801	72,079,801		
2008	49,888,878	92,967,730	94,947,941	96,822,657	96,838,857	96,838,857			
2009	34,259,623	64,748,542	73,148,369	74,989,849	74,989,849				
2010	25,070,479	69,855,836	75,155,625	75,235,625					
2011	35,783,906	63,659,258	64,232,146						
2012	43,956,047	90,300,035							
2013	30,394,322								

Marine

Accident Period	Development								
	0	1	2	3	4	5	6	7	8
2005	-	54,357,020	54,711,170	54,711,170	54,711,170	54,711,170	54,711,170	54,711,170	54,711,170
2006	89,288,416	140,742,900	145,839,455	145,839,455	151,842,925	151,842,925	151,842,925	151,842,925	
2007	135,173,626	173,344,880	193,419,346	195,932,807	196,085,807	196,085,807	196,085,807		
2008	135,745,206	254,326,257	308,646,076	309,060,933	309,477,084	309,477,084			
2009	148,365,269	224,458,252	230,305,097	311,738,599	318,880,715				
2010	29,077,132	122,779,472	159,796,059	164,817,336					
2011	82,832,545	282,721,002	432,606,035						
2012	764,725,082	888,505,172							
2013	64,405,544								

WC

Accident Period	Development								
	0	1	2	3	4	5	6	7	8
2005	-	8,871,789	10,746,521	11,622,404	12,574,999	12,574,999	12,686,911	12,686,911	12,686,911
2006	7,011,813	21,550,571	26,712,925	28,639,925	28,916,794	29,216,794	29,216,794	29,216,794	
2007	5,825,259	25,104,457	31,589,162	32,350,045	32,999,965	33,309,905	33,309,905		
2008	8,290,757	23,485,308	33,551,716	38,022,190	39,079,767	39,079,767			
2009	5,978,273	17,101,339	30,070,500	34,547,735	35,507,035				
2010	5,652,762	42,471,584	45,849,972	48,443,436					
2011	5,131,288	23,860,325	31,864,026						
2012	14,862,873	33,698,754							
2013	8,247,342								

(d) Unearned premium reserve

	N'000	N'000
Accident	119,181	253,325
Fire	363,219	577,715
Workmen's compensation	9,353	9,926
Motor	107,601	114,493
Marine and Aviation	117,715	277,891
Engineering	21,907	74,250
Oil and Gas	77,837	12,537
Bond	-	3,251
	<u>816,813</u>	<u>1,323,388</u>

31 December 2013 **31 December 2012**

	N'000	N'000
(e) Unearned premium reserve at beginning	1,323,388	1,129,202
(Decrease)/Increase in provision during the year	<u>(506,575)</u>	<u>194,186</u>
	<u>816,813</u>	<u>1,323,388</u>

(f) Hypothecation of investments

	Insurance funds N'000	Shareholders' funds N'000	31 December 2013 N'000	31 December 2012 N'000
Cash and cash equivalents	2,449,694	-	2,449,694	1,670,851
Quoted investments	586,924	-	586,924	458,698
Unquoted investments	538,713	-	538,713	448,655
Bonds	355,998	-	355,998	426,796
Investment in finance lease	-	130,366	130,366	68,044
	<u>3,931,329</u>	<u>130,366</u>	<u>4,061,695</u>	<u>3,073,044</u>

21 Trade payables

	N'000	N'000
Due to agents	4,026	1,324
Due to brokers	73,360	105,666
Due to direct insured	121,100	71,212
Due to reinsurers	64,027	1,623
Due to insurance companies	73,920	86,152
Unexpired commission received	47,093	216,193
	<u>383,526</u>	<u>482,170</u>
Current	383,526	482,170
Non-current	-	-

22 Provisions and other payables

	N'000	N'000
Professional fees	5,000	13,343
Industrial Training fund	4,000	4,889
Audit fees	6,500	6,500
Insurance levy	18,640	20,000
Profit sharing	26,324	44,388
Other creditors	41,008	13,125
Withholding tax	26,524	13,163
VAT	55,616	55,365
	<u>183,612</u>	<u>170,773</u>
Current	183,612	170,773
Non-current	-	-

23	Borrowings	2013	2012
		N'000	N'000
	New India Assurance Company Limited (Note 23(a))	<u>500,000</u>	<u>-</u>
	Current	-	-
	Non-current	500,000	-

- (a) The New India Assurance Company Limited granted a loan of N500,000,000 to the company for the completion of the Company's seven storey building. The loan was granted at a fixed rate of 8%. The loan is for a period of 2 years with a moratorium period of a year. Repayment of principal and interest is to start from 2014 which shall be payable quarterly. However, accrued interest of nine month in the sum of N29,369,864 has been incorporated to the financial statements. The loan is secured by the title documents of one storey head office building located at Number 19, Ligali Ayorinde Street, Victoria Island, Lagos, Nigeria .

24 Retirement benefits obligation

The Company operates a funded defined benefit plan ("gratuity") for qualifying employees in Nigeria. Under the plan, the employees are entitled to retirement benefits on attainment of a retirement age of 60 or 30 years of continuous service, which ever comes first. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2013 by HR Nigeria Limited. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	31 December	31 December
	2013	2012
	%	%
Discount rate	13	14
Rate of salary increase	12	12
Rate of inflation	10	9

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows.

	2013	2012
	N'000	N'000
Balance at the beginning of the year	89,313	150,656
Current service cost	10,376	9,740
Interest cost	10,982	14,080
Benefit paid	(2,742)	(72,473)
Actuarial loss/(gain)	<u>9,029</u>	<u>(12,690)</u>
	<u>116,958</u>	<u>89,313</u>
Current	-	-
Non-current	116,958	89,313

25 **Income taxes****Taxation**

	2013 N'000	2012 N'000
i Per profit and loss account		
Income tax	165,750	184,331
Education tax	14,998	17,963
Deferred taxation	36,297	55,611
	<u>217,045</u>	<u>257,905</u>
ii Per balance sheet		
Balance at the beginning of the year	319,565	300,060
Income tax	165,750	184,331
Education tax	14,998	17,963
Payments during the year	<u>(110,496)</u>	<u>(191,587)</u>
	389,817	310,767
Information Technology Development Levy	<u>1,275</u>	<u>8,798</u>
Balance at the end of the year	<u>391,091</u>	<u>319,565</u>
iii Payments during the year:	N'000	N'000
Income tax	110,496	170,686
Education tax	-	16,702
Information Technology Development Levy	-	4,199
	<u>110,496</u>	<u>191,587</u>
iv Reconciliation of Taxes	N'000	N'000
Current tax expense		
Current tax on profit for the year:		
Income tax	165,750	184,331
Education tax	14,998	17,963
Total current tax	<u>180,748</u>	<u>202,294</u>
Deferred tax liability		
Origination and reversal of temporary differences	<u>36,297</u>	<u>55,611</u>
Total tax expense	<u>217,045</u>	<u>257,905</u>
v <u>Tax expense recognised in other comprehensive income</u>	N'000	N'000
Capital Gains Tax on Revaluation of Head Office	59,358	52,277
The reasons for the difference between the actual tax charge for the year and the standard rate of corporate tax in Nigeria applied to Profit before tax is as follows:		
Profit before tax	<u>127,484</u>	<u>879,759</u>
Expected tax charge based on the standard rate of Nigeria corporate tax at the domestic rate of 30% (2011: 30%)	38,245	263,928
Income tax as per computations	<u>165,750</u>	<u>184,331</u>
Difference (see below)	<u>(127,505)</u>	<u>79,597</u>
Profit before tax	<u>127,484</u>	<u>879,759</u>

	2013 N'000	2012 N'000
Adjustment for tax deductible and non-deductable items		
Adjusted Net Premium	667,335	611,571
Net Commission	(146,296)	35,629
Sundry Income	7,201	994
Other income taxable	222,952	254,145
Less: NITDA levy paid in 2012	(1,275)	(4,199)
Add balancing charge	-	15
Less: Balancing allowance	(9,640)	(24,603)
Less: Investment allowance	(402)	(5,133)
Less: Capital allowances	(187,374)	(253,982)
	<u>552,501</u>	<u>614,437</u>
Difference	(425,017)	265,322
Income tax @ 30%- Difference (as above)	<u>(127,505)</u>	<u>79,597</u>

26 Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

	1 January 2013 N'000	Recognised in Income statement N'000	Recognised in OCI N'000	31 December 2013 N'000
Deferred tax liabilities				
Excess of NBV over TWDV	120,957	36,297	-	157,254
Unrealised exchange gain	-	-	-	-
Revaluation surplus	52,277	-	59,358	111,635
	<u>173,234</u>	<u>36,297</u>	<u>59,358</u>	<u>268,889</u>
Deferred tax assets				
Gratuity provision	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities	<u>173,234</u>	<u>36,297</u>	<u>59,358</u>	<u>268,889</u>

27 **Share capital**i **Authorised:**

	2013 N'000	2013 N'000	2012 N'000	2012 N'000
	Number	Value	Number	Value
6,000,000,000 ordinary shares of 50 kobo per share	6,000,000	3,000,000	6,000,000	3,000,000

ii **Issued and fully paid:**

	Number	Value	Number	Value
2,508,315,437 Ordinary shares of 50k Balance at the beginning and end of the year	2,508,315	1,254,157	2,508,315	1,254,157

28 **Share premium**

	N'000	N'000
Balance at the beginning of the year	1,155,540	1,170,820
Rights issue expenses	-	(15,280)
Balance at the end of the year	1,155,540	1,155,540

29 **Statutory contingency reserve**

	N'000	N'000
Balance at the beginning of the year	1,396,026	1,252,324
Transfer from revenue reserve	126,670	143,702
Balance at the end of the year	1,522,696	1,396,026

This is maintained in compliance with sections 21(1) and (2) and 22(16) of Insurance Act CAP I17, LFN 2004.

30 **Revenue reserve**

	N'000	Restated N'000
Balance at the beginning of the year	(525,190)	(944,378)
Dividend paid	-	(50,166)
Transfer to contingency reserves	(126,670)	(143,702)
Transfer from profit or loss	(90,836)	613,056
Balance at the end of the year	(742,695)	(525,190)

31 **Actuarial valuation reserve on gratuity**

	N'000	Restated N'000
Balance at the beginning of the year	(20,028)	(32,718)
Actuarial gain - change in assumption (Note 49d(ii))	-	12,690
Actuarial loss - experience adjustment	(9,030)	-
Balance at the end of the year	(29,058)	(20,028)

32 **Reserve for available-for-sale-financial assets**

	N'000	N'000
Balance at the beginning of the year	157,928	66,487
Appreciation during the year	90,058	91,441
Balance at the end of the year	247,986	157,928

33 **Property revaluation reserve**

	N'000	N'000
Balance at the beginning of the year	470,497	-
Transfer from Property, plant and equipment: -cost (Note 18)	(671,246)	(94,130)
-accumulated depreciation (Note 18)	24,824	16,904
Revaluation amount (note 18)	1,240,000	600,000
	593,578	522,774
Capital Gain Tax (See note 26(v))	(59,358)	(52,277)
Additional revaluation surplus during the year	534,220	470,497
Balance at the end of the year	1,004,717	470,497

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		2013 N'000	2012 N'000
34	<u>Gross premium written</u>		
	Direct premium	2,398,658	3,189,610
	Inward reinsurance	1,823,680	1,600,444
		<u>4,222,338</u>	<u>4,790,054</u>
35	<u>Gross premium income</u>		
		N'000	N'000
	Unearned premium brought forward	1,323,388	1,129,202
	Premium written during the year	4,222,338	4,790,054
		<u>5,545,726</u>	<u>5,919,256</u>
	Unearned premium carried forward	(816,813)	(1,323,388)
		<u>4,728,913</u>	<u>4,595,868</u>
36	<u>Reinsurance expenses</u>		
		N'000	N'000
	Outward reinsurance	2,702,267	2,893,503
	Increase/ (decrease) in prepaid reinsurance	277,909	(143,791)
		<u>2,980,176</u>	<u>2,749,712</u>
37	<u>Claim expenses</u>		
		N'000	N'000
	Claims paid during the year	2,965,599	3,283,825
	Decrease/Increase in outstanding claims	(213,230)	1,985,286
		<u>2,752,369</u>	<u>5,269,111</u>
	Change in re-insurance assets	209,187	(2,041,875)
	Re-insurance claim recoveries	(1,814,985)	(1,658,078)
		<u>1,146,571</u>	<u>1,569,158</u>
38	<u>Acquisition expenses</u>		
		N'000	N'000
	Deferred acquisition cost beginning of year	188,783	133,400
	Commission for the year	744,319	705,471
	Gross commission	<u>933,102</u>	<u>838,871</u>
	Deferred acquisition cost end of year	(120,121)	(188,783)
		<u>812,981</u>	<u>650,088</u>

The acquisition expenses are those 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.

		Restated
	2013	2012
	N'000	N'000
39	<u>Maintenance expenses</u>	
	Salaries	211,736
	Leave encashment	5,903
	Children school fees	2,003
	Travelling	61,475
	Postage, telephone & telegrams	7,168
	Profit incentive	42,496
	Pension & Gratuity (Note 49b(ii))	71,031
	Entertainment & hotel expenses	29,828
	Motor running expenses	12,494
	Conveyance	3,339
	Staff training	46,327
	Medical	21,161
	Staff welfare	49,089
	Industrial Training Fund	3,668
	Insurance levy	21,066
	558,591	588,784
40	<u>Investment income</u>	
	Interest income	219,340
	Dividend income	27,456
	Lease rental income	179,751
	Profit on sale of shares	102,347
	396,524	528,894
	<u>Allocation</u>	
	Attributable to policy holders	189,297
	Attributable to shareholders	339,597
	396,524	528,894
41	<u>Other operating income</u>	
	Exchange gain realised	6,695
	Bad debt previously written off now recovered	-
	Recoveries on trade receivables (note 12(ii))	782,364
	Gain realised on held-for-trading financial assets	116,886
	Profit on disposal of property, plant & equipment	8
	Profit on sale of leased assets	2,138
	Sundry income	994
	313,087	909,085
42	<u>Management expenses</u>	
	Directors expenses	6,743
	Auditors fees and other expenses	6,500
	Other professional fees	4,901
	Advertisement and publicity	9,889
	Office expenses	23,091
	Subscriptions	34,249
	Residential rent, rates and other expenses	24,714
	Depreciation (restated) (note 49 b(i))	135,362
	Depreciation (note 18)	-
	Amortisation (note 16)	900
	Insurance	11,907
	Other administration expenses	23,807
	Write off of trade receivables	-
	Staff cooperative loan written off	-
	Impairment loss - claims recoverable	-
	450,036	282,063

43	Finance costs	2013 N'000	2012 N'000		
	Interest on loan	29,370	-		
44	<u>Supplementary profit and loss information</u>				
i	Profit before taxation is arrived at after charging:	N'000	N'000		
	Depreciation of property,plant and equipment	89,214	135,362		
	Auditors' fees	5,600	5,300		
	Directors' emoluments	17,646	15,260		
	and after crediting:				
	Profit on disposal of property,plant and equipment	57	8		
	Profit on sale of leased assets	789	2,138		
	Unrealised exchange gains	24,137	6,695		
ii	Staff costs:				
	Employee costs excluding executive directors during the year amounted to:	N'000	N'000		
	Wages and salaries	285,310	252,639		
	Staff welfare	26,746	49,089		
	Medical	23,950	24,829		
	Staff Training	13,109	24,490		
	Gratuity	10,276	13,161		
	Pension	36,293	45,180		
		395,684	409,388		
iii	The average number of persons employed (excluding directors) in the Company during the year was as follows:				
		Number	Number		
	Managerial	13	10		
	Senior staff	32	26		
	Junior staff	35	42		
	Total	80	78		
iv	Directors' remuneration:				
a)	Aggregate emoluments of the directors were:	N'000	N'000		
	Fees	1,500	580		
	Other emoluments	16,146	14,680		
		17,646	15,260		
b)	The emoluments of the Chairman (excluding pension contributions) totalled	300	300		
c)	The emoluments (excluding pension contributions) of the highest paid director amounted to	16,146	14,680		
v	Staff position as at the end of the year:				
		Male	Female	Total	
	<u>Category</u>				
	Executive Directors	1	-	1	
	Management (Managers & above)	7	6	12	
	Senior staff	26	6	32	
	Junior Staff	30	5	35	
		64	17	80	
vi	<u>Changes during the year 2013:</u>				
		Executive Directors	Management	Senior staff	Junior staff
	Additions	-	3	-	2
	Withdrawals	-	1	1	1
		-	2	1	1

45	<u>Basic/Diluted earnings per ordinary share</u>	2013	2012
		N'000	N'000
	Basic/Diluted earnings 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.		
	(Loss)/profit for the year attributable to shareholders (N'000)	<u>(90,836)</u>	<u>613,056</u>
	Weighted average number of ordinary shares of 50 kobo each in issue	<u>2,508,315</u>	<u>2,508,315</u>
	Basic/Diluted earnings per share (kobo)	<u>(3.62)</u>	<u>24.44</u>

46 **Related party disclosures**

(a) **Parent**

The parent company, which is also the ultimate parent company, is New India Assurance, holding 51.01% of the Company's shares. The remaining 48.99% of the shares are widely held.

Related parties	Nature of transaction	2013 N'000	2012 N'000
Chief H. B. Chanrai	Indirect Share Holding	89,282,727	89,282,727
Chief H. B. Chanrai	Direct Share Holding	<u>38,578,071</u>	<u>38,578,071</u>
		<u>127,860,798</u>	<u>127,860,798</u>
Ramesh Hathiramani	Indirect Share Holding	<u>102,896,437</u>	<u>102,896,437</u>

(b) **Transactions with Key management personnel**

The Company'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 exercises control. The key management personnel have been identified as the executive and non-executive directors of the Company. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Prestige Assurance Plc.

The summary of compensation of key management personnel for the year is, as follows:

	2013 N'000	2012 N'000
Salaries	16,146	14,680
Fees	<u>1,500</u>	<u>580</u>
Total	<u>17,646</u>	<u>15,260</u>

(c) **Transactions with related parties**

The following are related parties and their respective transaction balances as at period under review, the transactions have been carried out at arm's length.

	2013 N'000	2012 N'000
(i) Loan from New India Assurance Company Limited (Note 23a)	<u>500,000</u>	<u>-</u>

(ii) **Sale of Insurance contracts and other services**

	2013 N'000	2012 N'000
Premium received from the parent company	57,460	285,096
Claims paid to the parent company	245,631	663,786

Terms and conditions:

- (iii) Both premium received and claims paid relate to sale of insurance contracts and are transactions conducted at arm's length.

47 **Reconciliation of operating profit to cash provided by operating activities**

	N'000	N'000
a) Profit after tax	(90,836)	613,056
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	89,214	135,362
Amortisation of intangible assets	900	900
Profit on disposal of property, plant and equipment	(57)	(8)
Profit on disposal of leased assets	(789)	(2,138)
Other Investment income	(389,797)	(426,547)
Gain realized on held for trading financial assets	(122,097)	(116,886)
Exchange gain realized	-	(6,598)
Actuarial valuation of gratuity	(9,030)	12,690
Reserved of available for sale	-	-
Finance cost	-	-
	(522,492)	209,831
Changes in assets and liabilities		
(Decrease)/Increase in unearned premium	(506,575)	194,186
(Decrease)/Increase in claims provision	(213,230)	1,985,286
Increase/(decrease) in other receivables and prepayments	(57,316)	54,182
Decrease/(increase) in reinsurance assets	505,789	(2,185,666)
Decrease/(increase) in trade receivables	695,422	(670,570)
Decrease/(increase) in deferred acquisition cost	68,662	(55,383)
Decrease/(increase) in trade payables	(98,644)	179,796
Increase in provisions and other payables	12,839	48,308
(Increase)/decrease in finance lease asset	(62,322)	93,616
Increase/(decrease) in tax liabilities	71,528	(19,505)
Increase/(decrease) in retirement obligation	27,646	(61,343)
Decrease in deferred tax assets	-	21,084
Increase in deferred tax liability	36,297	79,389
Cash consumed by operating activities	(42,396)	(126,789)

- b) Cash and cash equivalents included in the statement of cashflows are represented by:

	N'000	N'000
Bank and cash balances	828,146	787,604
Deposits and placements	94,926	270,025
Bankers acceptances	1,036,622	183,222
Treasury bills	490,000	430,000
	2,449,694	1,670,851

48 **Information Technology Development**

The Nigeria Information Technology Development Agency (NITDA) Act was signed into Law on 24 April, 2007. Section 12 (2a) of the Act stipulates that, specified companies contribute 1% of their profit before tax to the Nigerian Information Technology Development Agency. In line with the Act, the Company has provided for NITDA levy at the specified rate.

49 Prior period restatement

i) Correction of depreciation over charge on property plant and equipment

In 2012, depreciation charge on leased assets was overstated to the tune of N22,828,965. As a result property plant and equipment was understated by N 22,828,965 while operating expenses was overstated by N22,828,965.

ii) Correction of treatment of actuarial gain on gratuity wrongly expensed

In 2012, actuarial gain on gratuity of N12,690,000 which should have been treated in other comprehensive income and transferred to equity was wrongly treated as administrative expenses. As a result, administrative expenses was understated by N12,690,000 while gratuity reserve was overstated by N12,690,000.

The financial statements have been restated to correct these errors. The restatements required adjustments in the statement of financial position as at 31 December 2012 and adjustments of certain items in the statement of profit or loss and other comprehensive income for the period 31 December 2012.

To this effect, the Statement of profit or loss and other comprehensive Income, Statement of financial position, statement of changes in equity and affected notes showed restated comparative information for the period ended 31 December 2012.

The details of the restatements are as follows:

2012 Restatements

a Statement of profit or loss and other comprehensive income

	N'000
Profit before tax (Previously reported)	869,620
correction of depreciation over charge	22,829
correction of gain on gratuity wrongly expensed	(12,690)
	<u>879,759</u>
Revised Information technology development levy	(8,798)
Taxation charge	(257,905)
Profit for the year (As restated)	<u><u>613,056</u></u>

b) Management expenses

	N'000
i Depreciation (Previously reported)	(158,191)
correction of depreciation over charge	22,829
Depreciation (As restated)	<u><u>(135,362)</u></u>

	N'000
ii Pension and Gratuity (Previously reported)	58,341
correction of gain on gratuity wrongly expensed	12,690
Pension and Gratuity (As restated)	<u><u>71,031</u></u>

	N'000
c) Retained Earnings (As previously reported)	(535,227)
correction of depreciation over charge	22,829
correction of gain on gratuity wrongly expensed	(12,690)
effect of correction of error on information technology development levy	(102)
	<u>10,037</u>
Retained Earnings (As restated)	<u><u>(525,190)</u></u>

d) **Statement of financial position**

i	Property plant and equipment	N'000
	Cost	858,141
	Accumulated depreciation	(815,993)
	Net book value (Previously reported)	42,148
	correction of depreciation over charge	22,829
	Net book value (As restated)	64,977
		N'000
ii	Actuarial Valuation reserve on gratuity (Previously reported)	(32,718)
	correction of gain on gratuity wrongly expensed	12,690
	Actuarial Valuation reserve on gratuity (As restated)	(20,028)

50 **Contingencies and commitments**

a) ***Legal proceedings and regulations***

The Company operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

The Company is also subject to insurance solvency regulations in all the territories where it operates and has complied with all these solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

b) ***Capital commitments and operating lease***

The Company has no capital commitments at the reporting date.

51 **Events after the 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.

52 **Contravention of laws and regulations**

The company contravened Section 49(3) of 1997 NAICOM Act and Clause 1.10E (3) of the 2011 operational guidelines and violation of section 81 NAICOM Act during the year the fine imposed has been settled totalling N2,200,000.

Penalty was imposed by The Nigerian Stock Exchange for default in returns filing amounting to N2,900,000 during the year, this has been settled.



APPENDIX TO THE FINANCIAL STATEMENTS

PRESTIGE ASSURANCE PLC

REVENUE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

	General			Workmen	Marine and	Oil &	CAR & Engineering			2013	2012
REVENUE	Fire N'000	Accident N'000	Motor N'000	Compensation N'000	Aviation N'000	Energy N'000	All risk N'000	Bond N'000	GIT N'000	N'000	N'000
Direct Premium	1,042,526	295,962	303,745	34,277	417,889	179,149	42,646	-	82,463	2,398,657	3,225,504
Inward Premium	670,680	966,554	8,270	-	122,155	35,561	20,461	-	-	1,823,681	1,564,550
Gross Premium Written	1,713,206	1,262,516	312,015	34,277	540,044	214,710	63,107	-	82,463	4,222,338	4,790,054
(Increase)/decrease in Unearned Premium	214,497	134,144	6,892	573	160,176	(65,300)	52,343	3,251	-	506,576	(194,186)
Gross Premium Earned	1,927,703	1,396,660	318,907	34,850	700,220	149,410	115,450	3,251	82,463	4,728,914	4,595,868
Outward Reinsurance	(1,377,923)	(845,897)	(23,544)	-	(365,924)	(48,841)	(40,138)	-	-	(2,702,267)	(2,893,503)
Prepaid Re-insurance	(186,832)	(89,904)	(178)	-	48,310	5,298	(54,604)	-	-	(277,910)	143,791
Net Premium Earned	362,948	460,859	295,185	34,850	382,606	105,867	20,708	3,251	82,463	1,748,737	1,846,156
Commission	307,885	287,068	1,657	-	43,172	6,547	20,356	-	-	666,685	685,717
Total income	670,833	747,927	296,842	34,850	425,778	112,414	41,064	3,251	82,463	2,415,422	2,531,873
EXPENSES											
Gross claims paid	1,575,602	420,515	76,856	41,620	525,684	233,614	34,208	-	57,500	2,965,599	3,283,825
(Decrease)/increase in outstanding claims	79,754	143,472	7,440	27,636	(177,082)	(249,935)	22,904	-	(67,419)	(213,230)	1,985,286
Gross claims expenses	1,655,356	563,987	84,296	69,256	348,602	(16,321)	57,112	-	(9,919)	2,752,369	5,269,111
Movement in outstanding claims recoverables from reinsurance	(211,569)	(101,330)	116	-	236,415	292,564	(7,009)	-	-	209,187	(2,041,875)
Reinsurance claims recoveries	(979,615)	(357,570)	-	-	(462,490)	(10,000)	(5,310)	-	-	(1,814,985)	(1,658,078)
Reinsurance share of Outstanding claim											-
Net claims expenses	464,172	105,087	84,412	69,256	122,527	266,243	44,793	-	(9,919)	1,146,571	1,569,158
Acquisition cost	304,888	318,161	23,285	3,505	99,961	29,896	22,951	71	10,263	812,981	650,088
Maintenance cost	226,647	167,024	41,278	4,535	71,445	28,405	8,349	-	10,909	558,591	588,784
Total expenses	995,707	590,272	148,975	77,296	293,933	324,544	76,093	71	11,253	2,518,143	2,808,030
Underwriting (loss)/profit	(324,874)	157,655	147,867	(42,446)	131,845	(212,130)	(35,029)	3,180	71,210	(102,721)	(276,157)

PRESTIGE ASSURANCE PLC

FINANCIAL STATEMENTS, 31 DECEMBER 2013

STATEMENT OF VALUE ADDED

	2013 N'000		2012 N'000	
Gross premium income	4,728,913		4,595,868	
Other income - Local	<u>313,087</u>		<u>909,085</u>	
	<u>5,042,000</u>		<u>5,504,953</u>	
Reinsurance, claims, commission and services - local	<u>(4,304,223)</u>		<u>(3,922,711)</u>	
Value added	<u>737,777</u>	<u>100</u>	<u>1,582,242</u>	<u>100</u>
Value added as a percentage of gross premium		<u>16%</u>	<u>34%</u>	
Applied as follows:				
To pay employees:				
Salaries and other employees' benefits	395,684	54	409,388	26
To pay government:				
Taxation	217,045	29	257,905	16
Retained for replacement of assets and expansion of business:				
Depreciation	89,214	12	158,191	10
Contingency reserve	126,670	17	143,702	9
Result for the year	<u>(90,836)</u>	<u>(12)</u>	<u>613,056</u>	<u>39</u>
Value added	<u>737,777</u>	<u>100</u>	<u>1,582,242</u>	<u>100</u>

PRESTIGE ASSURANCE PLC

FINANCIAL STATEMENTS, 31 December 2013

FIVE YEAR FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION

	IFRS Compliance				NGAAP
	2013	2012	2011	2010	2009
	N	N	N	N	N
ASSETS					
Cash and cash equivalents	2,449,694	1,670,851	1,722,182	2,557,583	2,743,331
Financial assets (investments)	1,481,635	1,334,149	1,270,800	1,062,684	1,016,941
Trade receivables	222	695,644	244,136	208,597	1,307,473
Other receivables and prepayments	123,152	65,836	120,018	127,441	539,720
Reinsurance assets	3,168,227	3,674,016	1,269,288	1,114,773	303,771
Deferred acquisition cost	120,121	188,783	133,400	137,974	118,504
Deferred tax assets	-	-	28,499	-	-
Intangible assets	6,300	7,200	8,100	-	-
Investment in finance lease	130,366	68,044	161,660	-	-
Property, plant and equipment	2,354,776	1,716,341	895,416	917,054	608,196
Statutory deposit with CBN	300,000	300,000	300,000	300,000	300,000
	<u>10,134,493</u>	<u>9,720,864</u>	<u>6,153,499</u>	<u>6,426,106</u>	<u>6,937,936</u>
LIABILITIES					
Insurance contract liabilities	3,877,074	4,596,879	2,417,407	1,860,147	1,471,348
Trade payables	383,526	482,170	302,374	762,729	296,493
Provisions and other payables	183,612	170,773	122,465	247,452	473,086
Borrowings	500,000	-	-	-	-
Retirement obligations	116,958	89,313	150,656	111,095	-
Income tax liability	391,091	319,565	300,060	316,553	289,154
Deferred taxation	268,889	173,234	93,845	92,197	64,134
	<u>5,721,150</u>	<u>5,831,934</u>	<u>3,386,807</u>	<u>3,390,173</u>	<u>2,594,215</u>
EQUITY					
Share capital	1,254,157	1,254,157	1,254,157	1,074,992	1,074,992
Share premium	1,155,540	1,155,540	1,170,820	1,170,820	1,349,986
Statutory contingency reserve	1,522,696	1,396,026	1,252,324	1,124,122	957,948
Revenue reserve	(742,695)	(525,190)	(944,378)	(513,166)	960,795
Reserve on actuarial valuation of gratuity	(29,058)	(20,028)	(32,718)	-	-
Equity revaluation reserves	247,986	157,928	66,487	-	-
Property revaluation reserve	1,004,717	470,497	-	-	-
Bonus issue reserve	-	-	-	179,165	-
	<u>4,413,343</u>	<u>3,888,930</u>	<u>2,766,692</u>	<u>3,035,933</u>	<u>4,343,721</u>
	<u>10,134,493</u>	<u>9,720,864</u>	<u>6,153,499</u>	<u>6,426,106</u>	<u>6,937,936</u>
INCOME STATEMENT					
Gross premium written	4,222,338	4,790,054	4,273,386	3,874,452	3,445,447
Net premium income	1,748,737	1,846,156	1,307,101	1,864,567	1,655,870
Profit before taxation	127,484	879,759	156,858	822,561	864,682
Information Technology Development Levy	(1,275)	(8,798)	(1,569)	(8,226)	(8,647)
Taxation	(217,045)	(257,905)	(189,978)	(334,862)	(271,610)
(Loss)/profit after taxation	<u>(90,836)</u>	<u>613,056</u>	<u>(34,689)</u>	<u>479,473</u>	<u>584,425</u>
Dividend	-	-	50,166	128,999	214,998
Basic (loss)/earnings per share (kobo)	<u>(3.62)</u>	<u>24.44</u>	<u>(1.38)</u>	<u>22.30</u>	<u>27.58</u>
Net assets per share (kobo)	<u>176</u>	<u>155</u>	<u>110</u>	<u>141</u>	<u>202</u>

Premium received from policy holders

Trade receivables b/f	695,644	244,136
Trade receivables c/f	(222)	(914,706)
Premium income	<u>4,222,338</u>	<u>4,790,054</u>
	<u>4,917,760</u>	<u>4,119,484</u>

2013

2012

Operating costs and payments to employees

Creditors b/f	(482,170)	(302,374)
Creditors c/f	383,526	482,170
Provisions and other payables b/f	(170,773)	(122,465)
Provisions and other payables c/f	183,612	170,773
Insurance contract liabilities b/f-Unearned pre	(1,323,388)	(1,129,202)
Insurance contract liabilities c/f-Unearned pre	816,813	1,323,388
Unearned premium	506,575	(194,186)
Other receivables b/f	65,836	120,018
Other receivables c/f	(133,781)	(65,836)
Reinsurance receivables b/f-Prepaid	721,930	578,139
Reinsurance receivables c/f-Prepaid	(444,023)	(721,930)
Deferred acquisition cost b/f	188,783	133,400
Deferred acquisition cost c/f	(120,121)	(188,783)
Investment in finance lease b/f	68,044	161,660
Investment in finance lease c/f	(130,366)	(68,044)
Retirement benefits obligation	(89,313)	(150,656)
Retirement benefits obligation	116,958	89,313

Reinsurance expenses	(2,980,176)	(2,749,712)
Acquisition expenses	(812,981)	(650,088)
Maintenance expenses	(558,591)	(588,784)
Impairment loss on trade receivables	-	-
Management expenses	(450,036)	(282,063)
Investment income	6,727	101,601

Adjustment for non cash items

Depreciation charge on PPE	89,214	135,362
Amortisation charge-Intangible assets	900	900
Gain realised on held on trading assets	(122,095)	(116,886)
Actuarial valuation for gratuity	(9,030)	12,690
Profit on sale of PPE	(846)	(2,146)
Interest charges	(29,370)	-
Impairment charge on reinsurance assets	-	-
Allowance for credit losses - staff coopera	10,629	
Allowance for credit losses - claims recove	18,695	
	<u>(4,678,818)</u>	<u>(4,023,741)</u>